TRACK DATA CORP
Form PRE 14A
October 14, 2009

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

SCHEDULE 14A

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

Filed by the Registrant [X]
Filed by a Party other than the Registrant [_]
Check the appropriate box:
[X] 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 toss. 240.14a-12

Track Data Corporation.

(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):
[X] No fee required.
[_] Fee computed on table below per Exchange Act Rules 14a-6(i)(4) and 0-11.
1) Title of each class of securities to which transaction applies:

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2) Aggregate number of securities to which transaction applies:

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3 Per unit price or other underlying value of transaction computed pursuant to
Exchange Act Rule 0-11 (set forth the amount on which
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4 Proposed maximum aggregate value of transaction:

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5 Total fee paid:

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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:

95 Rockwell Place
Brooklyn, NY 11217

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS
TO BE HELD DECEMBER 11, 2009

To the Stockholders of Track Data Corporation:

The Annual Meeting of Stockholders of Track Data Corporation (the "Company") will be held at 95 Rockwell Place, Brooklyn, New York 11217, Fifth Floor Conference Room, at 10:00 A.M. on Friday, December 11, 2009, for the following purposes:

(1) To elect seven Directors of the Company to hold office until the next Annual Meeting of Stockholders and until their successors have been duly elected and qualified;

(2) To ratify the selection and appointment by the Company's Board of Directors of Marcum & Kliegman LLP, independent auditors, as auditors for the Company for the year ending December 31, 2009; and

(3) To consider and transact such other business as may properly come before the meeting or any adjournments thereof.

A Proxy Statement, form of Proxy and the Annual Report to Stockholders of the Company for the year ended December 31, 2008 are enclosed herewith. Only holders of record of Common Stock at the close of business on October 26, 2009 will be entitled to notice of and to vote at the Annual Meeting and any adjournments thereof. A complete list of the stockholders entitled to vote will be available for inspection by any stockholder during the meeting; in addition, the list will be open for examination by any stockholder, for any purpose germane to the meeting, during ordinary business hours, for a period of at least ten days prior to the meeting at the office of the Secretary of the Company, located at 95 Rockwell Place, Brooklyn, New York 11217.

Brooklyn, New York
November 4, 2009

By Order of the Board of Directors,

Martin Kaye
Secretary

All stockholders are cordially invited to attend the Meeting. If you do not expect to be present, please sign and date the enclosed form of Proxy and return it promptly using the enclosed envelope. No postage is required if mailed in the United States. Any person giving a Proxy has the power to revoke it at any time prior to its exercise and if present at the Meeting may withdraw it and vote in person. Attendance at the Meeting is limited to stockholders, their proxies and invited guests of the Company.

TRACK DATA CORPORATION
95 ROCKWELL PLACE
BROOKLYN, NEW YORK 11217

PROXY STATEMENT

This Proxy Statement is furnished in connection with the solicitation by the Board of Directors of Track Data Corporation (the "Company") of proxies in the form enclosed. Such Proxies will be voted at the Annual Meeting of Stockholders of the Company to be held at 95 Rockwell Place, Brooklyn, New York, 11217, Fifth Floor Conference Room, at 10:00 A.M. on Friday, December 11, 2009 (the "Meeting") and at any adjournments thereof for the purposes set forth in the accompanying Notice of Annual Meeting of Stockholders.

This Proxy Statement and accompanying Proxy are being mailed on or about November 4, 2009 to all stockholders of record on October 26, 2009 (the "Record Date").

Any stockholder giving a Proxy has the power to revoke the same at any time before it is voted. The cost of soliciting Proxies will be borne by the Company. The Company has no contract or arrangement with any party in connection with the solicitation of proxies. Following the mailing of the Proxy materials, solicitation of Proxies may be made by officers and employees of the Company by mail, telephone, telegram or personal interview. Properly executed Proxies will be voted in accordance with instructions given by stockholders at the places provided for such purpose in the accompanying Proxy. Unless contrary instructions are given by stockholders, it is intended to vote the shares represented by such Proxies for the election of the seven nominees for director named herein and for the selection of Marcum & Kliegman LLP as independent auditors. The current members of the Board of Directors presently hold voting authority for Common Stock representing an aggregate of 13,528 votes. The members of the Board of Directors have indicated their intention to vote affirmatively on all of the proposals. Barry Hertz, the Company's principal stockholder who owns or controls 1,150,693 votes or approximately 56% of the total votes eligible to be cast at the Annual Meeting has indicated his intention to vote affirmatively on all of the proposals.

VOTING SECURITIES

Stockholders of record as of the close of business on the Record Date will be entitled to notice of, and to vote at, the Meeting or any adjournments thereof. On the Record Date there were 2,073,000 outstanding shares of common stock, par value $.01 per share (the "Common Stock"). Each holder of Common Stock is entitled to one vote for each share held by such holder. The presence, in person or by proxy, of the holders of a majority of the outstanding shares of Common Stock is necessary to constitute a quorum at the Meeting. Proxies submitted which contain abstentions or broker non-votes will be deemed present at the Meeting in determining the presence of a quorum.

