

TASTY BAKING CO
Form DEF 14A
April 07, 2006

**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

Tasty Baking Company

(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):

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1) Amount Previously Paid:

2) Form, Schedule or Registration Statement No.:

3) Filing Party:

4) Date Filed:

TASTY BAKING COMPANY

**2801 Hunting Park Avenue
Philadelphia, Pennsylvania 19129**

April 7, 2006

Dear Shareholder:

You are cordially invited to attend the 2006 Annual Meeting of Shareholders of Tasty Baking Company that will be held at The Union League of Philadelphia, 140 South Broad Street, Philadelphia, Pennsylvania 19102, on Thursday, May 11, 2006 at 11:00 a.m. Please note that directions to The Union League are provided on the back cover of the Proxy Statement.

At the meeting, shareholders will be asked to elect three Class 2 directors to hold office until the Annual Meeting of Shareholders in 2009, to approve the Company's 2006 Long Term Incentive Plan, to ratify the appointment of PricewaterhouseCoopers LLP as the independent registered public accounting firm for the fiscal year ending December 30, 2006, and to transact such other business as may properly come before the meeting. The accompanying Notice of Annual Meeting and Proxy Statement describe in more detail the business to be transacted at the Annual Meeting. Also enclosed is a copy of our 2005 Annual Report.

Your participation in the Annual Meeting of the Company is important, regardless of the number of shares you own. In order to ensure that your shares are represented at the Annual Meeting, whether you plan to attend or not, please complete and return the enclosed proxy card as soon as possible. If you choose to attend the meeting and wish to modify your vote, you may revoke your proxy and vote in person at the meeting.

The Board of Directors appreciates your time and attention in reviewing the accompanying Proxy Statement. Thank you for your continued interest in Tasty Baking Company. We look forward to seeing you at the meeting.

Sincerely,

James E. Ksansnak
Chairman of the Board

Charles P. Pizzi
President and Chief Executive Officer

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**TASTY BAKING COMPANY
2801 Hunting Park Avenue
Philadelphia, Pennsylvania 19129**

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

To Be Held on May 11, 2006

TO OUR SHAREHOLDERS:

The Annual Meeting of Shareholders of Tasty Baking Company (the "Company") will be held at The Union League of Philadelphia, 140 South Broad Street, Philadelphia, Pennsylvania 19102, on Thursday, May 11, 2006 at 11:00 a.m., for the following purposes:

- (1) to elect three Class 2 directors to hold office until the Annual Meeting of Shareholders in 2009, and until their successors are elected and qualified;
- (2) to approve the Company's 2006 Long Term Incentive Plan;
- (3) to ratify the selection of PricewaterhouseCoopers LLP as the independent registered public accounting firm for the fiscal year ending December 30, 2006; and
- (4) to transact any other business that may properly come before the meeting or any adjournment or adjournments thereof.

Only shareholders of record at the close of business on March 13, 2006, will be entitled to vote at the meeting. If you wish to attend the Annual Meeting of Shareholders, you will need to present your admission ticket at the door. Your admission ticket is printed on the back cover of this proxy statement along with directions to the meeting location.

BY ORDER OF THE BOARD OF DIRECTORS

Christina M. Whitford
Secretary

April 7, 2006
Philadelphia, Pennsylvania

<p>PLEASE SIGN, MARK, DATE AND PROMPTLY RETURN THE ENCLOSED PROXY IN THE ADDRESSED REPLY ENVELOPE WHICH IS FURNISHED FOR YOUR CONVENIENCE. THIS ENVELOPE NEEDS NO POSTAGE IF MAILED WITHIN THE UNITED STATES.</p>
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**TASTY BAKING COMPANY
2801 Hunting Park Avenue
Philadelphia, Pennsylvania 19129
215-221-8500**

**PROXY STATEMENT FOR THE
ANNUAL MEETING OF SHAREHOLDERS
MAY 11, 2006**

INTRODUCTION

This Proxy Statement is furnished in connection with the solicitation of proxies by the Board of Directors of Tasty Baking Company (the "Company") to be used in voting at the Annual Meeting of Shareholders to be held on Thursday, May 11, 2006 at 11:00 a.m., at The Union League of Philadelphia, 140 South Broad Street, Philadelphia, Pennsylvania 19102, or at any adjournment or adjournments thereof. This Proxy Statement, the Notice of Annual Meeting, the Proxy and the Company's 2005 Annual Report, which includes the Company's Form 10-K for the fiscal year ended December 31, 2005, have been mailed on or about April 7, 2006 to each shareholder of record at the close of business on March 13, 2006.

Please sign, mark and complete the enclosed Proxy and return it in the addressed reply envelope which is furnished for your convenience. If any matters that are not specifically set forth on the Proxy and in this Proxy Statement properly come before the Annual Meeting, the proxies intend to vote on those matters in accordance with their reasonable business judgment.

A Proxy in the form enclosed, if duly signed, marked, and received in time for voting, will be voted in accordance with the directions of the shareholder. The persons designated as the proxies shall have the discretionary authority to vote cumulatively for the election of directors and to distribute such votes among the nominees standing for election (except as otherwise instructed by a shareholder in the accompanying Proxy) to assure the election of the nominees of the Board of Directors. The giving of a Proxy does not prevent you from voting in person should you so desire. Under Pennsylvania law, a shareholder may revoke a Proxy by giving written notice to the Secretary of the Company at the address of the principal executive offices or in open meeting, but the revocation will not affect any vote previously taken.

Proxies in the form enclosed are solicited by or on behalf of the Board of Directors. The expense of this solicitation, including the cost of preparing, assembling and mailing the Notice of Annual Meeting, Proxy and Proxy Statement, will be borne by the Company. In addition to the solicitation of proxies by use of the mails, some of the officers and regular employees of the Company, without extra remuneration, may solicit proxies personally, or by telephone or other otherwise. In addition, arrangements will be made with brokerage houses and other custodians, nominees and fiduciaries to forward proxies and proxy materials to their principals, and the Company will reimburse them for their expenses in forwarding soliciting materials. In addition, the Company has agreed to engage Georgeson Shareholder Communications, Inc. for \$7,500 plus expenses, to assist in soliciting proxies. At the Annual Meeting, in accordance with past practice, shareholders will be requested to approve the minutes of the 2005 Annual Meeting of Shareholders. The approval requested will be for the minutes, and not the underlying actions taken by the shareholders at that meeting.

In this Proxy Statement, and unless otherwise provided, the term "executive officers" refers to the President and Chief Executive Officer; the Senior Vice President and Chief Financial Officer; the Senior Vice President and Chief Marketing Officer; the Vice President, Route Sales; the Vice President, Direct Sales; and the Chief Information Officer.

