

LQ CORP INC
Form PRE 14A
November 09, 2004

**SCHEDULE 14A
(Rule 14a-101)**

INFORMATION REQUIRED IN PROXY STATEMENT

SCHEDULE 14A INFORMATION

**Proxy Statement Pursuant to Section 14(a) of the
Securities Exchange Act of 1934**

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

L Q Corporation, Inc.
(Name of Registrant as Specified in its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

- No fee required.
- Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

- (1) Title of each class of securities to which transaction applies:
- (2) Aggregate number of securities to which transaction applies:
- (3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11. (set forth the amount on which the filing fee is calculated and state how it was determined):
- (4) Proposed maximum aggregate value of transaction:
- (5) Total fee paid:

Fee paid previously with preliminary materials.

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

- (1) Amount Previously Paid:
- (2) Form, Schedule or Registration Statement No.:
- (3) Filing Party:
- (4) Date Filed:

L Q CORPORATION, INC.
888 Seventh Avenue, 17th Floor
New York, NY 10019

_____, 2004

Dear Stockholder:

On behalf of the Board of Directors, I cordially invite you to attend the 2004 Annual Meeting of Stockholders of L Q Corporation, Inc. which will be held on December 22, 2004 at 12:00 p.m., local time, at the offices of Kramer Levin Naftalis & Frankel LLP, 919 Third Avenue, New York, New York 10022.

The matters to be acted upon at the meeting are described in the attached Notice of Annual Meeting of Stockholders and Proxy Statement.

Your vote is important. After reading the Proxy Statement, please mark, date, sign and return the enclosed proxy card in the prepaid envelope to ensure that your shares will be represented at the meeting. If you have any questions or need assistance in voting your shares, please call our proxy solicitor:

D.F. King & Co., Inc.
48 Wall Street, 22nd Floor,
New York, New York 10005
Call collect: 212-269-5550

We have enclosed a copy of the Company's Annual Report on Form 10-K for the year ended December 31, 2003.

We look forward to seeing you at the meeting.

Sincerely yours,

James A. Mitarotonda
Chairman of the Board

**L Q CORPORATION, INC.
888 Seventh Avenue, 17th Floor
New York, NY 10019**

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**NOTICE OF ANNUAL MEETING OF STOCKHOLDERS
TO BE HELD ON DECEMBER 22, 2004**

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TO THE STOCKHOLDERS OF L Q CORPORATION, INC.:

NOTICE IS HEREBY GIVEN that the annual meeting of stockholders (the "Annual Meeting") of L Q Corporation, Inc., a Delaware corporation (the "Company"), will be held on December 22, 2004 at 12:00 p.m., local time, at the offices of Kramer Levin Naftalis & Frankel LLP, 919 Third Avenue, New York, New York 10022, for the following purposes:

1. To consider and vote upon a proposal to amend the Company's Second Amended and Restated Certificate of Incorporation to remove the classification of the Board of Directors;
2. To elect two (2) Class II directors to serve on the Board of Directors;
3. To ratify the selection of Rothstein, Kass & Company, P.C. as the Company's independent accountants for the fiscal year ending December 31, 2004; and
4. To transact such other business as may properly come before the Annual Meeting and any adjournment thereof.

All of the foregoing is more fully set forth in the Proxy Statement accompanying this Notice.

The Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2003 is being mailed to stockholders along with the attached Proxy Statement.

The Board of Directors has fixed the close of business on November 4, 2004 as the record date for determining the stockholders entitled to notice of and to vote at the Annual Meeting and any adjournment of the Annual Meeting. All holders of record of shares of the Company's common stock as of the record date will be entitled to attend and vote at the Annual Meeting.

A complete list of stockholders entitled to vote will be available for examination by any stockholder of the Company for any purpose germane to the Annual Meeting during normal business hours at the offices of the Company at 888 Seventh Avenue, 17th Floor, New York, New York 10019 for the 10-day period prior to the Annual Meeting.

Stockholders are cordially invited to attend the Annual Meeting in person. Whether or not you plan to attend the Annual Meeting, please mark, date, sign and return the enclosed proxy card to ensure that your shares are represented at the Annual Meeting. Stockholders who attend the Annual Meeting may vote their shares personally, even though they have sent in a proxy.

