

PHOENIX FOOTWEAR GROUP INC

Form DEF 14A

April 21, 2005

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**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549**

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of the Securities
Exchange Act of 1934 (Amendment No.)

Filed by the Registrant
Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material Pursuant to §240.14a-12

Phoenix Footwear Group, 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.

1) Title of each class of securities to which transaction applies:

2) Aggregate number of securities to which transaction applies:

3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

4) Proposed maximum aggregate value of transaction:

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- o Fee paid previously with preliminary materials.

- o Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

- 1) Amount Previously Paid:

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

- 3) Filing Party:

- 4) Date Filed:

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PHOENIX FOOTWEAR GROUP, INC.
5759 Fleet Street, Suite 220
Carlsbad, California 92008
NOTICE OF ANNUAL MEETING OF STOCKHOLDERS
To Be Held May 18, 2005

The Annual Meeting of Stockholders of Phoenix Footwear Group, Inc. (Phoenix or the Company) will be held at Company headquarters, 5759 Fleet Street, Suite 220, Carlsbad, California 92008 on Wednesday, May 18, 2005, at 9:00 A.M., for the following purposes:

1. To elect eight persons to the Board of Directors of the Company.
2. To transact such other business as may properly come before the meeting.

Stockholders of record as of the close of business on March 28, 2005 are entitled to notice of and to vote at the meeting and at any adjournment thereof.

By order of the Board of Directors

KENNETH WOLF,
Secretary

April 18, 2005

A form of proxy and a return envelope are enclosed for the use of Stockholders. It is requested that you fill in, date and sign the enclosed proxy and return it in the enclosed envelope even if you plan to attend the meeting in Carlsbad, California on May 18, 2005.

PHOENIX FOOTWEAR GROUP, INC.
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**PHOENIX FOOTWEAR GROUP, INC.
5759 Fleet Street, Suite 220
Carlsbad, California 92008
PROXY STATEMENT
For The Annual Meeting Of Stockholders
To Be Held May 18, 2005**

This Proxy Statement is furnished in connection with the solicitation of proxies by the Board of Directors of Phoenix Footwear Group, Inc., a corporation organized under the laws of the State of Delaware (the Company or Phoenix), for use at the Annual Meeting of Stockholders of the Company to be held on Wednesday, May 18, 2004, at 9:00 A.M. at Company headquarters, 5759 Fleet Street, Suite 220, Carlsbad, California 92008, together with any and all adjournments thereof. This Proxy Statement, Phoenix's Annual Report on Form 10-K for the fiscal year ended January 1, 2005 filed with the Securities Exchange Commission (the SEC) and the enclosed proxy will first be sent or given to stockholders on or about April 18, 2005. You may also obtain a copy of the Company's Annual Report on Form 10-K without charge upon written request submitted to Phoenix Footwear Group, Inc., c/o Kenneth Wolf, Chief Financial Officer, Treasurer and Secretary, 5759 Fleet Street, Suite 220, Carlsbad, California 92008 or, without charge, at the SEC's Internet site (<http://www.sec.gov>).

SOLICITATION AND VOTING

The close of business on March 28, 2005 has been fixed as the record date for the determination of stockholders entitled to notice of, and to vote at, the meeting and at any adjournment. Each stockholder shall be entitled to one vote for each share held of record in his or her name on that date. There were outstanding on the record date 7,908,490 shares of Common Stock, \$.01 par value per share, of the Company, being the only class of stock of the Company issued and outstanding and entitled to vote at the meeting.

The enclosed proxy is solicited by and on behalf of the Board of Directors of the Company, which has designated the nominees for directors listed below. A stockholder giving such proxy has the right to revoke it at the meeting or at any time prior thereto. All shares represented by proxies in the form enclosed herewith will be voted at the meeting and at any adjournments in accordance with the terms of such proxies, provided such proxies appear to be valid and to have been executed by stockholders of record entitled to vote at the meeting and have not previously been revoked. If no contrary instructions are given, the persons named in the proxy will vote FOR the eight nominees described on the following pages.