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VOTING SECURITIES

General

Each holder of record of the Company's Common Stock, par value \$0.50 per share, at the close of business on March 13, 2006, is entitled to one vote per share on matters that come before the meeting, except that cumulative voting rights may be exercised with respect to the election of directors. At the close of business on March 13, 2006, there were outstanding 8,264,626 shares of the Company's Common Stock entitled to vote at the Annual Meeting.

Under the Pennsylvania Business Corporation Law of 1988, as amended, and the Company's By-Laws, the presence, in person or by proxy, of shareholders entitled to cast at least a majority of the votes which all shareholders are entitled to cast on a particular matter constitutes a quorum to take action at a shareholders' meeting. Shares which are present, or represented by a proxy, will be counted for quorum purposes regardless of whether the holder of the shares or proxy fails to vote on a matter ("Abstentions") or whether a broker with discretionary authority fails to exercise its discretionary authority to vote shares with respect to the matter ("Broker Non-Votes"). The nominees receiving the highest number of votes, up to the number of directors to be elected (three), will be elected. The affirmative vote of at least a majority of the votes cast at the Annual Meeting of Shareholders by all shareholders entitled to vote thereon, is required to adopt any other proposal. For purposes of determining the number of votes cast at the Annual Meeting, only those votes cast "FOR," "AGAINST" or, in the case of the election of directors, "WITHHOLD," will be counted in determining whether a proposal is approved or a director is elected. Abstentions and Broker Non-Votes will not be counted as votes cast and, as a consequence, Abstentions and Broker Non-Votes will have no effect on the adoption of a proposal or the election of a director.

Cumulative Voting

A shareholder wishing to exercise cumulative voting rights in the election of directors may multiply the number of shares which he or she is entitled to vote by the total number of directors to be elected (three) to determine the total number of votes he or she may cast. The shareholder may then distribute the total number of votes among one or more nominees in the proportion he or she desires. The proxies shall have the discretionary authority to vote cumulatively and to distribute such votes among the nominees so as to assure the election of the nominees of the Board of Directors, except for nominees as to whom a shareholder withholds authority to vote and except where a shareholder has directed that votes be cast cumulatively by specific instructions to the proxies.

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The following table sets forth certain information regarding beneficial ownership of the Company's Common Stock as of March 13, 2006 by (i) each person who is known by the Company to beneficially own more than five percent of the Company's Common Stock, (ii) each of the Company's directors, including nominee directors, (iii) each of the current executive officers named in the Summary Compensation Table, and (iv) all executive officers and directors as a group.

Name and Address of Beneficial Owner (1)	Amount and Nature of Beneficial Ownership (2)	Percent of Shares
The TCW Group, Inc. 865 South Figueroa Street Los Angeles, CA 90017	1,019,351 (3)	12.3%
Dalton, Greiner, Hartman, Maher & Co. 565 Fifth Avenue, Suite 2101 New York, NY 10017	759,831 (4)	9.2%
Dimensional Fund Advisors Inc. 1299 Ocean Avenue, 11th Floor Santa Monica, CA 90401	695,287 (5)	8.4%
Philip J. Baur, Jr. 50 Twin Silo Dr. Blue Bell, PA 19422	482,551 (6)	5.8%
Wachovia Bank, N.A. One Wachovia Center Charlotte, NC 28288	432,712 (7)	5.2%
Fred C. Aldridge, Jr.	79,295 (8)	*
Mark G. Conish	2,000 (9)	*
James C. Hellauer	7,500(10)	*
Ronald J. Kozich	17,250(11)	*
James E. Ksansnak	40,000(12)	*
James E. Nevels	9,366(13)	*
Charles P. Pizzi	239,136(14)	2.8%
Judith M. von Seldeneck	34,186(15)	*
David J. West	6,000(16)	*
Autumn R. Bayles	25,251(17)	*
David S. Marberger	106,086(18)	1.3%
Vincent A. Melchiorre	109,106(19)	1.3%
Christopher J. Rahey	18,018(20)	*
All Directors, Nominees and Executive Officers as a Group (15 persons)	726,074(21)	8.4%

* Representing less than 1% of the stock

(1) Unless otherwise indicated, the address for each beneficial owner is c/o Tasty Baking Company, 2801 Hunting Park Avenue, Philadelphia, PA 19129.

(2) Based on information furnished to the Company by the respective shareholders, or contained in filings made

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with the Securities and Exchange Commission (“SEC”). For purposes of this table, if a person has or shares voting or investment power with respect to any shares, they are considered beneficially owned by that person under rules of the SEC. As a result, in some cases, the same shares are listed opposite more than one name in the table. The table also includes shares which are the subject of stock options granted to certain officers and directors of the Company under stock option plans or grants by the Company to the extent presently exercisable or exercisable within sixty days of March 13, 2006. Those shares are deemed outstanding for the purpose of computing the percentage ownership of those officers and directors individually and in the aggregate.