_____, 2004
New York, New York

By Order of the Board of Directors

Melvyn Brunt
Secretary

IMPORTANT: Please mark, date, sign and return the enclosed proxy card as soon as possible. The proxy is revocable and it will not be used if you (i) give written notice of revocation to the Secretary of the Company, 888 Seventh Avenue, 17th Floor, New York, New York 10019, prior to the vote to be taken at the Annual Meeting, (ii) submit a later-dated proxy or (iii) attend and vote at the Annual Meeting.

**L Q CORPORATION, INC.
888 Seventh Avenue
17th Floor
New York, New York 10019**

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PROXY STATEMENT

FOR 2004 ANNUAL MEETING OF STOCKHOLDERS

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INFORMATION CONCERNING SOLICITATION AND VOTING

The proxy accompanying this Proxy Statement is solicited by the Board of Directors of L Q Corporation, Inc., a Delaware corporation (the "Company"), for use at the Annual Meeting of Stockholders to be held on December 22, 2004 at 12:00 p.m., local time, at the offices of Kramer Levin Naftalis & Frankel LLP, 919 Third Avenue, New York, New York 10022, and at any adjournment or adjournments thereof (the "Annual Meeting")

These proxy solicitation materials were first mailed on or about _____, 2004 to all stockholders entitled to vote at the Annual Meeting.

WE HAVE INCLUDED A COPY OF OUR ANNUAL REPORT ON FORM 10-K TOGETHER WITH THE FINANCIAL STATEMENTS AND FINANCIAL STATEMENT SCHEDULES REQUIRED TO BE PROVIDED WITH THE ANNUAL REPORT IN THE MAILING OF THIS PROXY STATEMENT. ADDITIONAL COPIES ARE AVAILABLE UPON REQUEST OF THE STOCKHOLDER MADE IN WRITING TO L Q CORPORATION, INC., 888 SEVENTH AVENUE, 17TH FLOOR, NEW YORK, NEW YORK 10019 ATTN: SECRETARY, OR BY TELEPHONE TO (212) 974-5730.

PURPOSE OF THE MEETING

The specific proposals to be considered and acted upon by our stockholders at the Annual Meeting are summarized below.

Proposal 1 □ *Approval of Removal of Classification of the Board of Directors.* Our stockholders will vote on an amendment of our Second Amended and Restated Certificate of Incorporation to remove the classification of the Board of Directors. If this proposal is approved, each director will thereafter be elected on an annual basis.

Proposal 2 □ *Election of Directors.* Our stockholders will vote to elect two (2) Class II directors. The term of office for the nominees depends on the approval of the removal of the classification of the Board of Directors. If Proposal 1 is approved, the terms of the Class II nominees would expire at the annual meeting of stockholders in 2005. If Proposal 1 is not approved, the terms of the Class II nominees would expire at the annual meeting of stockholders in 2007. The Board has nominated Joseph R. Wright, Jr. and Stephen Ligouri to continue serving as the Class II directors.

Proposal 3 □ *Ratification of Appointment of Independent Accountants.* Our stockholders will vote on whether to ratify the Audit Committee's selection of Rothstein, Kass & Company, P.C. ("Rothstein Kass") to serve as our independent public accountants for the fiscal year ending December 31, 2004. Although stockholder ratification is not required by our Bylaws or any other applicable legal requirement, the Board is submitting the selection of Rothstein Kass to the stockholders for ratification as a matter of good corporate governance.

Other Matters. Our stockholders may transact such other business as may properly come before the Annual Meeting or any adjournment thereof.

VOTING AND SOLICITATION OF PROXIES

Number of Shares Outstanding; Record Date. Only holders of record of the Company's common stock, par value \$0.001 per share ("Common Stock"), at the close of business on November 4, 2004 (the "Record Date"), are entitled to notice of and to vote at the Annual Meeting. As of the close of business on the Record Date, [] shares of Common Stock were issued and outstanding. Except as described below, stockholders present in person or by proxy at the Annual Meeting will be entitled to one vote on each proposal for each share of Common Stock held by such stockholder on that date. All votes will be tabulated by the inspector of election appointed for the meeting, who will separately tabulate affirmative and negative votes, abstentions, and broker non-votes.