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth, as of September 30, 2009, information regarding the beneficial ownership (as defined in Rule 13d-3 under the Securities Exchange Act of 1934) of the Company's Common Stock based upon the most recent information available to the Company for (i) each person known by the Company to own beneficially more than five (5%) percent of the Company's outstanding Common Stock, (ii) each of the Company's officers and directors and (iii) all officers and directors of the Company as a group. Unless otherwise indicated, each stockholder's address is c/o the Company, 95 Rockwell Place, Brooklyn, New York 11217.

	Shares Owned Beneficially (1)	
Name	No. Of Shares	% of Class
Barry Hertz (2)	1,150,693	55.5%
Martin Kaye (3)	14,420	*
Stanley Stern (4)	4,988	*
Albert Drillick (5)	8,345	*
Abraham Biderman (6)	2,500	*
E. Bruce Fredrikson (7)	3,900	*
Philip Ort (6)	2,500	*
Shaya Sofer (6)	2,500	*
All Officers and Directors as a Group (seven persons)(8)	39,153	1.9%

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* = less than 1%

(1) Unless otherwise indicated, (i) each person has sole investment and voting power with respect to the shares indicated and (ii) the shares indicated are currently outstanding shares. For purposes of this table, a person or group of persons is deemed to have "beneficial ownership" of any shares as of a given date which such person has the right to acquire within 60 days after such date. For purposes of computing the percentage of outstanding shares held by each person or group of persons named above on a given date, any security which such person or persons has the right to acquire within 60 days after such date is deemed to be outstanding for the purpose of computing the percentage ownership of such person or persons, but is not deemed to be outstanding for the purpose of computing the percentage ownership of any other person. Subject to the foregoing, the percentages are calculated based on 2,073,000 shares outstanding.

(2) Consists of 889,476 shares owned by Mr. Hertz, 256,470 shares owned by Trusts established in the names of Mr. Hertz’s children and 4,747 shares held by a family LLC managed by Mr. Hertz who owns 8% of such LLC. Mr. Hertz disclaims beneficial interest in shares owned by the Trust and 92% of the family LLC not owned by him.

(3) Consists of 1,920 shares owned of record and 12,500 shares issuable upon the exercise of presently exercisable options granted under the Company's Stock Option Plans.

(4) Consists of 2,488 shares owned of record and 2,500 shares issuable upon the exercise of presently exercisable options granted under the Company's Stock Option Plans.

(5) Consists of 7,555 shares owned of record jointly with his wife, 165 shares owned by a trust in the name of his child, and 625 shares issuable upon the exercise of presently exercisable options granted under the Company's Stock Option Plans.

(6) Consists of shares issuable upon the exercise of presently exercisable options granted under the Company's Stock Option Plans.

(7) Consists of 1,400 shares owned of record and 2,500 shares issuable upon the exercise of presently exercisable options granted under the Company's Stock Option Plans.

(8) Consists of 13,528 outstanding shares and 25,625 shares issuable upon exercise of options described in footnotes 3 through 7 above.

ITEM I. ELECTION OF DIRECTORS

It is the intention of the persons named in the enclosed form of Proxy, unless such form of Proxy specifies otherwise, to nominate and to vote the shares represented by such Proxy for the election as directors of Martin Kaye, Stanley Stern, Albert Drillick, Abraham Biderman, Dr. E. Bruce Fredrikson, Phillip Ort and Shaya Sofer to hold office until the next Annual Meeting of Stockholders or until their respective successors shall have been duly elected and qualified. All of the nominees are presently directors of the Company. The Company has no reason to believe that any of the nominees will become unavailable to serve as directors for any reason before the Annual Meeting. However, in the event that any of them shall become unavailable, the person designated as proxy reserves the right to substitute another person of his choice when voting at the Annual Meeting.

Officers and Directors

The officers and directors of the Company are as follows:

Name	Age	Position
Martin Kaye	62	Chief Executive Officer since March 16, 2007, Chief Financial Officer, Secretary and Director
Stanley Stern	59	Chief Compliance Officer, TDSC, Director
Albert Drillick	63	Senior Systems Analyst, Director
Abraham Biderman	61	Director
E. Bruce Fredrikson	71	Chairman of the Board since March 16, 2007
Philip Ort	60	Director
Shaya Sofer	60	Director

Key Employees are as follows:

Barry Hertz	59	Chief of Technology, served as Chairman of the Board and Chief Executive Officer until March 16, 2007
David Drillick	38	Chief Operating Officer, TDSC

Martin Kaye has been Chief Executive Officer since March 16, 2007, and has been Chief Financial Officer, Secretary and a Director of the Company since 1994. Mr. Kaye is a certified public accountant. Mr. Kaye served as Chief Financial Officer of Innodata from October 1993 and Director from March 1995 until his resignation from those positions in May 2001. He had been an audit partner with Deloitte & Touche LLP for more than five years until his resignation in 1993. Mr. Kaye holds a B.B.A. in accounting from Baruch College (1970).