- (3) Based on a Schedule 13G filed by The TCW Group, Inc. (“TCW”) with the SEC on February 13, 2006. The Schedule 13G discloses that TCW has shared voting power over 672,351 shares and shared investment power over 1,019,351 shares.
- (4) Based on a Schedule 13G filed by Dalton, Greiner, Hartman, Maher & Co. (“Dalton, Greiner”) with the SEC on February 14, 2006. The Schedule 13G discloses that Dalton, Greiner has sole voting power over 740,731 shares and the sole investment power over 759,831 shares.
- (5) Based on a Schedule 13G filed by Dimensional Fund Advisors Inc. (“Dimensional”), an investment advisor, with the SEC on February 6, 2006. The Schedule 13G discloses that Dimensional has sole investment and voting power over all 695,287 shares. Dimensional disclaims beneficial ownership of all 695,287 shares.
- (6) Includes (i) a total of 345,542 shares held in two trusts created under the will of Philip J. Baur, deceased, of which Wachovia Bank, National Association, and Philip J. Baur, Jr. are co-trustees (Mr. Baur shares investment power with the bank (see footnote 7 below) and has sole power to vote all of the shares held in the two trusts); (ii) 87,070 shares held in a trust created by Emma M. Baur, deceased (Mr. Baur is a co-trustee and shares voting and investment power with an individual co-trustee); (iii) 13,000 shares owned by the Philippian Foundation, a charitable foundation of which Mr. Baur is trustee and has sole voting and investment power; (iv) 11,513 shares owned by Mr. Baur’s spouse; (v) 3,551 shares held by Mr. Baur; and (vi) presently exercisable stock options to purchase 21,875 shares (9,375 @ \$11.60, 7,500 shares @ \$11.50 and 5,000 shares @ \$10.78) under the Company’s Directors’ Stock Option Plan and the 2003 Long Term Incentive Plan.
- (7) Based on a Schedule 13G filed by Wachovia Corporation with the SEC on February 13, 2006. The Schedule 13G discloses Wachovia has sole investment power over 100 shares and the shared investment power over 432,612 shares.
- (8) Includes grants to Mr. Aldridge of (i) presently exercisable replacement options to purchase 20,046 shares under the Company’s 1993 Replacement Option Plan (P & J Spin-Off), and (ii) presently exercisable options to purchase 23,875 shares (9,375 shares @ \$11.60, 7,500 shares @ \$11.50 and 7,000 shares @ \$10.78) under the Company’s Directors’ Stock Option Plan and the 2003 Long Term Incentive Plan.
- (9) Includes a grant to Mr. Conish of 2,000 shares of restricted stock under the Company’s 2003 Long Term Incentive Plan on March 24, 2006.
- (10) Includes a grant to Mr. Hellauer of presently exercisable options to purchase 5,000 shares (5,000 shares @ \$8.65) under the Company’s 2003 Long Term Incentive Plan.
- (11) Includes a grant to Mr. Kozich of presently exercisable options to purchase 10,000 shares (10,000 shares @ \$10.78) under the Company’s 2003 Long Term Incentive Plan.
- (12) Includes a grant to Mr. Ksanskak of presently exercisable options to purchase 15,000 shares (15,000 shares @ \$10.78) under the Company’s 2003 Long Term Incentive Plan.
- (13) Includes a grant to Mr. Nevels of presently exercisable options to purchase 5,000 shares (5,000 shares @ \$8.65) under the Company’s 2003 Long Term Incentive Plan. Also includes 241 shares held by the James E. Nevels and Lourene A. Nevels Foundation.

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- (14) Includes grants to Mr. Pizzi of (i) restricted stock awards of 30,000 and 40,000 shares under the 2003 Long Term Incentive Plan, granted on October 29, 2004 and March 1, 2006, respectively; and (ii) presently exercisable options to purchase 160,000 shares (25,000 shares @ \$11.30, 50,000 shares @ \$8.60 and 85,000 shares @ \$10.78) under the Company's 2003 Long Term Incentive Plan. Also includes 136 shares held by Mr. Pizzi in a 401(k) Plan as of March 2, 2006.
- (15) Includes grants to Ms. von Seldeneck of presently exercisable options to purchase a total of 23,875 shares (9,375 shares @ \$11.60, 7,500 shares @ \$11.50 and 7,000 shares @ \$10.78) under the Company's Directors' Stock Option Plan and the 2003 Long Term Incentive Plan.

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- (16) Includes a grant to Mr. West of presently exercisable options to purchase 5,000 shares (5,000 shares @ \$10.24) under the Company's 1997 Long Term Incentive Plan.
- (17) Includes grants to Ms. Bayles of (i) presently exercisable options to purchase 5,000 shares (5,000 shares @ \$10.78) under the Company's 2003 Long Term Incentive Plan; (ii) a restricted stock grant of 10,000 shares under the Company's 2003 Long Term Incentive Plan on October 29, 2004; and (iii) a restricted stock grant of 10,000 shares under the Company's 1997 Long Term Incentive Plan on March 1, 2006. Also includes 51 shares held by Ms. Bayles in a 401(k) Plan as of March 2, 2006.
- (18) Includes grants to Mr. Marberger of (i) presently exercisable options to purchase a total of 68,500 shares (43,500 shares @ \$10.78 and 25,000 shares @ \$9.52) under the Company's 2003 and 1997 Long Term Incentive Plans, respectively; (ii) a restricted stock grant of 15,000 shares under the Company's 2003 Long Term Incentive Plan on October 29, 2004; and (iii) a restricted stock grant of 20,000 shares under the Company's 1997 Long Term Incentive Plan on March 1, 2006. Also includes 86 shares held by Mr. Marberger in a 401(k) Plan as of March 2, 2006.
- (19) Includes grants to Mr. Melchiorre of (i) presently exercisable options to purchase a total of 68,500 shares (43,500 shares @ \$10.78 and 25,000 shares @ \$8.95) under the Company's 2003 and 1997 Long Term Incentive Plans, respectively; (ii) a restricted stock grant of 15,000 shares under the Company's 2003 Long Term Incentive Plan on October 29, 2004; and (iii) a restricted stock grant of 20,000 shares under the Company's 1997 Long Term Incentive Plan on March 1, 2006. Also includes 106 shares held by Mr. Melchiorre in a 401(k) Plan as of March 2, 2006.
- (20) Includes grants to Mr. Rahey of (i) presently exercisable options to purchase 8,000 shares (8,000 shares @ \$9.49) under the Company's 2003 Long Term Incentive Plan; (ii) a restricted stock grant of 5,000 shares under the 2003 Long Term Incentive Plan granted on October 29, 2004; and (iii) a restricted stock grant of 5,000 shares under the Company's 1997 Long Term Incentive Plan on March 1, 2006. Also includes 18 shares held by Mr. Rahey in a 401(k) Plan as of March 2, 2006.
- (21) Includes a grant to Blake Thompson who resigned as an Executive Officer from the Company, effective December 16, 2005. As of March 13, 2006, Mr. Thompson's holdings included presently exercisable options to purchase 6,667 shares. Mr. Thompson forfeited such options on March 16, 2006.

DIRECTORS AND EXECUTIVE OFFICERS □ PROPOSAL NO. 1

At the Annual Meeting, three persons will be elected to the Board of Directors as Class 2 directors to serve for three years until the Annual Meeting in 2009 and their successors are elected and qualified. The Company's Articles of Incorporation and By-Laws, as amended, provide for three classes of directors with staggered terms of three years each. The Board of Directors has established the size of the Board at nine directors with three directors in each class. At present, Class 3 directors will hold office until the Annual Meeting in 2007 and Class 1 directors will hold office until the Annual Meeting in 2008, with the members of each class to hold office until their successors are elected and qualified.

Listed below are the nominees for the Board of Directors, as well as the remaining directors and executive officers of the Company. Messrs. Kozich, Ksansnak and Pizzi have been nominated by the Board of Directors upon the recommendation of the Nominating and Corporate Governance Committee. All three are incumbent directors. Any Proxy not specifically marked will be voted by the named proxies for the election of the nominees named below, except as otherwise instructed by the shareholders, provided that, as set forth above, the proxies have discretionary authority to cumulate their votes. It is not contemplated that any of the nominees will be unable or unwilling to serve as a director, but, if that should occur, the Board of Directors reserves the right to nominate another person.