As of the date of this Proxy Statement, the Board of Directors does not know of any matters not specifically referred to in this Proxy Statement which may come before the meeting. The deadline under Phoenix's By-Laws for stockholders to notify the Company of any director nominations or proposals to be presented at the Annual Meeting has passed. If any other business should properly come before the Annual Meeting, the persons appointed by the enclosed form of proxy shall have discretionary authority to vote all such proxies, as they shall decide.

In order to conduct any business at the Annual Meeting, a quorum must be present in person or represented by valid proxy. The By-Laws of the Company provide that a majority of the outstanding shares of Common Stock entitled to vote, present in person or represented by proxy at the meeting, constitutes a quorum. Directors will be elected at the Annual Meeting by a plurality of the votes cast. The affirmative vote of a majority of the shares present shall be required to pass any other proposal properly presented at the meeting.

Abstention may not be specified on the proposal relating to the election of directors. Shares which abstain from voting on any other matter which is properly presented shall be included for purposes of determining the presence of a quorum, but shall be excluded in tabulating votes cast for or against any proposal to which the abstention pertains. Votes that are withheld with respect to any proposal will be excluded entirely from the vote taken for the proposal and will not be counted as present for purposes of the vote on such matter.

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If you hold your shares in street name through a broker or other nominee, your broker or nominee may not be permitted to exercise voting discretion with respect to some of the matters to be acted upon. Thus, if you do not give your broker or nominee specific instructions, your shares may not be voted on those matters and will not be counted in determining the number of shares necessary for approval. Shares represented by such broker non-votes, however, will be counted in determining whether there is a quorum.

All costs of preparing, assembling and mailing the enclosed proxy material, and any additional material which may hereafter be sent in connection with the solicitation and collection of the enclosed proxy, will be paid by the Company and no part will be paid directly or indirectly by any other person. Solicitation of proxies may be made by personal interview, mail, telephone or telecopier by officers and regular employees of the Company but no additional compensation will be paid them for the time so employed.

PROPOSAL 1 ELECTION OF DIRECTORS

The size of the Board of Directors is set at nine directors. Greg Tunney resigned from the Board of Directors on February 28, 2005 and a replacement director has not yet been identified. The Board of Directors has nominated the eight persons listed below to be elected to the Board of Directors at the Annual Meeting and has not nominated anyone to fill the vacancy created by Mr. Tunney's resignation. The Nominating and Governance Committee has recommended to the Board of Directors each of the eight nominees. The proxies given for the Annual Meeting may not be voted for more than eight directors. If elected, each nominee will hold office until the Annual Meeting to be held in 2006, and until his successor is elected and shall qualify.

The Board of Directors has affirmatively determined that Messrs. DePerrior, Harden, Kratzer, Port and Robbins, constituting a majority of the nominees, are independent, as defined in the corporate governance rules of the American Stock Exchange.

The following biographies set forth certain information with respect to the nominees for election as directors of the Company, none of whom is related to any other nominee or executive officer. All of the nominees were previously elected to the Board of Directors.

JAMES R. RIEDMAN, Age: 45

James R. Riedman has been on our board of directors since 1993 and has been Chairman of our board of directors since 1996. He served as our Chief Executive Officer from 1996 to June 15, 2004. Mr. Riedman is the President and a director of Riedman Corporation, a holding company that, until January 2000, included a commercial insurance agency that obtained property and casualty insurance coverage for us. Mr. Riedman is also a director of Harris Interactive Inc., a leading market research firm (*NASDAQ:HPOL*).

RICHARD E. WHITE, Age: 52

Richard E. White has been on our board of directors since May 11, 2004 and has served as our Chief Executive Officer since July 15, 2004. From 2002 until joining Phoenix, Mr. White acted as a consultant to trade associations. From 1999 to 2002 he was President and Chief Executive Officer of Reed Exhibitions North America, the largest business-to-business event organizing company in North America. From 1997 to 1999 he was General Manager, Subsidiary Brands, of three of Nike Inc.'s four subsidiary companies, including Cole Haan and Bauer-Nike Hockey. Mr. White was employed for 15 years as President and Chief Executive Officer of Major League Baseball Properties, Inc. and served as President and Chief Executive Officer for seven of those years.

STEVEN M. DEPERRIOR, Age: 46

Steven M. DePerrior has been on our board of directors since 1996. For more than the past five years, Mr. DePerrior has been employed with the Burke Group, an employee benefits administration and compensation consulting firm which provides services to us, as a record keeper. From 1997 until its sale in 2001, Mr. DePerrior was a principal in the Burke Group.