Quorum Requirement for the Annual Meeting. Our Bylaws provide that the holders of record of a majority of the shares of Common Stock issued and outstanding on the Record Date, present in person or represented by proxy, constitute a quorum for the transaction of business at the Annual Meeting. Abstentions and broker non-votes will be counted as present for the purpose of determining the presence of a quorum at the Annual Meeting.

Voting Rights in the Removal of our Board's Classification. A stockholder may vote for or against or abstain from voting on the proposal to remove the classification of our Board of Directors. This proposal requires the affirmative vote of 66 2/3% of the shares of Common Stock issued and outstanding on the Record Date. Accordingly, broker non-votes and abstentions on Proposal 1 will have the same effect as a vote against the removal of our Board's classification. **IF YOU ARE IN FAVOR OF THE DECLASSIFICATION OF OUR BOARD OF DIRECTORS, YOU ARE URGED TO VOTE "FOR" PROPOSAL 1.**

Voting Rights in the Election of Directors. Unless the stockholders are entitled and actually elect to cumulate their votes as described in the next paragraph, members of our Board will be elected by a plurality of the affirmative votes cast by those shares present in person or represented by proxy and entitled to vote at the Annual Meeting. Accordingly, the two nominees for Class II director receiving the highest number of affirmative votes will be elected. A stockholder may, with respect to the election of directors, (i) vote for the election of all of the nominees, (ii) withhold authority to vote for any one or more of the nominees, or (iii) withhold authority to vote for all of the nominees by so indicating in the appropriate spaces on the enclosed proxy card. Since the nominees will be elected by a plurality vote, neither broker non-votes nor shares abstaining from the vote on the proposal to elect the slate of nominees will have an effect on the outcome of the vote on Proposal 2. **IF YOU ARE IN FAVOR OF THE SLATE OF NOMINEES, YOU ARE URGED TO VOTE "FOR" EACH NOMINEE IDENTIFIED IN PROPOSAL 2.**

Voting Rights with Respect to the Ratification of the Appointment of Independent Accountants. Stockholder ratification of the selection of Rothstein Kass as our independent public accountants is not required by our Bylaws or other applicable legal requirement. However, the Board is submitting the selection of Rothstein Kass to the stockholders for ratification as a matter of good corporate governance. If the stockholders fail to ratify the selection, the audit committee of the Board will reconsider whether or not to retain that firm. Even if the selection is ratified, the audit committee at its discretion may direct the appointment of a different independent accounting firm at any time during the year if it determines that such a change would be in our and our stockholders' best interests. The affirmative vote of the holders of a majority of the shares represented and entitled to vote at the Annual Meeting will be required to ratify the selection of Rothstein Kass as our independent public accountants for the fiscal year ending December 31, 2003. Accordingly, broker non-votes and abstentions on Proposal 3 will have the same effect as a vote against ratifying the appointment of the independent accountants. **IF YOU ARE IN FAVOR OF RATIFYING THE APPOINTMENT OF ROTHSTEIN, KASS & COMPANY, P.C. AS OUR INDEPENDENT ACCOUNTANTS, YOU ARE URGED TO VOTE "FOR" PROPOSAL 3.**

Proxies. Whether or not you are able to attend the Annual Meeting, you are urged to complete and return the enclosed proxy card, which is solicited by the Board, and which will be voted as you direct on your proxy when properly completed. **In the event no directions are specified, properly executed and delivered proxies will be voted FOR Proposals 1 and 3 and each nominee identified in Proposal 2. As to other matters that may properly come before the Annual Meeting, properly executed and delivered proxies with no specified directions will be voted in our discretion.** You may also revoke or change your proxy at any time before the Annual Meeting. To do this, send a written notice of revocation or another signed proxy with a later date to our principal executive offices, attention: Secretary, before the beginning of the Annual Meeting. You may also automatically revoke your proxy by attending the Annual Meeting and voting in person. All shares represented by a valid proxy received prior to the Annual Meeting will be voted.