Stanley Stern has been Chief Compliance Officer of the Company's broker-dealer subsidiary, TDSC, since April, 2005. He served as Senior Vice President - Customer Relations from June 2000 to November 2005. He has been a Director of the Company since May 1999. He previously served as Director from April 1994 until his resignation in September 1997. He served as Vice President of the Company and in other capacities for more than five years until his resignation in December 1996. From January 1998 through May 2000, Mr. Stern was Chief Operating Officer of Integrated Medical Technologies, Inc., an Internet-based provider of medical services information. Mr. Stern holds a B.B.A. from Baruch College (1973).

Albert Drillick has been a Director of the Company since February 2004. He has served as a Director of Applications and Senior Systems Analyst for the Company for more than the past five years. He holds a Ph.D. degree in Mathematics from New York University Courant Institute (1971).

Abraham Biderman has been a Director of the Company since August 2002. Mr. Biderman is Chairman of Eagle Advisers, LLC, a diversified financial services and money management firm. From January 1990 to September 2003, he was Executive Vice President of Lipper & Company, Inc., a diversified financial services firm. Prior thereto, he served as special advisor to the Deputy Mayor and then the Mayor during New York City's Koch Administration. From January 1988 through December 1989, Mr. Biderman was Commissioner of New York City's Department of Housing, Preservation and Development. Prior thereto, he served as Commissioner of New York City's Department of Finance and as Chairman of New York City's Employee Retirement System. Mr. Biderman is a member of the Fiscal Opportunities Task Force of the New York City Partnership, a member of the Housing Committee of the Real Estate Board of New York, a Director of m-Phase Technologies, Inc., a company that manufactures and markets high-bandwidth telecommunications products incorporating DSL technology, and is also on the boards of numerous not-for-profit and philanthropic organizations. Mr. Biderman is a certified public accountant and graduated with a B.A. in Accounting from Brooklyn College (1970).

Dr. E. Bruce Fredrikson has been a Director of the Company since June 1994 and he has served as Chairman since March 16, 2007. Dr. Fredrikson is currently an independent consultant in corporate finance and governance. He is Professor of Finance, Emeritus, at Syracuse University's Martin J. Whitman School of Management where he taught from 1966 until his retirement in May 2003. He is a director of Consumer Portfolio Services, Inc., a consumer finance company, and Colonial Commercial Corp., a supplier of HVAC products and supplies. Dr. Fredrikson holds an A.B. in economics from Princeton University and a M.B.A. in accounting and a Ph.D. in finance from Columbia University.

Philip Ort has been a Director of the Company since June 2004. Mr. Ort has been the owner/operator of a family Real Estate Management and Investment business comprising residential and commercial properties since 1972. He serves on the boards of several non-profit organizations. He attended Brooklyn College from 1967 to 1970.

Shaya Sofer has been a Director of the Company since June 2004. Since January 2001, he has been Senior Managing Project Director of Energy Spectrum Inc., an energy consulting firm focusing on CHP "Combine Heat and Power" (Cogeneration). Prior thereto, he was a consultant. He served as Director of Facilities for Track Data Corp. and as Executive Vice President of Fast Track Systems, a disaster recovery business, from 1985 through 1998. He also was a member of the board of directors of Track Data Corp. from 1986 through 1995, prior to its merger with Global Market Information, Inc. Mr. Sofer holds a B.A. in Mathematics from Queens College (1972).

Barry Hertz has served as Chief of Technology since March 16, 2007. Prior thereto he served as the Company's Chairman and Chief Executive Officer since its inception. Mr. Hertz reached a settlement with the Securities and Exchange Commission ("SEC") regarding insider-trading charges. Mr. Hertz consented, without admitting or denying the allegations in the SECs complaint, to a two-year bar from serving as an officer or director of a publicly traded company which bar was ended in March 2009, and a permanent bar from association with a broker or dealer, with the right to apply for reinstatement after two years. At this date, Mr. Hertz has not made such application. He holds a Masters degree in Computer Science from New York University (1973) and a B.S. degree in Mathematics from Brooklyn College (1971). Until his resignation in May 2001, Mr. Hertz also served as Chairman of Innodata Corporation ("Innodata"), a public company co-founded by Mr. Hertz, of which the Company was a Principal Stockholder, and which is a global outsourcing provider of Internet and on-line digital content services.

David Drillick has been Chief Operating Officer of TDSC, the Company's broker-dealer subsidiary, since December 2005. He has served as the Company's Vice President of Online Trading Operations since August 2000. Mr. Drillick was a Principal at Pond Equities, a full service securities broker-dealer, from November 1997 through August 2000. He had previously been a Branch Manager for King Financial Services, a self-clearing and full service securities broker-dealer. Mr. Drillick holds a B.S. degree in Mathematics/Actuarial Studies from Touro College (1992).