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GREGORY M. HARDEN, Age: 49

Gregory M. Harden has been on our board of directors since 1996. For more than the past five years he has served as President and Chief Executive Officer of Harden Furniture Co., Inc., a furniture manufacturer in McConnellsville, New York. Mr. Harden also serves on the board of directors of Oneida, Ltd. (*NYSE:ONEI.OB*).

JOHN C. KRATZER, Age: 42

John C. Kratzer was elected to our board of directors in November 2003. He has been President and Chief Executive Officer of JMI Realty, Inc., a vertically-integrated private real estate investment and development company based in San Diego, California, since 1998. Prior to that (from 1995 to 1997), he was founder and Chief Operating Officer of Homegate Hospitality, Inc., a publicly traded company that ultimately merged with Prime Hospitality (*NYSE:PDQ*), where he directed operations for the development and construction of hotel properties.

WILHELM PFANDER, Age: 66

Wilhelm Pfander leads our development of footwear and outsourcing activities. He has been a director of our company since April 2000 and Senior Vice President Sourcing and Development since February 2000. For more than five years prior to that, he was Vice President Manufacturing and Product Development at Penobscot Shoe Company which we acquired in 2000.

FREDERICK R. PORT, Age: 63

Frederick R. Port has served on our board of directors since May 11, 2004. Mr. Port mentors startup and maturing companies, global and domestic, with emphasis on strategy, transition management, acquisition and integration, and executive organization and recruiting. From 1995 to 2000, he served as a director of Callaway Golf (*NYSE:ELY*) and as President of Callaway Golf International. Prior to that (from 1993 to 1995) he was Managing Director of Korn/Ferry International and President (from 1987 to 1992) of the Owl Companies, a private multiple-industry holding company.

JOHN M. ROBBINS, Age: 57

John M. Robbins has served on our board of directors since May 11, 2004. Mr. Robbins is Chairman and Chief Executive Officer of American Residential Investment Trust (*AMX:INV*), which he co-founded in 1997, and American Mortgage Network, a subsidiary of American Residential Investment Trust founded in 2001. Formerly (from 1983 to 1994), Mr. Robbins was Chairman and Chief Executive Officer of American Residential Mortgage (*NASDQ:AMRS*), one of the nation's largest mortgage banking firms prior to its sale to Chase Manhattan Bank in 1994. Mr. Robbins is a director of Garden Fresh Restaurant Corporation (*NASDQ:LTUS*) and a Trustee of the University of San Diego.

A stockholder using the enclosed form of proxy may authorize the persons named in the proxy to vote for all or any of the above named nominees or may withhold from said persons authority to vote for all or any of such nominees. **The Board of Directors unanimously recommends a vote FOR the nominees named above.** If, for any reason, any of the nominees named above should not be available for election as contemplated, it is the intention of the persons named in the proxy to vote for such other person or persons, if any, as the Board of Directors may recommend. The Board of Directors has no reason to believe any nominees will be unavailable.

A. Meetings of Board and Committees

The Board of Directors held five meetings during 2004. Each of the incumbent directors attended more than 75% of the total number of meetings of the Board of Directors and any committee on which he served. The Company has no policy regarding the attendance of directors at annual stockholder meetings. At the 2004 annual meeting of stockholders, each of the incumbent directors and the then nominees for election to the Board attended the meeting.

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The Board has an *Executive Committee* whose function is to act when the full Board of Directors is unavailable. It has the authority of the Board in the management of the business and affairs of the Company, except those powers that cannot be delegated by the Board of Directors by law. Messrs. Riedman, White, Harden and DePerrior are members of the Committee. The Executive Committee did not meet in 2004.

The Board has a *Compensation Committee* whose function is to review and recommend to the Board for determination executive compensation, including salary, bonus, grant of stock options under the Company's 2001 Long-Term Incentive Plan, and matters relating to the Company's benefit plans. The members of the Compensation Committee at the end of 2004 were Messrs. Kratzer, DePerrior and Port, each of whom is independent as defined in AMEX listing standards. The Compensation Committee met three times during 2004.