Special Procedures for Shares Held of Record by Brokers. If your shares are held in the name of a broker, then only your broker can execute a proxy and vote your shares and only after receiving your specific instructions. Remember that your shares cannot be voted unless you return a signed and executed proxy card to your broker. However, please be advised that broker non-votes with respect to any matter to be voted on at the Annual Meeting will not be voted but will be counted as present to determine whether there is a quorum for voting purposes on such matters at the Annual Meeting. Broker non-votes occur when a broker, bank or other nominee holding shares for a beneficial owner does not vote on a particular proposal because the nominee does not have discretionary voting power for that particular proposal and has not received instructions from the beneficial owner. **PLEASE SIGN, DATE AND PROMPTLY MAIL THE ENCLOSED PROXY CARD IN THE ENVELOPE PROVIDED BY YOUR BROKER.**

Solicitation. Proxies may be solicited by mail, advertisement, telephone, via the Internet or in person. Solicitations may be made by directors, officers, investor relations personnel and other employees of the Company, none of whom will receive additional compensation for such solicitations. Banks, brokerage houses, and other custodians, nominees, and fiduciaries will be requested to forward the Company's solicitation material to their customers for whom they hold shares. The Company will reimburse brokerage firms and others for their reasonable expenses in forwarding proxy materials to the beneficial owners of the Common Stock and obtaining voting instructions from beneficial owners of the Common Stock. The Company has retained D.F. King & Co., Inc. ("D.F. King") to assist in the solicitation of proxies and for related services. The Company will pay D.F. King a fee of \$5,000 and has agreed to reimburse it for its reasonable out-of-pocket expenses. In addition, the Company has also agreed to indemnify D.F. King against certain liabilities and expenses. D.F. King will provide services to the Company including data compilation, mailing proxy materials, answering stockholder questions, telephoning stockholders and contacting brokers.

The entire expense of printing, preparing, assembling and mailing proxy materials and the cost of soliciting proxies will be borne by the Company.

IMPORTANT: Whether or not you intend to attend the Annual Meeting, Please mark, date and sign the enclosed proxy CARD and return it at your earliest convenience in the enclosed postage-prepaid return envelope so that your shares of Common Stock will be voted. This will not limit your right to attend or vote at the Annual Meeting.

Proposal One
Amendment to the Second Amended and restated Certificate of Incorporation
to Eliminate the Classification of the Board of Directors

The Company has three classes of directors serving staggered three-year terms. The Board has determined that the Second Amended and Restated Certificate of Incorporation should be amended to eliminate the classification of the Board and to provide for the annual election of all directors, and has unanimously voted to recommend such amendment to the stockholders. If the proposed amendment is approved, the classified Board will be eliminated, the current terms of office of each Class I and III director currently in office and the terms of the Class II directors elected at this year's Annual Meeting will end at the annual meeting of stockholders in 2005 and all directors will thereafter be elected for one-year terms at each annual meeting of stockholders.

Pursuant to the Second Amended and Restated Certificate of Incorporation, the Board is divided into three classes with staggered three-year terms and not more than one class of directors is elected at any annual meeting of stockholders. The proposed amendment to the Second Amended and Restated Certificate of Incorporation would eliminate the three classes with their staggered three-year terms, as described below, and provide for the annual election of all directors.

Proponents of classified boards of directors believe that a classified board helps the board of directors maintain a greater continuity of experience because the majority of directors at any given time will have experience with the business affairs and operations of the company. This continuity may assist the company in long-term strategic planning. Additionally, proponents argue that a classified board reduces the possibility of a sudden change in control of the board of directors. As a result, in the event of a hostile takeover attempt, a classified board may encourage a person seeking control of the company to initiate arm's-length discussions with management and the board, who should then be in a better position to negotiate a more favorable transaction for stockholders.

However, the Board believes that a classified board of directors limits the ability of stockholders to elect directors and to exercise influence over the Company. Therefore, the Board believes that it is in the best interest of the Company and its stockholders to eliminate the classified Board of Directors thereby permitting the Company's stockholders to elect all members of the Board of Directors annually. The Board believes that this will promote greater accountability of each director to all stockholders and will allow the Company's stockholders an opportunity annually to register their views on the collective performance of the Board of Directors and the performance of each director individually. In addition, the Board believes that the Company should no longer retain the current Board structure because of the negative perception among many potential investors and investor groups concerning staggered boards in general.