Directors are elected to serve until the next annual meeting of stockholders and until their successors are elected and qualified. Officers serve at the discretion of the Board. There are no family relationships among directors or officers. Albert Drillick is the father of David Drillick, Chief Operating Officer of TDSC, the Company's broker-dealer subsidiary.

Director Independence

The Board of Directors has determined each of the following directors to be an "independent director" as defined in Rule 4200(a)(15) of the listing standards of the National Association of Securities Dealers ("the NASD listing standards"): E. Bruce Fredrikson, Abraham Biderman, Phillip Ort and Shaya Sofer.

Controlled Company Exemption

The Company is a Controlled Company as defined in NASDAQ's Stock Market Rule 4350(c)(5) as the Company is owned more than 50% by one individual. Accordingly, a majority of independent directors is not required to serve on the Company's Board of Directors.

Meetings of the Board of Directors

The Board of Directors held four meetings during the year ended December 31, 2008. During 2008, each director attended in excess of 75% of both (i) the total number of board meetings held during the period for which he was a director and (ii) the total number of meetings of each committee of the board on which the director served during the period for which he was on the committee. The Company does not have a policy requiring incumbent directors and director nominees to attend the Company's annual meeting of stockholders. All directors attended last year's annual meeting.

Committees of the Board of Directors

The Company has a separately designated standing audit committee established in accordance with Section 3(a)(58)(A) of the Exchange Act. Serving on the Committee are Dr. E. Bruce Fredrikson, Abraham Biderman and Philip Ort. The Board of Directors has determined that it has an audit committee financial expert serving on the audit committee, Abraham Biderman. Mr. Biderman is an independent director as defined in Item 7(d)(3)(iv) of Schedule 14A. The function of the Audit Committee is to make recommendations concerning the selection each year of independent auditors of the Company, to review the effectiveness of the Company's internal accounting methods and procedures, to consider whether the principal accountant's provision of non-audit services is compatible with maintaining the principal accountant's independence and to determine through discussions with the independent auditors whether any instructions or limitations have been placed upon them in connection with the scope of their audit or its implementation. The Audit Committee met four times during 2008. The Board of Directors has determined that the members of the Audit Committee are "independent" as defined in NASDAQ Stock Market's Marketplace Rule 4200.

The Board of Directors does not have a Compensation Committee. In accordance with NASDAQ Stock Market's Marketplace Rule 4200, a majority of "independent" directors is required to recommend and approve the compensation of executive officers.

The Company does not have a standing Nominating Committee. Due to the size of the Company and the resulting efficiency of a Board of Directors that is also limited in size, as well as the lack of turnover in the Company's Board of Directors, the Board of Directors has determined that it is not necessary or appropriate at this time to establish a separate Nominating Committee. Potential candidates are discussed by the entire Board of Directors, and director nominees are selected by Board of Director resolution subject to the recommendation of a majority of the independent directors. All of the nominees recommended for election to the Board of Directors at the Annual Meeting are directors standing for re-election. Although the Board of Directors has not established any minimum qualifications for director candidates, when considering potential director candidates, the Board considers the candidate's character, judgment, diversity, skills, including financial literacy, and experience in the context of the needs of the Company and the Board of Directors. In 2008, the Company did not pay any fees to any third party to assist in identifying or evaluating potential nominees.

The Board of Directors will consider director candidates recommended by the Company's stockholders in a similar manner as those recommended by members of management or other directors, provided the stockholder submitting such nomination has provided such recommendation on a timely basis as described in "Proposals of Stockholders" below. To date, the Company has not received any recommended nominees from any non-management stockholder or group of stockholders that beneficially owns five percent of its voting stock.

Report of the Audit Committee

The following report of the Audit Committee does not constitute soliciting material and should not be deemed filed or incorporated by reference into any other Company filing under the Securities Act of 1933 or the Securities Exchange Act of 1934, except to the extent the Company specifically incorporates this Report by reference therein.

The responsibilities of the Audit Committee, which are set forth in the Audit Committee Charter, include providing oversight to the Company's financial reporting process through periodic meetings with the Company's independent accountants and management to review accounting, auditing, internal controls and financial reporting matters. The Audit Committee is also responsible for the appointment, compensation and oversight of the Company's independent auditors. The management of the Company is responsible for the preparation and integrity of the financial reporting information and related systems of internal controls. The Audit Committee, in carrying out its role, relies on the Company's senior management, including senior financial management, and its independent accountants.

The Audit Committee has implemented procedures to ensure that during the course of each fiscal year it devotes the attention that it deems necessary or appropriate to each of the matters assigned to it under the Audit Committee's Charter. To carry out its responsibilities, the Audit Committee met four times during fiscal 2008.