NOMINEES FOR DIRECTOR □ CLASS 2 (TERM EXPIRES AT ANNUAL MEETING IN 2009):

Ronald J. Kozich (age 66) □ Mr. Kozich has served as a director of the Company since December 2000. Mr. Kozich retired as a partner from Ernst & Young LLP on September 30, 1999. Prior to his retirement, he was the managing partner of Ernst & Young LLP, Philadelphia. Mr. Kozich is a member of the Board of Directors of CDI Corporation, a professional services company that offers high-value engineering, IT and professional staffing solutions, and the Board of Managers of IPR International, LLC, an outsourced data back up provider.

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James E. Ksansnak (age 66) □ Mr. Ksansnak has served as a director of the Company and Chairman of the Board of Directors since May 2003. Mr. Ksansnak is a director of ARAMARK Corporation and was Vice Chairman of ARAMARK from May 1997 until February 2001. Prior to May 1997, he was Executive Vice President and Chief Financial Officer of ARAMARK. He is also a director of CSS Industries, Inc.

Charles P. Pizzi (age 55) □ Mr. Pizzi has served as a director, President and Chief Executive Officer of the Company since October 2002. Prior to joining the Company, Mr. Pizzi served as President and Chief Executive Officer of the Greater Philadelphia Chamber of Commerce from April 1989 until October 2002. He serves on the Board of Directors for Independence Blue Cross; the Philadelphia Stock Exchange and Federal Bank of Philadelphia; the Board of Trustees for Brandywine Realty Trust; and the Board of Advisors for The Day & Zimmerman Group, Inc.

THE BOARD OF DIRECTORS RECOMMENDS A VOTE FOR THE ELECTION OF THE NOMINEES LISTED ABOVE.

DIRECTORS □ CLASS 3 (TERM EXPIRES AT ANNUAL MEETING IN 2007):

Mark J. Conish (age 53) □ Mr. Conish was appointed to serve as a director of the Company on March 24, 2006. Since December 2004, Mr. Conish has served as Vice President of Global Operations of Church & Dwight Co. Inc., manufacturer of the Arm & Hammer line. From July 1999 to December 2004, Mr. Conish served as Church & Dwight's Vice President of Operations.

Judith M. von Seldeneck (age 65) □ Ms. von Seldeneck has served as a director of the Company since July 1991. She is the Chairman of Diversified Search, Inc., a generalist executive search firm. Ms. von Seldeneck is also a director of Citizens Bank of Pennsylvania, Teleflex Incorporated, Caron Foundation, the Hyde School and the Greater Philadelphia Chamber of Commerce; and Chair of the National Association of Corporate Directors, Philadelphia Chapter.

David J. West (age 43) □ Mr. West has served as a director of the Company since December 2003. Since January 2005, Mr. West has served as Senior Vice President, Chief Financial Officer of The Hershey Company. From December 2002 to December 2004, Mr. West served as Senior Vice President, Chief Customer Officer of The Hershey Company. From June 2001 to December 2002, Mr. West served as The Hershey Company's Senior Vice President, Business Planning and Development. Prior to joining The Hershey Company, Mr. West was employed by Kraft Foods Inc. as Senior Vice President, Finance from December 2000 to June 2001, and by Nabisco, Inc. as Senior Vice President and Chief Financial Officer, Biscuit and Snacks Group, from November 1999 to December 2000.

DIRECTORS □ CLASS 1 (TERM EXPIRES AT ANNUAL MEETING IN 2008):

Fred C. Aldridge, Jr. (age 72) □ Mr. Aldridge has served as a director of the Company since April 1981. He retired as a partner from the Philadelphia law firm of Stradley, Ronon, Stevens & Young, LLP, counsel to the Company, on December 31, 1997. Mr. Aldridge continues to practice law and had previously represented the Company as outside legal counsel. On February 28, 2003, Mr. Aldridge resigned as counsel and no longer provides legal services to the Company. Mr. Aldridge is President of The Grace S. and W. Linton Nelson Foundation, a charitable foundation. Pursuant to the Corporate Governance Guidelines, the Board of Directors waived the retirement guideline for Mr. Aldridge who became 72 years of age prior to the 2005 Annual Meeting of Shareholders.

James C. Hellauer (age 67) □ Mr. Hellauer has served as a director of the Company since May 2005. Since 1999, Mr. Hellauer has served as the Executive Director of The Colmen Group, a consulting company which provides management services to middle market companies. The Colmen Group served as a consultant for Tasty Baking Company for the years 2002 through 2004 during which Mr. Hellauer earned approximately \$37,386. Mr. Hellauer is also a director of PMA Capital Corporation, a property and casualty insurance holding company, and East River Bank in Philadelphia, Pennsylvania.

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James E. Nevels (age 54) □ Mr. Nevels has served as a director of the Company since May 2005. Mr. Nevels serves as the Chairman of The Swarthmore Group, an independent registered investment advisor, which he founded in 1991. In December 2001, Mr. Nevels was appointed as Chairman of the Philadelphia School Reform Commission which has been charged with overseeing the turnaround of the Philadelphia School System. He currently serves as a member of the Board of Berea College; the Board of Trustees of Saint Joseph's University; Member of the Advisory Board of Drexel University, LeBow College of Business, Baiada Center for Entrepreneurship in Technology; the Board of Directors of the Association of Governing Boards of Universities and Colleges; the Board of Visitors of Temple University-Fox School of Business and Management; and the Board of Overseers of the University of Pennsylvania Law School; Member of Council of The Pennsylvania Society; and Member of the Board of Trustees of the Gettysburg Foundation. In 2004, Mr. Nevels was appointed to serve on the Advisory Committee to the Pension Benefit Guaranty Corporation and was appointed by the President of the United States to serve as Chair in 2005. Mr. Nevels is also a Member of the Board, Pro Football Hall of Fame.

EXECUTIVE OFFICERS (Not Also Directors):

Autumn R. Bayles (age 35) □ Ms. Bayles joined the Company as Chief Information Officer on August 1, 2003. Prior to joining the Company, Ms. Bayles was Managing Principal Consultant for IBM Business Consulting Services, a division of IBM, from October 2002 to August 2003; Managing Principal Consultant for PwC Consulting, a division of PricewaterhouseCoopers LLP, from November 2001 to October 2002 when IBM Business Consulting Services acquired PwC Consulting; Director of Consulting at Destiny Websolutions from March 2001 to October 2001; Technology Management Consultant at Safeguard Scientifics, Inc. from March 2000 to March 2001; and various consultant positions, including Staff Consultant, Senior Consultant, Managing Consultant, Senior Management Consultant and Principal Consultant, at PwC Consulting from 1992 to March 2000.