Numbered Paragraph 1 of Article IX of the Second Amended and Restated Certificate of Incorporation currently provides as follows:

Number of Directors. The number of directors which constitutes the whole Board of Directors of the corporation shall be designated in the Second Amended and Restated Bylaws of the corporation (the "**Restated Bylaws**"). The directors shall be divided into three classes with the term of office of the first class (Class I) to expire at the annual meeting of stockholders held in 2000; the term of office of the second class (Class II) to expire at the annual meeting of stockholders held in 2001; the term of office of the third class (Class III) to expire at the annual meeting of stockholders held in 2002; and thereafter for each such term to expire at each third succeeding annual meeting of stockholders after such election.

If the proposed amendment is approved, numbered Paragraph 1 of Article IX of the Second Amended and Restated Certificate of Incorporation would be deleted and replaced with the following:

The number of directors which shall constitute the whole Board of Directors of the corporation shall be determined in the Second Amended and Restated Bylaws of the corporation (the "**Restated Bylaws**") as provided therein. The directors of the corporation shall be elected by the stockholders entitled to vote thereon at each annual meeting of stockholders and shall hold office until the next annual meeting of stockholders and until their respective successors shall have been elected and qualified, subject, however, to prior death, resignation, retirement, disqualification or removal from office. The term of office of each director in office on December 16, 2004 shall expire at the time of the opening of the polls for the election of directors at the next annual meeting of stockholders of the corporation.

Section 141(d) of the Delaware General Corporation Law requires that a corporation desiring to classify its board of directors must expressly provide for such classification in either its certificate of incorporation or its bylaws. The deletion of the provisions of numbered Paragraph 1 of Article IX relating to the classification of the Board is intended to remove any express provision for the classification of the Board, thereby removing the classification of the Board. If the classified Board of Directors is eliminated, Delaware law provides that any director or the entire Board may be removed, with or without cause, by the holders of a majority of the shares of the Company entitled to vote for the election of directors.

If Proposal One is approved, the Company will file a certificate with the Secretary of State of the State of Delaware reflecting the changes resulting from the amendment, such changes to become effective on the filing thereof. Thereafter, the three-year terms of the directors currently serving as Class I and III Directors, as well as the terms of the Class III Directors elected at the annual meeting, will expire at the 2005 annual meeting of stockholders. All current members of the Board of Directors and all current nominees for director have agreed to shorten their terms as directors to expire at the date of the next annual meeting of stockholders. Accordingly, if Proposal One is approved, commencing with the next annual meeting of stockholders, the entire Board of Directors of the Company will be elected annually. The form of certificate we will file with the Secretary of State of Delaware to consummate the declassification of the Board of Directors is set forth in Exhibit A hereto.

The proposal to eliminate the classification of the Board of Directors is neither the result of any effort to unseat incumbent directors, nor, to the knowledge of the Board of Directors, any effort by any person to take control of the Board.

The Board of Directors unanimously recommends a vote FOR Proposal One.

Approval of Proposal One will require the affirmative vote of a 66 2/3% majority of the shares of the Company's Common Stock outstanding and entitled to vote thereon.

Proxies solicited by the Board of Directors will be voted FOR this proposal, unless you specify otherwise in your proxy.

**Proposal Two
Election of Directors**

Our Board is currently comprised of six (6) members divided into three classes of directors serving staggered three-year terms. Class I currently consists of two directors, William J. Fox and Michael A. McManus, Jr. Messrs. Fox and McManus were appointed to the Board in July 2003. Class II currently consists of Joseph R. Wright, Jr. and Stephen Ligouri. Mr. Wright was appointed on July 21, 2004 and Mr. Ligouri was appointed on October 7, 2004. Class III currently consists of two directors, James A. Mitarotonda and Steven Berns. Mr. Mitarotonda was appointed to the Board in September 2002 and Mr. Berns was appointed to the Board on October 7, 2004.

If Proposal One is approved by the stockholders, each Class II director elected at the Annual Meeting will serve for a term of one year expiring at the next annual meeting of stockholders or until such director's successor shall have been elected and qualified. The Class I and III directors of the Company will continue in office until the annual meeting of stockholders in 2005 or until such directors' successors shall have been elected and qualified. If Proposal One is not approved by the stockholders, the Class III directors of the Company will continue in office for their existing terms, which expire in 2005, the Class I directors of the Company will continue in office for their existing terms, which expire in 2006, and the Class II directors of the Company to be elected at the Annual Meeting will serve for a term of three years expiring at the annual meeting of stockholders in 2007, or until, in each director's case, such director's successor shall have been elected and qualified.