The primary purpose of the Audit Committee is to assist the Board of Directors in fulfilling its oversight responsibilities relating to the quality and integrity of the Company's financial reports and financial reporting processes and systems of internal controls. Management of the Company has primary responsibility for the Company's financial statements and the overall reporting process, including maintenance of the Company's system of internal controls. The Company retains independent auditors who are responsible for conducting an independent audit of the Company's financial statements, in accordance with generally accepted auditing standards, and issuing a report thereon.

In performing its duties, the Audit Committee has reviewed and discussed the audited financial statements with management and the Company's independent auditors. The Audit Committee has also discussed with the Company's independent auditors, the matters required to be discussed by Statement of Auditing Standards ("SAS") No. 61, "Communications with Audit Committee." SAS No. 61 requires the independent auditors to provide the Audit Committee with additional information regarding the scope and results of their audit of the Company's financial statements, including with respect to (i) their responsibility under auditing standards generally accepted in the United States of America, (ii) significant accounting policies, (iii) management judgments and estimates, (iv) any significant audit adjustments, (v) any disagreements with management, and (vi) any difficulties encountered in performing the audit. In addition, the Audit Committee received written disclosures and the letter from the independent auditors required by Independence Standards Board Statement No. 1, "Independence Discussions with Audit Committees." The independent auditors have discussed its independence with the Audit Committee, and has confirmed to us that, in its professional judgment, it is independent of the Company within the meaning of the federal securities laws.

On the basis of the foregoing reviews and discussions, the Audit Committee recommended to the Board of Directors that the audited financial statements be included in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2008, for filing with the Securities and Exchange Commission. The Audit Committee has also recommended, subject to shareholder approval, the selection of the Company's independent auditors.

Audit Committee

E. Bruce Fredrikson
Abraham Biderman
Philip Ort

Code of Ethics

The Company has adopted a Code of Ethics that applies to its Chief Executive Officer and Chief Financial Officer. The Code as well as any amendments and waivers of the Code, if any, is posted on the Company's website at http://www.trackdata.com/codeofethics.

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

The Company believes that during the period from January 1, 2008 through December 31, 2008 all Section 16(a) filing requirements applicable to its officers, directors and greater than ten-percent beneficial owners were complied with.

Stockholders Communications With the Board of Directors

Generally, stockholders who have questions or concerns regarding the Company should contact our Investor Relations department at 718-522-7373. However, stockholders may communicate with the Board of Directors by sending a letter to Board of Directors of Track Data Corporation, c/o Corporate Secretary, 95 Rockwell Place, Brooklyn, NY 11217. Any communications must contain a clear notation indicating that it is a "Stockholder--Board Communication" or a "Stockholder--Director Communication" and must identify the author as a stockholder. The office of the Corporate Secretary will receive the correspondence and forward appropriate correspondence to the Chairman of the Board or to any individual director or directors to whom the communication is directed. The Company reserves the right not to forward to the Board of Directors any communication that is hostile, threatening, illegal, does not reasonably relate to the Company or its business, or is similarly inappropriate. The office of the Corporate Secretary has authority to discard or disregard any inappropriate communication or to take any other action that it deems to be appropriate with respect to any inappropriate communications.

COMPENSATION DISCUSSION AND ANALYSIS

Overview

This compensation discussion describes the material elements of compensation awarded to, earned by, or paid to each of our executive officers who served as named executive officers during the last completed fiscal year. This compensation discussion focuses on the information contained in the following tables and related footnotes and narrative for primarily the last completed fiscal year. Our Board oversaw and administered our executive compensation program. There is no compensation committee.

The principal elements of our executive compensation program are base salary and long-term equity incentives in the form of stock options. Other benefits and perquisites consist of health insurance benefits and a qualified 401(k) savings plan. Our philosophy is to position the aggregate of these elements at a level that is commensurate with our size and sustained performance.

Compensation Program Objectives and Philosophy

In General. The objectives of our compensation programs are to attract, motivate and retain talented and dedicated executive officers, provide our executive officers with both cash and equity incentives to further the interests of the Company and our stockholders, and provide employees with long-term incentives so we can retain them.

Generally, the compensation of our executive officers is composed of a base salary and equity awards in the form of stock options. In setting base salaries, the Board generally reviewed the individual contributions of the particular executive. In addition, stock options are granted to provide the opportunity for long-term compensation based upon the performance of our common stock over time.

Competitive Market. We define our competitive market for executive talent and investment capital to be the technology and business services industries. To date, we have not engaged in the benchmarking of executive compensation but we may choose to do so in the future.

Compensation Process. Our Board approved the compensation of our named executive officers taking into consideration recommendations from our principal executive officer (for compensation other than his own), as well as competitive market guidance.

Regulatory Considerations. Given the compensation cost to us of awarding stock options under recent accounting pronouncements, we will consider the size and frequency of any future stock option awards under our long-term equity incentive program.