Robert V. Brown (age 47) □ Mr. Brown rejoined the Company in February 2003 and was elected Vice President, Route Sales in August 2003. Prior to joining the Company, Mr. Brown was District Sales Manager for Lance, Inc. from January 2002 to February 2003. Mr. Brown was previously employed by the Company from 1984 to December 2001 and served as Director, Route Sales, from 1993 to 2001.

David S. Marberger (age 41) □ Mr. Marberger was elected Senior Vice President and Chief Financial Officer on February 5, 2003. Prior to joining the Company, Mr. Marberger was employed by Campbell Soup Company as Vice President, Finance, Food and Beverage Division, from September 2001 until February 2003; Vice President, Finance, Away from Home Division, from August 2000 until September 2001; Finance Director, U.S. Soup Division, from August 1999 until August 2000; Worldwide Audit Director from April 1998 until August 1999; and Manager Financial Planning and Analysis, Corporate Development from April 1997 until April 1998.

Vincent A. Melchiorre (age 45) □ Mr. Melchiorre was elected Senior Vice President and Chief Marketing Officer on January 21, 2003. Prior to joining the Company, Mr. Melchiorre was employed by Campbell Soup Company as Vice President, Biscuit Marketing for Pepperidge Farm from May 2000 until January 2003 and Business Director, Red and White Soup, from 1997 until May 2000.

Christopher J. Rahey (age 51) □ Mr. Rahey was elected Vice President, Direct Sales, on May 7, 2004. Prior to joining the Company, Mr. Rahey was Vice President, Sales, Northeast for Meyer's Baking Company from May 2002 to May 2004; and Vice President of Sales for George Weston Bakeries from 1995 to 2002.

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DIRECTOR ATTENDANCE AND COMPENSATION

Attendance

During the fiscal year ended December 31, 2005, eight meetings of the Board of Directors were held. In addition, an aggregate of 18 meetings of the committees of the Board of Directors were held in that period. During 2005, each incumbent director attended 100% of the regularly scheduled and special meetings of the Board and its committees on which he or she served. While the Company does not have a formal, written attendance policy requiring directors to attend the annual meeting of shareholders, the Board of Directors strongly encourages all directors to attend the annual meeting. All incumbent directors of the Company who were directors as of the meeting date attended the 2005 Annual Meeting of Shareholders.

Executive Sessions

The Board of Directors meets at least once annually in an executive session of the independent directors of the Board. Mr. Ksansnak, the independent Chairman of the Board, presides over the executive sessions of the independent directors.

Compensation

During fiscal year 2005, the Company paid an annual retainer fee of \$15,000 to non-officer directors and an additional retainer fee of \$5,000 for the independent Chairman of the Board, \$4,000 for the Chair of the Audit Committee, \$2,500 for the Chair of the Compensation Committee, \$2,500 for the Chair of the Nominating and Corporate Governance Committee, and \$2,500 for the Chair of the Strategic Planning Committee. Non-officer directors were paid a fee of \$1,000 for each Board and committee meeting attended.

On August 7, 2003, upon the approval of the Board of Directors, the Compensation Committee awarded stock options to all non-officer directors pursuant to the 2003 Long Term Incentive Plan. Messrs. Aldridge, Baur, Kozich and Ksansnak and Ms. von Seldeneck were awarded 7,000, 5,000, 10,000, 15,000 and 7,000 stock options, respectively, with an exercise price of \$10.78 equal to the closing price for the Company's Common Stock on the date of grant. On December 5, 2003, Mr. West was elected to the Board of Directors, and on February 4, 2004, he was granted 5,000 stock options with an exercise price of \$10.32 equal to the closing price for the Company's Common Stock on the date of grant. On May 12, 2005, Messrs. Hellauer and Nevels were elected to the Board of Directors and on August 1, 2005, they were granted 5,000 stock options with an exercise price of \$8.65 equal to the closing price for the Company's Common Stock on the date of grant. The stock option grants to Ms. von Seldeneck and Messrs. Aldridge, Baur, Hellauer, Kozich, Ksansnak, Nevels and West, when granted, vested in equal one-third increments on the first, second and third anniversaries of the date of grant. In addition, any shares obtained through the exercise of these options may not be sold or transferred, other than for the payment of taxes incurred in the exercise of such options, for a five-year holding period which ends on the fifth anniversary of the date of grant. Upon his appointment to the Board on March 24, 2006, Mr. Conish was granted 2,000 restricted shares of the Company's Common Stock with a Grant Date of March 24, 2006 that, provided Mr. Conish remains a director, will vest and become nonforfeitable on the fifth anniversary of the Grant Date.

On December 16, 2005, the Company's Board of Directors and its Compensation Committee approved the acceleration of vesting of all outstanding, unvested stock options previously awarded to the Company's employees, officers (including executive officers) and directors under the Company's 1994, 1997 and 2003 Long Term Incentive Plans. The purpose of this accelerated vesting was to enable the company to avoid recognizing compensation expense associated with these options in future periods as required by Statement of Financial Accounting Standards (SFAS) No. 123R, *Share Based Payment*, which the Company was required to adopt by January 1, 2006. Of the total number of shares underlying the accelerated stock options, approximately 27,998 were held by directors and 114,394 were held by executive officers. All other terms and conditions applicable to these stock options, including exercise prices and holding period requirements, remained unchanged.

Non-officer directors who have ceased to be directors and who have reached age 65 with five or more years of service on the Board of Directors are entitled to receive an annual retirement benefit equal to the amount of the annual retainer fee in effect on the date the director ceases to be a director (but not less than \$16,000 for directors

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-serving on June 30, 1993). This benefit will be paid monthly to the retired director until the earlier of the death of the retired director or for the number of years of credited service of such director as a member of the Board of Directors of the Company.

The Company has entered into a Trust Agreement with Wachovia Bank, N. A. for the benefit of directors. Under this Trust Agreement the Company is obligated to deposit sufficient funds with the Trustee to enable it to purchase annuity contracts to fund the directors' retirement benefits in the event of a change in control of the Company.

Director Independence

The Board has determined that, except for Charles P. Pizzi, President and Chief Executive Officer of the Company, each of the directors, including those up for re-election at the 2006 Annual Meeting of Shareholders, are independent under the listing standards of the NASDAQ stock market ("NASDAQ Listing Standards"). Accordingly, eight of the nine directors are independent. This determination is based upon the Board's opinion that none of the independent directors has a relationship which would interfere with the exercise of independent judgment in carrying out the responsibilities of a director.