Unless authority to vote for directors is withheld, the Company intends that the shares represented by the enclosed proxy will be voted for the election of the nominees listed below. In the event the nominees become unable or unwilling to accept nomination or election, the shares represented by the enclosed proxy will be voted for the election of such persons as the Board of Directors may select. The Board of Directors has no reason to believe that the nominees will be unable or unwilling to serve.

The Board of Directors unanimously recommends a vote FOR the Class II nominees for director listed below.

Directors are elected by a plurality vote of the aggregate voting power of the shares of outstanding Common Stock, present in person or represented by proxy, voting together as a single class.

Set forth below is certain information regarding the Company's directors, including information furnished by them as to their principal occupations and business experience for the past five years, certain directorships held by each, their respective ages as of October 22, 2004 and the year in which each became a director of the Company. Each director has served continuously with the Company since his first election as indicated below.

Directors

Set forth below is certain information regarding the directors of the Company.

<u>Name</u>	<u>Age</u>	
William J. Fox	48	President, Chief Executive Officer and Director
Steven Berns	40	Director
Stephen Ligouri	48	Director
Michael A. McManus, Jr.	61	Director
James A. Mitarotonda	50	Chairman and Director
Joseph R. Wright, Jr.	66	Director

Incumbent Class I Directors.

Mr. Fox has served as one of our directors since April 2003 and has served as our President and Chief Executive Officer since October 7, 2004. Mr. Fox was Chairman, President and Chief Executive Officer of AKI Inc. and President and CEO of AKI Holdings, Inc. (collectively, "AKI"), an international specialty marketing services business from February 1999 until October 2004. From 1992 until January 1999, Mr. Fox was an executive of Revlon Inc. (NYSE: REV) and of Revlon Consumer Products Corporation (RCPC) holding various positions, including Senior Executive Vice President of Revlon, Inc., President of Strategic and Corporate Development, Revlon Worldwide, Chief Executive Officer of Revlon Technologies, and, until December 1997, was Chief Financial Officer of Revlon, Inc. (NYSE:REV). Mr. Fox was concurrently Senior Vice President of MacAndrews & Forbes Holdings Inc. At various times, beginning in April 1983, Mr. Fox was also an executive officer of MacAndrews, Revlon and several affiliates, including Technicolor Inc., The Coleman Company, New World Entertainment and Revlon Group Incorporated. Mr. Fox served as a director and non-executive Co-Chairman of Loehmann's Holdings Inc. from October 2000 until October 2004. Mr. Fox currently serves as Vice Chairman of the Advisory Board of Barington Companies Equity Partners, L.P., Vice Chairman of Barington Capital Group, L.P. and, since September 2004, as a director of Nephros, Inc. (AMEX:NEP).

Mr. McManus has served as one of our directors since April 2003. Mr. McManus has also been President and CEO of Misonix, Inc. (NASDAQ:MSON), a medical device company since November 1998. He was President and Chief Executive Officer of New York Bancorp Inc. ("NYBI") from 1991 to 1998, a director of NYBI from 1990 to 1998 and a director and Vice Chairman of Home Federal Savings Bank, NYBI's subsidiary, from 1991 to 1998. He is also a director of the United States Olympic Committee, Document Imaging Systems Corp., American Home Mortgage Holdings, Inc. and Novavax, Inc. (NASDAQ:NVAX) He has served in numerous government capacities, including Assistant to the President of the United States from 1982 to 1985 and as Special Assistant to the Secretary of Commerce during the Ford Administration. Mr. McManus also serves on the Advisory Board of Barington Companies Equity Partners, L.P.

Nominees for Class II Directors.

Mr. Liguori has served as one of our directors since October 7, 2004. Mr. Liguori has since January 2001 been a Managing Director and the Chief Retail Marketing Officer of Morgan Stanley's Individual Investor Group, a group that provides investment products and services for individuals. Prior to that, Mr. Liguori was the head of Citibanking North America's E-Consumer Division from June 2000 to October 2000 and a Business Manager at Citibanking, N.A. from June 1998 to June 2000. Before joining Citibank, Mr. Liguori worked in general management and strategic marketing with the Kraft/Phillip Morris organization (NYSE:KFT) and Pepsico (NYSE:PEP).