The Board has a *Retirement Plan Committee* to administer its Retirement Savings Partnership Plan. Messrs. Riedman and DePerrior are members of the Committee, which met twice during 2004.

In considering whether to nominate a candidate for election to the Board, each candidate's qualifications are considered in their entirety. The Board has no minimum qualifications that nominees must meet in order to be considered for election as a director.

The Board has a *Nominating and Governance Committee* whose function is to make recommendations to the Board in identifying individuals qualified to become Board members and to recommend to the Board nominees for election to the Board; to assist the Board in establishing and implementing an effective corporate governance policy; to recommend appropriate committee charters; to lead the Board in its annual review of the Board's performance, and to recommend to the Board director nominees for each committee. Each of the Committee members are independent as defined in AMEX listing standards. A copy of the Nominating and Governance Committee Charter was an attachment to last year's proxy statement dated April 12, 2004, a definitive copy of which was filed with the SEC. The Nominating and Governance Committee did not meet in 2004.

In identifying and recommending to the Board of Directors individuals qualified to become board members, the Nominating and Governance Committee members take into account all factors they consider appropriate, which may include experience, accomplishments, education, understanding of the business and the industry in which it operates, specific skills, general business acumen and the highest personal and professional integrity. Generally, the Committee will first consider current board members because they meet the criteria listed above and possess an in depth knowledge of the company, its history, strengths, weaknesses, goals and objectives. Before nominating a sitting director for re-election at the annual meeting, however, the Committee will consider the director's performance on the Board.

When seeking candidates for director, the Committee may solicit suggestions from incumbent directors, management or others. After conducting an initial evaluation and considering the candidate suitable, the Committee will interview the candidate and will ask the candidate to meet with other directors and management. If the Committee believes the candidate would be a valuable addition to the Board, it will recommend to the full Board that candidate's election.

The Nominating and Governance Committee will consider director candidates recommended by stockholders who comply with the timing, procedures and information requirements of Section 1.11 of the Company's By-laws, the text of which is set forth in Appendix A to this Proxy Statement. In considering such candidates, the Committee will take into account the factors listed above together with the size and composition of the existing Board and potential conflicts of interest or legal considerations.

The Board also has an *Audit Committee* whose function is retaining the Company's independent registered public accountants, reviewing their independence, reviewing and pre-approving any non-audit services that they may perform, reviewing the adequacy of accounting and financial controls, reviewing the Company's critical accounting policies and reviewing and approving any related party transactions. Committee members at the end of 2004 were Messrs. Harden, Robbins and Port, each of whom was determined by the Board to be independent as defined in AMEX listing standards. The Audit Committee met four times during 2004.

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In accordance with the requirements of AMEX, the Board has designated Gregory Harden, Chairman of the Audit Committee, as its Financial Expert. However, as specified by the SEC, such designation does not impose on him any duties, obligations or liabilities that are greater than the duties, obligations and liability imposed on him as a member of the Audit Committee and the Board of Directors in the absence of such designation; nor does it affect the duties, obligations or liability of any other member of the Audit Committee or the Board.

Notwithstanding anything to the contrary set forth in the Company's filings under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, that might incorporate this proxy statement, in whole or in part, the Compensation Committee Report, Audit Committee Report and Performance Graph contained in this proxy statement shall not be incorporated by reference into any such filings.

B. Compensation of Directors

The 2004 annual retainer for each Director who is not an officer of the Company was \$25,000 plus an additional \$5,000 for each director holding a committee chair position and an option to purchase 15,000 shares of Common Stock, awarded at the annual meeting of directors or when elected to the Board, with an exercise price equal to the market price of the Company's stock on that date. Fifty percent of the director options vests immediately and the balance vests equally on the first and second anniversary of the date of grant, if the option holder continues to be a director on those dates.