COMMITTEES OF THE BOARD OF DIRECTORS

The Board of Directors has a standing Audit Committee, Compensation Committee, Nominating and Corporate Governance Committee and Strategic Planning Committee consisting of directors who the Board has affirmatively determined are "independent," except for Mr. Pizzi, as defined in the NASDAQ Listing Standards. Each Committee operates pursuant to a charter approved by the Board of Directors, copies of which are available on the Company's website at www.tastykake.com, under the "Corporate Info-Corporate Governance" captions, or upon written request directed to the Secretary of the Company at 2801 Hunting Park Avenue, Philadelphia, Pennsylvania 19129.

The Company has a separately-designated standing Audit Committee established in accordance with Section 3(a)(58)(A) under the Securities Exchange Act of 1934, as amended ("Exchange Act"). The Audit Committee has the responsibility to assist the Board of Directors in its oversight of (i) the integrity of the Company's financial statements; (ii) the independent registered public accounting firm's qualifications and independence; (iii) the performance of the Company's internal audit function and independent registered public accounting firm; and (iv) the Company's compliance with legal and regulatory requirements. The Committee's duties and responsibilities are outlined in its Charter and include, among other things, (i) the review of the Company's financial statements and the independent audit process; (ii) the review of critical accounting policies and practices used by the Company; (iii) the effect of any proposed changes in accounting principles or practices upon the Company; (iv) the consideration and review of the Company's assessment of the effectiveness of its internal accounting controls; and (v) the selection, retention and termination of the Company's independent registered public accounting firm. In addition, the Committee reviews with management and the Company's independent registered public accounting firm the financial statements to be included in the Company's Quarterly Reports on Form 10-Q and Annual Report on Form 10-K, including the "Management's Discussion and Analysis" section thereof, and those matters required by Statement of Auditing Standards ("SAS") No. 61, as amended by SAS No. 90, *Communication with Audit Committees*. In addition, pursuant to its Charter, the Committee performs an annual evaluation of its performance and the adequacy of the Committee's Charter. Ronald J. Kozich is Chairman of the Audit Committee and Fred C. Aldridge, Jr., James C. Hellauer and James E. Ksansnak are members of the Committee. During the fiscal year 2005, Mr. Philip J. Baur, Jr. was a member of the Audit Committee until his retirement from the Board of Directors in May, 2005 after which he was elected a Director Emeritus and no longer sits on any Board committees. The Board of Directors has determined that each member of the Audit Committee is "independent" and financially literate as the Board of Directors has interpreted such qualifications in its business judgment, all as required by the applicable NASDAQ Listing Standards. The Board of Directors has also determined that each member of the Committee is "independent" as defined under Section 301 of the Sarbanes-Oxley Act of 2002, and the regulations thereunder. In addition, the Board of Directors has determined that Ronald J. Kozich is an "audit committee financial expert" as defined by the rules of the SEC and is "independent" as defined in Item 7(d)(3)(iv) of Schedule 14A under the Exchange Act. During the fiscal year ended December 31, 2005, the

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Audit Committee held nine meetings.

The Compensation Committee has the responsibility (i) to evaluate, approve and recommend to the Board of Directors the compensation arrangements for the Company's senior management; (ii) to review and recommend to the Board of Directors the Company's incentive-compensation plans and equity-based plans; (iii) to review and recommend to the Board of Directors the funding and investment policies, advisors and investment options for the Company's employee retirement benefit plans; (iv) to periodically review the compensation arrangements paid to the Board of Directors; and (v) to prepare a compensation committee report on executive compensation as required by the SEC to be included in the Company's proxy statement or annual report on Form 10-K. Judith M. von Seldeneck is Chairperson of the Compensation Committee and Ronald J. Kozich, James E. Ksansnak and James E. Nevels are members of the Committee. During the fiscal year ended December 31, 2005, the Committee held three meetings.

The Nominating and Corporate Governance Committee has the responsibility (i) to review, consider and make recommendations to the Board concerning the size, function and needs of the Board and its committees; (ii) to recommend to the Board directors to serve on each Board committee; (iii) to develop, recommend and annually assess the Company's Corporate Governance Guidelines and recommend any modifications to the Board of Directors for approval; (iv) to establish the criteria and qualifications for Board and committee membership; and (v) to identify, consider and recommend to the Board candidates for election as directors to fill vacancies on the Board and for submission annually to shareholders for whom proxies shall be solicited by the Board. Philip J. Baur, Jr. was a member of the Committee until his retirement from the Board of Directors in May 2005, after which he was elected a Director Emeritus and no longer sits on any Board committees. Fred C. Aldridge, Jr. was elected Chairman of the Nominating and Corporate Governance Committee on February 11, 2005. G. Fred DiBona, Jr. was Chairman of the Nominating and Corporate Governance Committee prior to his death on January 11, 2005. James E. Ksansnak, James E. Nevels and David J. West are members of the Committee. During the fiscal year ended December 31, 2005, the Committee held three meetings.

The Strategic Planning Committee has the responsibility (i) to review and recommend to the Board the strategic planning process, long-range objectives and strategic plan for the Company; (ii) to meet with the Chief Executive Officer and other members of management on at least an annual basis and review management's strategic planning process and the long-range financial and strategic plan of the Company; and (iii) to review and advise the Board regarding strategic business issues, including acquisitions, mergers, divestitures, financing, capital structure and dividend policy. David J. West is the Chairman and James C. Hellauer, James E. Ksansnak, Charles P. Pizzi and Judith M. von Seldeneck are members of the Committee. During the fiscal year ended December 31, 2005, the Committee held three meetings.

CORPORATE GOVERNANCE

Code of Business Conduct

Each of the Company's directors, officers and employees are required to comply with the Tasty Baking Company Code of Business Conduct adopted by the Company. The Code of Business Conduct sets forth policies covering a broad range of subjects and requires strict adherence to laws and regulations applicable to the Company's business. The Code of Business Conduct is available on the Company's website at www.tastykake.com, under the "Corporate Info-Investor Relations-Corporate Governance" captions. A copy of the Company's Code of Business Conduct may also be obtained, without charge, by any shareholder upon written request directed to the Secretary of the Company at 2801 Hunting Park Avenue, Philadelphia, Pennsylvania 19129. The Company will post to its website any amendments to the Code of Business Conduct, or waiver from the provisions thereof for principal executive officers or directors, under the "Corporate Info-Investor Relations-Corporate Governance" caption.