Mr. Wright has served as a director of the Company since July 21, 2004. Mr. Wright is President, Chief Executive Officer and Director of PanAmSat Corporation (NASDAQ:SPOT), one of the world's largest providers of global satellite-based communications services, servicing news organizations, telecommunications companies, DirecTV services, Internet networks and others around the globe. In the six years prior to this position, Mr. Wright was Vice Chairman of Terremark Worldwide Inc. (AMEX:TWW), a public company that develops and operates Network Access Point (NAP) centers in the U.S. and Brazil. Mr. Wright was also Chairman and Director of GRC International, Inc., a public company providing advanced IT, Internet, and software systems technologies to government and commercial customers, which was sold to AT&T. He was also Co-Chairman and Director of Baker & Taylor Holdings, Inc., an international book/video/software distribution and e-commerce company that is majority owned by the Carlyle Group. From 1989 to 1994, Mr. Wright was Executive Vice President, Vice Chairman and Director of W.R. Grace & Co., Chairman of Grace Energy Company, and President of Grace Environmental Company. Mr. Wright was Deputy Director and Director of the Federal Office of Management and Budget and a member of the President's Cabinet during the Reagan Administration from 1982 to 1989 and Deputy Secretary of the Department of Commerce from 1981 to 1982. He previously held positions as President of two of Citibank's subsidiaries, as a partner of Booze Allen and Hamilton and in various management/economic positions in the Federal Departments of Commerce and Agriculture. In addition, Mr. Wright is the Chairman of the Advisory Board of Barington Companies Equity Partners, L.P., and serves on the Board of Directors/Advisors of Terremark Worldwide Inc., Titan Corporation (NYSE:TTN), Baker & Taylor, Verso Technologies Inc. (NASDAQ:VRSO), Proxim Corporation (NASDAQ:PROX) and the AT&T Washington Advisory Board. Mr. Wright graduated from Yale University with a Master's Degree in Industrial Administration and from Colorado School of Mines with a Professional Engineering Degree.

Incumbent Class III Directors.

Mr. Berns has served as one of our directors since October 7, 2004. He has been the Vice Chairman and Executive Vice President of MDC Partners, Inc. (NASDAQ:MDCA) since September 2004. Prior to that, Mr. Berns was the Senior Vice President and Treasurer of The Interpublic Group of Companies, Inc. (NYSE:IPG), a major organization of advertising agencies and marketing services companies from August 1999 until September 2004. Before that, Mr. Berns held a variety of positions in finance at Revlon, Inc. (NYSE:REV) from April 1992 until August 1999, becoming Vice President and Treasurer in 1996. Prior to joining Revlon, Mr. Berns worked at Paramount Communications Inc. and at a predecessor public accounting firm of Deloitte & Touche. Mr. Berns is a Certified Public Accountant and has served as a director for Liveperson, Inc. (NASDAQ:LPSN) since April 2002.

Mr. Mitarotonda has served as one of our directors since September 2002. He has served as our Co-Chief Executive Officer and Co-Chairman since April 2003, and has served as our sole Chief Executive Officer and Chairman since May 2004 before stepping down as Chief Executive Officer on October 7, 2004. Mr. Mitarotonda is Chairman of the Board, President and Chief Executive Officer of Barington Capital Group, L.P., an investment firm that he co-founded in November 1991. Mr. Mitarotonda is also President and Chief Executive Officer of Barington Companies Investors, LLC, the general partner of Barington Companies Equity Partners, L.P., a small capitalization value fund which seeks to be actively involved with its portfolio companies in order to enhance shareholder value. Mr. Mitarotonda is also Chief Executive Officer and a director of Dynabazaar, Inc. (OTCBB:FAIM) and a director of Register.com (NASDAQ:RCOM). In May 1988, Mr. Mitarotonda co-founded Commonwealth Associates, an investment banking, brokerage and securities trading firm. Mr. Mitarotonda served as Chairman of the Board and Co-Chief Executive Officer of JMJ Management Company Inc., the general partner of Commonwealth Associates. From December 1984 to May 1988, Mr. Mitarotonda was employed as Senior Vice President/Investments by D.H. Blair & Co., an investment bank, brokerage and securities trading firm focused on micro-capitalization companies. From July 1981 to November 1984, Mr. Mitarotonda was employed by Citibank, N.A. with management responsibility for two of Citibank's business banking branches and became Regional Director of Citibank's Home Equity Financing and Credit Services. Mr. Mitarotonda is a member of the Alumni Advisory Council of New York University's Stern School of Business and was a member of the Executive Committee and Chairman of Membership of the Gotham Chapter of the Young President's Organization. Mr. Mitarotonda is a member of the board of directors of Friends of Green Chimneys, a charitable organization. He graduated from Queens College with a BA degree in economics and with an MBA from New York University's Graduate School of Business Administration (now known as the Stern School of Business).