Base Salaries

In General. We provide the opportunity for our named executive officers and other executives to earn a competitive annual base salary. We provide this opportunity to attract and retain an appropriate caliber of talent for the position, and to provide a base wage that is not subject to performance risk. We review base salaries for our named executive officers annually and increases are based on our performance and individual performance. The salary of our principal executive officer was set by our Board at $242,400 for 2009. Our Board also approved no increase in compensation for 2009 from the annual base salary rate from 2008 for Mr. Stern – $123,600; Mr. Hertz - $363,600; and Mr. Drillick – $166,000.

Total Compensation Comparison. No options were awarded to executive officers in 2008 or 2007 and bonuses of $18,940 in 2008 and $15,000 in 2007 were awarded to Mr. Drillick. In 2008, bonuses of $6,060, $9,090 and $3,090 were awarded to Messrs. Kaye, Hertz and Stern, respectively. Further, in 2008 and 2007 Messrs. Kaye, Stern and Hertz received long-term health care benefit insurance.

Annual Cash Incentives

In General. There are no programs presently in place to provide the opportunity for our named executive officers and other executives to earn an annual cash incentive award. There are no specific individual performance goals for 2009 incentive awards, but the Board may exercise discretion and take into account individual and corporate performance in determining awards.

Stephen Kaczynski**.**

The Company and Mr. Kaczynski entered into an employment agreement in dated April 24, 2001 for a term of two years. Pursuant to the Employment Agreement, Mr. Kaczynski will receive a base salary of $250,000 per annum, together with signing bonus of $50,000. Mr. Kaczynski also received a grant of 50,000 nonqualified stock options pursuant to the Stephen Kaczynski 2001 Equity Incentive Plan, a plan created as an inducement to Mr. Kaczynski to accept employment with the Company. The Company for cause, as defined, may terminate the Employment Agreement at any time. If terminated for cause, the Company shall have no further obligation or liability to Mr. Kaczynski, other than payment of the base amount earned and unpaid at the date of termination. The Company also may terminate Mr. Kaczynski s employment other than for cause, in which event the Company has the continuing obligation to pay Mr. Kaczynski his base salary for 12 months, if the termination is in the first year of employment, or thereafter for not less than six nor more than 12 months, determined by deducting from 12 months the number of months remaining in Mr. Kaczynski s term of employment at the time of termination. As part of such agreement, Mr. Kaczynski has agreed to maintain as confidential the Company s proprietary and confidential information, and for a period of three years following his termination of employment, not to have active participation, managerial responsibility or ownership (other than a less than 1% ownership position) or control of any supermarket, food store or retailer of health and beauty aids located within a ten-mile radius of the Company s stores (defined as those currently operated or for which the Company has executed leases). The agreement also contains a non-solicitation covenant under which Mr. Kaczynski is prohibited from interfering with the Company s relationship with its employees or suppliers or other business relations.

Edward Dunlap.

The Company and Mr. Dunlap entered into an employment agreement dated December 17, 2001 for a term of one year. Pursuant to the Employment Agreement, Mr. Dunlap receives a base salary of $260,000 per annum, together with a minimum first year bonus of $75,000. Mr. Dunlap also received a grant of 120,000 nonqualified stock options pursuant to the Edward Dunlap 2001 Equity Incentive Plan, a plan created as an inducement to Mr. Dunlap accept employment with the Company. The Company for cause, as defined, may terminate the Employment Agreement at any time. If terminated for cause, the Company shall have no further obligation or liability to Mr. Dunlap, other than payment of the base amount earned and unpaid at the date of termination. The Company also may terminate Mr. Dunlap s employment other than for cause, in which event the Company has the continuing obligation to pay Mr. Dunlap his base salary for 12 months, if the termination is in the first year of employment, or thereafter for not less than six nor more than 12 months, determined by deducting from 12 months the number of months remaining in Mr. Dunlap s term of employment at the time of termination. As part of such agreement, Mr. Dunlap has agreed to maintain as confidential the Company s proprietary and confidential information, and for a period of three years following his termination of employment, not to have active participation, managerial responsibility or ownership (other than a less than 1% ownership position) or control of any supermarket, food store or retailer of health and beauty aids located within a ten-mile radius of the Company s stores (defined as those currently operated or for which the Company has executed leases). The agreement also contains a non-solicitation covenant under which Mr. Dunlap is prohibited from interfering with the Company s relationship with its employees or suppliers or other business relations.

EXECUTIVE SEVERANCE AGREEMENTS

The Company has entered into severance agreements with each of the Company s executive officers, other than Perry Odak, which provide for certain payments in the event the individual's employment with the Company is terminated by the Company other than for "cause" (as defined in such agreements) or by the individual for "good reason" (as defined in such agreements), in each case within 24 months following a "change in control" (as defined in such agreements) of the Company.