C. Stock Ownership of Certain Beneficial Owners and Management

The following table sets forth certain information with respect to the beneficial ownership of the Company's Common Stock by each beneficial owner known by the Company to own more than 5% of the Common Stock, each current director, each nominee for director, the Chief Executive Officer of the Company, the four most highly compensated executive officers other than the CEO (including former President and Chief Operating Officer Greg Tunney) and all current directors, nominees for director and executive officers of the Company as a group, as of March 15, 2005, including shares which underlie options which can be exercised within 60 days. All share amounts reflect the two-for-one split of the Company's Common Stock which occurred at the close of business on June 12, 2003. On February 24, 2005, the Compensation Committee approved the acceleration of the vesting of options to purchase 440,000 shares of common stock held by certain participants in the Company's 2001 Long-Term Incentive Plan. Except as indicated below, and subject to applicable community property laws, each owner has sole voting and sole investment power with respect to the stock listed.

Name of Beneficial Owner	Amount and Nature of Beneficial Ownership ⁽¹⁾⁽²⁾⁽³⁾	Percent of Class
Executive Officers, Directors, and Nominees		
James R. Riedman ⁽⁴⁾	2,812,545	33.2%
Richard E. White	215,000	2.6%
Greg A. Tunney	217,435	2.7%
Kenneth E. Wolf ⁽⁵⁾	117,344	1.5%
Wilhelm Pfander	47,413	*
Francisco Morales	54,482	*
Steven M. DePerrior ⁽⁶⁾	782,141	9.9%

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Name of Beneficial Owner	Amount and Nature of Beneficial Ownership ⁽¹⁾⁽²⁾⁽³⁾	Percent of Class
Gregory M. Harden	39,398	*
John C. Kratzer	25,000	*
Frederick R. Port ⁽⁷⁾	15,700	*
John M. Robbins	18,500	*
All current directors and executive officers as a group (10 persons)	3,532,953	38.9%
Beneficial Owners of 5% or more		
Riedman Corporation	632,710	7.8%
Retirement Committee of the Phoenix Footwear Group, Inc.		
Retirement Savings Partnership Plan ⁽⁸⁾	745,743	9.4%
AW Investment Company ⁽⁹⁾	493,500	6.2%
Austin W. Marx ⁽⁹⁾	493,500	6.2%
David M. Greenhouse ⁽⁹⁾	493,500	6.2%
Harrison Trask	393,133	5.0%

* Less than 1% of our outstanding common stock.

(1) Unless otherwise noted, each person has sole voting and dispositive power with respect to all shares of common stock beneficially owned.

(2) Includes shares issuable upon the exercise of outstanding stock options as follows:

James R. Riedman	310,084
Richard E. White	215,000
Greg A. Tunney	114,754
Kenneth E. Wolf	83,333
Wilhelm Pfander	20,000
Francisco Morales	50,000
Steven M. DePerrior	35,398
Gregory M. Harden	35,398
John C. Kratzer	25,000
Frederick R. Port	15,000
John M. Robbins	15,000
All current directors and officers as a group (10 persons)	918,967
Riedman Corporation	250,000

(3) Includes shares held in such person's account under our 401(k) Plan over which, by the terms of the plan, each has investment control, but not voting control:

James R. Riedman	9,794
Greg A. Tunney	36,276
Kenneth E. Wolf	9,091

Wilhelm Pfander	17,413
Francisco Morales	3,482

- (4) Includes the following shares of which Mr. Riedman disclaims beneficial ownership: shares beneficially owned by Riedman Corporation, of which Mr. Riedman is President and director and a shareholder, shares owned by his children; shares held by an affiliated entity; and 745,743 shares held by our 401(k) Plan, including those shares allocated to his account. Mr. Riedman is a member of our board of directors retirement plan committee, which serves as fiduciary for the 401(k) Plan, and through that

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committee he shares voting control over such shares, and shares investment control over shares not yet allocated to plan participants.