Corporate Governance Guidelines

The Board of Directors has adopted the Tasty Baking Company Corporate Governance Guidelines which outline the responsibilities of the Board of Directors, director selection criteria and procedures, board composition criteria and various policies and procedures designed to ensure effective governance. These Guidelines are reviewed annually by the Nominating and Corporate Governance Committee to determine effective compliance and

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implementation and may be revised from time to time. The Corporate Governance Guidelines are available on the Company's website at www.tastykake.com, under the "Corporate Info-Investor Relations-Corporate Governance" captions, or upon written request directed to the Secretary of the Company at 2801 Hunting Park Avenue, Philadelphia, Pennsylvania 19129.

Nomination Process and Qualifications for Director Nominees

The Nominating and Corporate Governance Committee has established certain procedures and criteria for the selection of nominees for election to the Board of Directors. The Committee determines, and reviews with the Board on an annual basis, the desired skills and characteristics for directors as well as the composition of the Board as a whole. Nominees should satisfy at a minimum the following criteria in order to qualify for consideration to serve on the Board of Directors: possess the highest personal and professional ethics, integrity and judgment; have the ability and willingness to commit the necessary time and energy to prepare for, attend and participate in the meetings of the Board and one or more of its standing committees; have relevant background and experience that complement the background and experience of the other directors; have a proven record of competence and accomplishment through demonstrated leadership in a profession, business, education or government service as a director, chief executive officer or senior management executive, including financial, accounting, legal, sales, marketing, supply chain and other relevant experience, that will enhance the perspective and effectiveness of the Board, including perspectives resulting from diversity in the experience and background of such nominee; be a shareholder or be willing to become a shareholder of the Company; and have the willingness and ability to represent the interests of all shareholders rather than any special interest or constituency while keeping in perspective the interests of the Company's employees, customers, local communities and other constituencies.

If nominations are required for election at an annual meeting of shareholders, the Committee will first consider the nomination of the current directors whose terms are expiring, including their past performance on the Board along with the criteria set forth above, in determining whether to nominate them for re-election. In connection with nominations for elections at annual meetings of shareholders or to fill vacancies in the Board at special or annual meetings of shareholders, the Committee may solicit the current members of the Board for the names of potentially qualified candidates. In addition, the Committee may ask the directors to pursue their own business contacts for the names of potentially qualified candidates. The Committee may retain director search firms as it determines necessary in its own discretion.

The Committee will also consider director candidates recommended by shareholders in the same manner in which the Committee would evaluate director nominees recommended through the process described above; provided that the following requirements are met: the shareholder provides documentation evidencing his or her ownership interest in the Company; the recommended individual meets the criteria set forth above, the shareholder nomination provides at a minimum comprehensive written information relating to the recommended individual's business experience and background, including but not limited to, his or her complete name, age, address, principal occupation, directorships, positions and offices held, name and principal business of any corporation or other organization in which such positions were held; affiliation with the Company; family relationships with any director, executive officer or other nominee, and any arrangements or understandings between him or her and any other person pursuant to which he or she was recommended as a nominee for director; additional written information regarding any legal proceedings in the preceding five years in which the recommended individual was involved as required in Regulation S-K, Item 401(f); and a written consent executed by the recommended individual stating that he or she desires to be considered as a nominee and, if elected, that he or she will serve as a director. All shareholder nominations to be considered by the Committee must be received by the Secretary of the Company between 90 and 120 days prior to the first anniversary of the mailing date of the prior year's proxy statement for the Company's annual meeting of shareholders. In the event that no annual meeting was held in the previous year or the date of the annual meeting of shareholders is moved by more than 30 days from the anniversary date of the preceding annual meeting, then notice must be given not later than the close of business on the 10th day following the date on which public announcement of the date of such annual meeting is first made by the Company. In no event shall the adjournment of an annual meeting commence a new time period for the giving of shareholders' notice as described above.

The Committee will consider the director candidates derived from the foregoing process and make its recommendations to the full Board of Directors for approval.

[Back to Contents](#)**Communicating with Directors**

Shareholders who wish to communicate with the Board of Directors, the non-management directors or an individual director may do so by sending a letter to the Secretary of the Company at 2801 Hunting Park Avenue, Philadelphia, Pennsylvania 19129. The mailing envelope must contain a clear notation indicating that the enclosed letter is a "Shareholder-Board Communication." The Secretary has been authorized to screen commercial solicitations and materials which pose security risks, are unrelated to the business or governance of the Company, or are otherwise inappropriate. All such letters must identify the author as a shareholder and clearly state whether the intended recipients are all or individual members of the Board. The Secretary will make copies of all such letters and circulate them to the appropriate director or directors.

COMPENSATION OF EXECUTIVE OFFICERS

The following table discloses compensation received for each of the three fiscal years ended December 31, 2005, December 25, 2004, and December 27, 2003 by (i) the Company's Chief Executive Officer, (ii) the four other most highly paid executive officers of the Company who were serving as executive officers as of December 31, 2005, and (iii) a former executive officer who would have been included in (ii) above but for the fact that he was not serving as an executive officer of the Company as of December 31, 2005.

SUMMARY COMPENSATION TABLE

Name and Principal Position	Annual Compensation			Long-Term Compensation Awards		All Other Compensation (3)
	Year	Salary	Bonus	Stock Options (1)	Restricted Stock Awards (2)	
C. P. Pizzi President & CEO	2005	\$	\$	□	□	\$ 221,290
	2004	451,684	128,766	□	\$ 240,000	64,149
	2003	426,198	□	85,000		15,614
		400,036				
V. A. Melchiorre (4) Senior Vice President & CMO	2005	\$	\$	□	□	\$ 12,402
	2004	250,852	53,859	□	\$ 120,000	4,347
	2003	239,555	□	68,500		132,928
		207,307				
D.S. Marberger (4) Senior Vice President & CFO	2005	\$	\$	□	□	\$ 8,234
	2004	250,852	53,859	□	\$ 120,000	3,225
	2003	239,252	□	68,500		1,607
		203,322				
B. W. Thompson (4) Former Senior Vice President, Supply Chain	2005	\$	□	□	□	\$ 20,525
	2004	231,318	□	20,000	\$ 120,000	88,440
	2003	199,080	□			
A. R. Bayles (4) Chief Information Officer	2005	\$	\$	□	□	\$ 8,661
	2004	172,640	31,013	□	\$ 80,000	2,364
	2003	164,054	□	5,000		2,268
		65,321				
C. J. Rahey (4) Vice President, Direct Sales	2005	\$	\$	□	□	\$ 10,009
	2004	153,140	18,489	8,000	□	850
	2003	95,205	□		□	