The principle benefits under the agreements consist of (i) a lump sum severance payment equal to two times the individual's salary and bonus, (ii) a lump sum payment in lieu of Company contributions that would have been made on the individual's behalf to the Company's savings plan had the individual's employment continued for 2 additional years, (iii) accelerated vesting of all options, (iv) continuation of life, disability, accident and health insurance benefits for a period of 2 years following such termination of employment, and (v) a payment equal to the amount necessary to reimburse the individual for the full effect of any excise tax levied on "excise parachute payments".

If the executive officer's employment is terminated by the Company other than for "cause" or by the individual for "good reason" following a "change in control", then for two (2) years following such termination of employment, the individual will be subject to certain restrictive covenants relating to non competition and solicitation of employees, customers or suppliers of the Company. See *Employment Agreements Perry D. Odak* for disclosure of the severance provisions of Mr. Odak s employment agreement.

REPORT OF THE COMPENSATION COMMITTEE
OF THE BOARD OF DIRECTORS

The Compensation Committee (the "Committee") is currently comprised of three non-employee directors: Messrs. Chamberlain, Gallitano and McElwee. Mr. Gallitano joined the Compensation Committee in March 2002. The Committee is responsible for setting and administering the policies that govern executive salaries, bonuses (if any) and stock ownership programs. The Committee annually evaluates the performance and determines compensation of the Chief Executive Officer (the "CEO") as well as the compensation of the other executive officers of the Company, based upon a mix of the achievement of corporate goals, individual performance and comparisons with other independent grocers and retail companies.

The policies of the Company with respect to compensation of executive officers, including the CEO, are to provide compensation sufficient to attract, motivate and retain executives of outstanding ability and potential and to establish an appropriate relationship between executive compensation and the creation of stockholder value. To meet these goals, in the past the Committee adopted a mix among the compensation elements of salary, bonus and stock options, with a bias toward stock options, to emphasize the link between executive incentives and the creation of stockholder value as measured by the equity markets. In 2001 the Committee shifted the weight of compensation established for newly hired and retained executives to more competitive base salaries. In general for fiscal 2002, the salaries, bonuses and stock option awards of executive officers were linked to the Company s achievement of corporate performance criteria with respect to public company matters and Company growth, as well as individual performance goals. No cash bonuses were awarded by the Board to executive officers for 2002 performance. The Company made merit grants of 70,000 stock options to executive officers for 2002 performance.

BASE SALARY

The base salaries for all but one of the executive officers of the Company were established at or above the mid-point of the range for similarly sized companies, based on sales revenues, included in the compensation surveys considered by the Committee. The surveys used to review base salaries include industry surveys prepared by retail trade organizations in the grocery industry, compensation evaluations prepared by a consultant engaged by the Company in 2002, regional compensation surveys for Colorado, where the Company s headquarters are located and its executives perform their duties, and surveys of compensation levels disclosed in comparable companies proxy disclosures on management compensation. In establishing such salaries, the Committee also considers each officer s level of industry experience, individual achievement and overall contribution to the achievement of corporate objectives or, for newly hired executives, the overall importance of such executives positions to the achievement of short- and long-term goals of the Company.

BONUSES

Bonuses in the form of $500.00 gift certificates to be applied to purchases made at the Company s stores were awarded to all home office staff members, excluding some executive officers, of the Company for 2002 performance. In addition, Bruce Bowman, Company s Senior Vice President of Operations, received a bonus of $50,000, pursuant to the terms of his employment agreement and Ed Dunlap, the Company s Chief Financial Officer, received a bonus of $75,000 pursuant to the terms of his employment agreement. See *Employment Agreements Bruce Bowman* and *Employment Agreements Ed Dunlap.* As part of Mr. Odak s employment agreement, the Company agreed to purchase his home in York, Pennsylvania if he was unable to sell it within a specified period of time. In July 2002, the Company arranged for a relocation service to purchase the home from Mr. Odak for $1.6 million. Despite substantial marketing efforts, the relocation service was unable to sell the house for a reasonable price. In November 2002, Mr.

Odak offered to repurchase the home for the original $1.6 million he had received. At December 28, 2002, Mr. Odak had remitted $1.35 million to the Company as partial consideration to fund the purchase and the remaining funds were funded by Mr. Odak s fiscal 2002 bonus of $250,000, to which he was contractually entitled under his employment agreement. On March 6, 2003, the Company remitted the $1.6 million to the relocation service.

STOCK OPTION GRANTS

The 1996 Plan was established to provide all employees of the Company with an opportunity to share, along with stockholders of the Company, in the long-term performance of the Company. Periodic grants of stock options are generally made to executive, managerial-level and other eligible employees. The Compensation Committee reviews and approves management recommendations regarding stock option grants on a quarterly basis. The Committee continues to view the award of stock options as a valuable tool for long-term retention of executives and alignment of executives with shareholder interests. In awarding stock options, the Board considers individual performance and overall contribution to the Company and also considers the number of unvested stock options held by the executive in comparison to other executives and the total number of stock options available to be awarded under the Plan. The Committee also considers the stock option practices of a self-selected group of other independent grocers and other retail companies. In 2002, an aggregate number of 503,901 stock options were granted to employees, of which 140,000 were granted to executive officers.