- (5) Includes 920 shares owned by family members, as to which Mr. Wolf disclaims beneficial ownership.
- (6) Includes 745,743 shares held by our 401(k) Plan. Mr. DePerrior is a member of our board of directors' retirement committee, which serves as fiduciary for the 401(k) Plan, and through that committee he shares voting control over such shares, and shares investment control over shares not yet allocated to plan participants.
- (7) Shares held by the Frederick and Linda Port Family Trust dated February 23, 2000, of which Mr. Port serves as trustee.
- (8) The members of our board of directors' retirement committee, which serves as fiduciary for our 401(k) plan, share voting control over these shares, and share investment control over shares not yet allocated to plan participants. The plan's mailing address is c/o Phoenix Footwear Group, Inc., 5759 Fleet Street, Suite 220, Carlsbad, California 92008.
- (9) Based solely on the Schedule 13G filed by Austin W. Marx and David M. Greenhouse with the SEC on February 8, 2005. The Schedule 13G reports that Messrs. Marx and Greenhouse are the controlling principals of AWM Investment Company, Inc., (AWM), and that AWM is the general partner of MGP Advisers Limited Partnership (MGP) and together with AWM, the Investment Advisors. It further reports that AWM is the general partner and investment advisor to the Special Situations Cayman Fund, L.P. (the Cayman Fund) and that MGP is the general partner of and investment advisor to Special Situations III, L.P., (Special Situations Fund III) and together with the Cayman Fund, the Special Situation Funds. Each of the Special Situations Funds and the Investment Advisors has sole voting and dispositive power over the shares of Common Stock which are respectively beneficially owned by each such fund or advisor, as applicable. Messrs. Marx and Austin have shared voting and dispositive power over the Company's common stock held by the Special Situations Funds. The Cayman Fund holds 132,500 shares of the Company's common stock and Special Situations Fund III holds 361,500 shares of the Company's common stock.

D. Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Securities Exchange Act of 1934 requires the Company's directors and executive officers and persons who hold more than 10% of its Common Stock to file with the Securities and Exchange Commission (the SEC) reports of ownership and changes in ownership of Common Stock. Officers, directors and greater-than-10% stockholders are required by SEC regulation to furnish the Company with copies of all Section 16(a) forms they file.

Based solely on review of the copies of such reports furnished to the Company and written representations that no other reports were required, the Company believes that, with respect to its 2004 fiscal year, all filing requirements applicable to the Company's officers, directors and greater-than-10% stockholders were complied with, except that Messrs. Riedman and Robbins. made late filings of Form 4 with respect to separate purchases of the Company's common stock in the amount of 20,000 shares and 1,000 shares, respectively.

E. Communications With Directors

Stockholders who wish to communicate with the Board or any individual director can write to:

Phoenix Footwear Group, Inc.

Board Administration

5759 Fleet Street, Suite 220

Carlsbad, California 92008

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The letter should indicate that the sender is a stockholder. Depending on the subject matter, Management will:

forward the letter to the director or directors to whom it is addressed;

attempt to handle the matter directly (as where information about the Company or its stock is requested); or

not forward the letter if it is primarily commercial in nature or relates to an improper or irrelevant topic.

A summary of all communications that were received since the last meeting and were not forwarded will be presented at each Board meeting along with any specific communication requested by a director.

Executive Officers

In addition to Mr. Riedman, Mr. White and Mr. Pfander who are also directors, the Company's executive officers are as follows:

Kenneth E. Wolf – Chief Financial Officer, Treasurer and Secretary. Prior to joining the Company on February 1, 2003, Mr. Wolf was employed as Senior Vice President, Finance & Controller of Callaway Golf Company (NYSE) where he worked for nine years. Mr. Wolf is 44 years of age and a certified public accountant.

Francisco Morales – President of our Royal Robbins subsidiary. He has served in that capacity since October 2002. Prior to that time he served as Director of Product Development and Packaging in 2002 for Dick's Sporting Goods, Inc., and was their Manager of Product Development from 2000 to 2002. Mr. Morales was the Textile Sourcing Manager for LL Bean, Inc., in fiscal 2000, and a raw materials engineer with them from fiscal 1998 to fiscal 2000. Mr. Morales is 31 years of age.

COMPENSATION OF DIRECTORS AND EXECUTIVE OFFICERS**A. Summary Compensation Table**

The following table discloses compensation received by Phoenix's Chief Executive Officer and the next four most highly paid executive officers during 2004, which exceeded \$100,000 (the Named Executive Officers), for the three fiscal years ended December 31, 2002, December 27, 2003 and January 1, 2005.