(1) As an inducement to join the Company, Messrs. Pizzi, Marberger, Melchiorre, Thompson and Rahey were awarded options to purchase 25,000, 25,000, 25,000, 20,000 and 5,000 shares of Common Stock, respectively, upon their first date of employment with the Company with an exercise price equal to the closing price of the Company Common Stock on such date. The first date of employment for Messrs. Pizzi, Marberger, Melchiorre, Thompson and Rahey was October 7, 2002, February 3, 2003, January 21, 2003, February 16, 2004 and May

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10, 2004, respectively. On August 7, 2003, the Compensation Committee awarded Messrs. Pizzi, Marberger and Melchiorre and Ms. Bayles options to purchase 85,000, 43,500, 43,500 and 5,000 shares of Common Stock, respectively, with an exercise price equal to the closing price of the Company's Common Stock on the date of grant. The option grants awarded prior to August 7, 2003 vest in equal one-fifth increments on the date of grant and each anniversary of the date of grant thereafter. The option grants awarded on or after August 7, 2003 vest in equal one-third increments on the first, second and third anniversaries of the date of grant. In addition, any shares obtained through the exercise of those options awarded on or after August 7, 2003 may not be sold or transferred, other than for the payment of taxes incurred in the exercise of such options, for a five-year holding period which ends on the fifth anniversary of the date of grant.

- (2) On October 29, 2004, Messrs. Pizzi, Marberger, Melchiorre and Thompson and Ms. Bayles were granted 30,000, 15,000, 15,000, 15,000 and 10,000 shares of restricted stock pursuant to the 2003 Long Term Incentive Plan, respectively. Mr. Thompson resigned as an executive officer from the Company, effective December 16, 2005, and his restricted stock award was forfeited. In connection with an amendment to these agreements in March 2006, the October 2004 grants will vest on the fifth anniversary of the date of grant, subject to an acceleration provision. The remaining executive officers will receive dividends on the restricted stock during the vesting period. In the event the closing price of the Company's Common Stock equals or exceeds \$14.00 per share for ten consecutive trading days during the normal vesting period, then any unvested shares will immediately vest upon the later of (i) the third anniversary of the date of grant or (ii) the tenth consecutive trading day during which the Company's Common Stock equals or exceeds \$14.00 per share. As of the end of fiscal year 2005, Mr. Pizzi owned 30,000 shares of restricted stock that were valued at \$225,000; Mr. Marberger owned 15,000 shares of restricted stock that were valued at \$112,500; Mr. Melchiorre owned 15,000 shares of restricted stock that were valued at \$112,500; Ms. Bayles owned 10,000 shares of restricted stock that were valued at \$75,000 and Mr. Rahey owned 5,000 shares of restricted stock that were valued at \$37,500.
- (3) For fiscal 2005, includes 401(k) and retirement plan contributions on behalf of Messrs. Pizzi, Marberger, Melchiorre, Thompson and Rahey and Ms. Bayles in the amounts of \$13,798, \$5,546, \$7,744, \$5,688, \$5,967 and \$5,387, respectively. For fiscal 2005, includes Mr. Pizzi's retirement benefits under a Supplemental Executive Retirement Plan (the "SERP") to which the company credited \$172,897 of contributions and \$17,206 in interest (the SERP is described in greater detail under "Pension Plan" below). Also for fiscal 2005, includes restricted stock dividend payments to Messrs. Pizzi, Marberger, Melchiorre and Rahey and Ms. Bayles in the amounts of \$1,500, \$750, \$750, \$250 and \$500, respectively, and reimbursements for Company car usage for Messrs. Pizzi, Marberger, Melchiorre, Thompson and Rahey in the amounts of \$825, \$1,940, \$3,910, \$3,868 and \$2,668. Also includes for fiscal 2005, \$5,154 paid to Mr. Pizzi for payment of life insurance, and vested and unused vacation reimbursement for Mr. Thompson in the amount of \$10,968 in connection with his resignation in December 2005. For fiscal 2004, includes Mr. Pizzi's retirement benefits under the SERP to which the company credited \$42,902 of contributions and \$2,820 in interest. Also for fiscal 2004, includes contributions made for Messrs. Pizzi, Marberger, Melchiorre and Thompson and Ms. Bayles in the amounts of \$600 each under the Company's Thrift Plan and term life insurance premiums paid on behalf of each executive. Mr. Pizzi received an imputed value of \$5,090 for term life insurance premiums for fiscal 2004. In addition, this amount includes \$128,911 for costs relating to Mr. Melchiorre's relocation in 2003 and \$85,306 for costs relating to Mr. Thompson's relocation in 2004.
- (4) Messrs. Melchiorre, Marberger and Thompson and Ms. Bayles joined the Company on January 21, 2003, February 6, 2003, February 16, 2004, and August 1, 2003, respectively. Mr. Thompson resigned as an executive officer from the Company, effective December 16, 2005. Mr. Rahey joined the Company on May 10, 2004.

OPTION/SAR GRANTS IN LAST FISCAL YEAR

There were no options to purchase shares of the Company's Common Stock granted to the named executive officers during the fiscal year ended December 31, 2005.

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**AGGREGATED OPTION EXERCISES IN LAST FISCAL YEAR
AND FISCAL YEAR-END OPTION VALUES**

The following table provides information on option exercises in fiscal 2005 by the named executive officers and the value of such officers' unexercised options on December 31, 2005.

Executive	No. of Options Exercised	Value Realized	Number of Unexercised Options at Fiscal-Year End			Value of Unexercised in-the-Money Options at Fiscal Year-End (1)		
			Total	Exercisable	Unexercisable	Total	Exercisable	Unexercisable
C.P. Pizzi	0	0	160,000	160,000	0	\$ 0	\$ 0	\$ 0
D.S. Marberger	0	0	68,500	68,500	0	0	0	0
V.A. Melchiorre	0	0	68,500	68,500	0	0	0	0
B.W. Thompson	0	0	6,667	6,667	0	0	0	0
A.R. Bayles	0	0	5,000	5,000	0	0	0	0
C.J. Rahey	0	0	8,000	8,000	0	0	0	0

(1) These columns represent the difference on December 30, 2005, between the market price of the Company's Common Stock (\$7.45) and the option exercise price. All stock options had an exercise price greater than the market price at the end of fiscal 2005 and, therefore, the stock options had no value for purposes of this table.

PENSION PLAN

The following table shows the approximate annual retirement benefits which will be payable under the Company's Pension Plan ("DB Plan") for an employee retiring in 2005 at the normal retirement age of 65 for the specified years of service and levels of average remuneration. The amounts listed in this table do not include Social Security benefits to which executive officers may be entitled.

Final Average Remuneration	15 Years of Service
\$ 125,000	\$ 19,058
150,000	23,558