DEFERRED COMPENSATION PLAN

The Company maintains a nonqualified Deferred Compensation Plan for executive officers and senior-level employees. Eligible employees may contribute a portion of base salary or bonuses to the plan annually. The DCP provides for additional matching contributions by the Company in an amount determined by the Company prior to the end of each plan year. The plan was implemented to provide executives and senior-level employees with the opportunity to make contributions to a retirement plan where the limitations imposed by the Internal Revenue Code 401(m), governing the maximum contribution that may be made to a retirement plan such as a 401(k) plan based upon the average contribution made, would not apply. The Deferred Compensation Plan is not deemed to be a defined benefit plan, and the funds contributed by executives and senior-level employees are considered to be general funds of the Company and are not segregated.

CEO COMPENSATION

Perry Odak joined the Company as its Chief Executive Officer and President in March 2001. Mr. Odak s compensation is set at $500,000 per year pursuant to the terms of his employment contract, as described above. Mr. Odak s annual base salary may be increased at the Committee s discretion based on an annual review. Mr. Odak also is entitled to certain additional incentive compensation for each fiscal year during the term of his employment agreement, based on his meeting performance criteria established by the Board of Directors. As part of Mr. Odak s employment agreement, the Company agreed to purchase his home in York, Pennsylvania if he was unable to sell it within a specified period of time. In July 2002, the Company arranged for a relocation service to purchase the home from Mr. Odak for $1.6 million. Despite substantial marketing efforts, the relocation service was unable to sell the house for a reasonable price. In November 2002, Mr. Odak offered to repurchase the home for the original $1.6 million he had received. At December 28, 2002, Mr. Odak had remitted $1.35 million to the Company as partial consideration to fund the purchase and the remaining funds were funded by Mr. Odak s fiscal 2002 bonus of $250,000, to which he was contractually entitled under his employment agreement. On March 6, 2003, the company remitted the $1.6 million to the relocation service. The amount of additional incentive compensation is to be determined by a review of Mr. Odak s achievement of certain performance goals in accordance with a bonus or short-term incentive compensation program established by the Board for Mr. Odak or all senior executives.

Mr. Odak s initial salary level set forth in the Employment Agreement was the result of negotiations between Mr. Odak and the Committee, taking into consideration the Company s need for an experienced and proven executive who could reverse the Company s declining results of operations, as well as Mr. Odak s experience, past salary levels and applicable expertise to the challenges being faced by the Company. The Committee also considered formal salary surveys for the chief executive officers and recommendations of executive recruiters hired by the Company to assist in identifying and placing a qualified and experienced CEO. The Committee considered the relationship of the Company s past financial and operating performance and the challenges it faced to Mr. Odak s compensation and found his compensation to be appropriate, and did not award a bonus other than the bonus set forth in Mr. Odak s employment agreement.

SECTION 162(M) OF THE INTERNAL REVENUE CODE

Section 162(m) of the Internal Revenue Code (the "Code") limits the Company to a deduction for Federal income tax purposes of no more than $1 million of compensation paid to certain Named Executive Officers in a taxable year. Compensation above $1 million may be deducted if it is "performance-based compensation" within the meaning of the Code. Options granted pursuant to the Company s Equity Incentive Plan are intended to satisfy the requirements for the "performance-based compensation" exemption. As a result and at the present time, the Board does not believe that the compensation paid to any Named Executive Officer in a taxable year that is subject to the deduction limit will exceed $1 million. The Board has not yet established a policy for determining whether forms of incentive compensation, other than stock options, awarded to its Named Executive Officers will be designed to qualify as "performance-based compensation." The Board will continue to evaluate the effects of the statute and to comply with Code section 162(m) in the future to the extent consistent with the best interests of the Company.

2002 COMPENSATION COMMITTEE

David M. Chamberlain

David Gallitano

James B. McElwee

COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION

Messrs. Chamberlain, Gallitano and McElwee currently serve as members of the Compensation Committee. The entire Board of Directors determines the compensation of Messrs. Chamberlain, Gallitano and McElwee**.**

PERFORMANCE CHART

The following graph sets forth the stock price performance of the Company s common stock for the period beginning December 26, 1997 and ending December 27, 2002, as contrasted with the NASDAQ Stock Market-US Index and the Russell 2000 Index. The graph assumes $100 was invested at the beginning of the period and any dividends paid during the period were reinvested.

OTHER MATTERS

The Board of Directors knows of no other matters that will be presented for consideration at the Annual Meeting. If any other matters are properly brought before the meeting, it is the intention of the persons named in the accompanying proxy to vote on such matters in accordance with their best judgment.

By Order of the Board of Directors

Freya R. Brier

Vice President and Secretary

Boulder, Colorado

March 27, 2003