Summary Compensation Table

Name and Principal Position	Year	Annual Compensation			Long-Term Compensation
		Salary	Bonus	Other Annual Compensation	Securities Underlying Options
James R. Riedman (Chairman) ⁽¹⁾	2004	\$ 325,000		\$ 39,509 ⁽⁴⁾⁽⁵⁾	104,742
	2003	\$ 186,058			66,666
	2002	\$ 85,000			10,000
Richard E. White (Chief Executive Officer) ⁽²⁾	2004	\$ 269,231			215,000
Greg A. Tunney (Former President & COO) ⁽³⁾	2004	\$ 275,000	\$ 50,000	\$ 39,509 ⁽⁴⁾⁽⁵⁾	81,159
	2003	\$ 225,204	\$ 20,028	\$ 27,043 ⁽⁴⁾	
	2002	\$ 200,280	\$ 58,084		50,000
Kenneth E. Wolf (CFO, Treasurer & Secretary)	2004	\$ 180,000	\$ 30,000	30,476 ⁽⁴⁾	50,000
	2003	\$ 135,589			50,000
Francisco Morales (President Royal Robbins) ⁽⁶⁾	2004	\$ 160,000		27,090 ⁽⁴⁾	
	2003	\$ 24,615			50,000

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- (1) Mr. Riedman became our full-time employee on March 1, 2003 with an annual salary of \$225,000. Effective January 1, 2004, his salary was increased to \$325,000 annually. Effective June 15, 2004, Mr. Riedman resigned as Chief Executive Officer, but continued to serve as the Chairman of the Board at the same annual salary.
- (2) Mr. White became a director of the Company on May 11, 2004 and our Chief Executive Officer on June 15, 2004. Upon being elected as a director of the Company Mr. White received director options for the purchase of up to 15,000 shares at an exercise price of \$13.33 per share. Upon becoming Chief Executive Officer Mr. White received options for the purchase of up to 200,000 shares at an exercise price of \$11.40 per share. His employment agreement also provides he is eligible to receive options for up to an additional 185,000 shares in 2005 and 100,000 shares in 2006.
- (3) Mr. Tunney resigned as President and Chief Operating Officer February 28, 2004.
- (4) Represents the value of other compensation earned through the annual allocation of shares to our 401(k) plan.
- (5) Includes other compensation of \$4,800 for auto allowance.
- (6) Mr. Morales joined the Company on October 31, 2003 in connection with our acquisition of Royal Robbins, Inc.

B. Equity Compensation Plan Information

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity comp plans (excluding (a))
	(a)	(b)	(c)
Equity compensation plans approved by stockholders ⁽¹⁾	1,082,000	\$ 7.53	397,000
Equity compensation plans not approved by stockholders ⁽²⁾	448,000	\$ 3.51	
Total	1,530,000	\$ 6.35	397,000

- (1) Consists of the following plans: 2001 Long-Term Incentive Plan and the 1995 Stock Incentive Plan. No shares are available for grant under the 1995 Stock Incentive Plan at January 1, 2005. The 2001 Long-Term Incentive Plan permits the award of stock options, restricted stock and various other stock-based awards.
- (2) Consists of a) options to purchase 398,000 shares of common stock granted to James R. Riedman and Riedman Corporation at a weighted average exercise price of \$2.07 per share in connection with financial guaranties and

loans granted to us; and b) outstanding underwriter warrants to purchase up to 50,000 shares at an exercise price of \$15.00 per share issued in July 2004 in connection with our follow-on public offering.

Table of Contents**C. Option Grants in Last Fiscal Year**

Name	Number of Shares Underlying Options Granted	Percent of Total Options Granted to Employees in Fiscal Year ⁽¹⁾	Exercise Price Per Share	Expiration Date ⁽²⁾	Potential Realizable Value at Assumed Annual Rates of Stock Price Appreciation for Option Term	
					5%	10%
James A. Riedman	104,742	17%	\$ 8.91	2/5/2009	\$ 586,917	\$ 1,487,362
Richard E. White ⁽³⁾	200,000	33%	\$ 11.40	6/15/2014	\$ 1,333,880	\$ 3,633,733
Richard E. White ⁽⁴⁾	15,000	2%	\$ 13.33	5/11/2014	\$ 125,700	\$ 318,549
Greg A. Tunney ⁽⁵⁾	81,159	13%	\$ 8.10	2/5/2014	\$ 413,428	\$ 1,047,707
Kenneth E. Wolf Francisco Morales	50,000	8%	\$ 8.10	2/5/2014	\$ 254,702	\$ 645,466