There are no family relationships among any of our directors or executive officers.

Other Information

Executive Officers

Until April 15, 2003, Raymond A. Doig served as our Chief Executive Officer and Stephen V. Imbler served as our President, Chief Financial Officer and both served as Directors. We did not have any other executive officers. Mr. Doig and Mr. Imbler both resigned their respective positions effective as of April 15, 2003. From that date until May 29, 2004, James A. Mitarotonda and Seymour Holtzman served as Co-Chief Executive Officer. On May 29, 2004, Mr. Holtzman resigned as co-Chief Executive Officer. On October 7, 2004, Mr. Mitarotonda resigned as Chief Executive Officer. From that date, William J. Fox has served as our President and Chief Executive Officer.

As of October 7, 2004, the following persons were serving as our executive officers:

Name	Age	Position
William J. Fox	48	President and Chief Executive Officer
Melvyn Brunt	61	Chief Financial Officer and Secretary

Mr. Fox's biographical information is detailed under "PROPOSAL TWO ELECTION OF DIRECTORS" above.

Mr. Brunt has served as our Chief Financial Officer and Secretary since April 2003. He has also served as Chief Financial Officer to Barington Capital Group, L.P. since January 2002 and as Chief Financial Officer and Secretary to Dynabazaar, Inc. (OTCBB:FAIM) since January 2004. In addition, from January 2002 to May 2004, he served as Chief Financial Officer and Secretary to MM Companies, Inc. (OTCBB:MMCO). From 1985 to 2001, Mr. Brunt was a Director and Chief Financial Officer of Davies Turner & Co., an international freight forwarding company with offices throughout the United States. From 1996 to 2001, Mr. Brunt was President of Air Mar, Inc., located in Puerto Rico, and a Director of TCX International Inc., located in Miami. Both of those companies provide logistics support services to a wide variety of importing and exporting companies.

Security Ownership of Certain Beneficial Owners and Management

The following table presents information with respect to beneficial ownership of the Common Stock as of October 27, 2004 by:

- each person known by us who beneficially owns more than 5% of the Common Stock;
- by individuals serving as our Chief Executive Officer in 2003 and our Chief Financial Officer and Secretary ("Named Executive Officers");
- each of our directors and the nominee for director; and
- all executive officers and directors as a group.

Except as otherwise noted, the address of each person/entity listed in the table is c/o L Q Corporation, Inc., 888 Seventh Avenue, 17th Floor, New York, NY 10019. The table includes all shares of Common Stock issuable within 60 days of October 27, 2004 upon the exercise of options and other rights beneficially owned by the indicated stockholders on that date. Beneficial ownership is determined in accordance with the rules of the Securities and Exchange Commission and includes voting and investment power with respect to all shares of Common Stock. To our knowledge, except under applicable community property laws or as otherwise indicated, the persons named in the table have sole voting and sole investment control with respect to all shares of Common Stock beneficially owned. The applicable percentage of ownership for each stockholder is based on 3,214,408 shares of Common Stock outstanding as of October 27, 2004, together with applicable options for that stockholder. Shares of Common Stock issuable upon exercise of options and other rights beneficially owned are deemed outstanding for the purpose of computing the percentage ownership of the person holding those options and other rights, but are not deemed outstanding for computing the percentage ownership of any other person. Numbers of shares in the following table and footnotes thereto have been adjusted to account for the Company's reverse-forward stock split which took effect on June 7, 2004.

Name of Beneficial Owner	Shares Beneficially Owned	
	Number	Percent
Lloyd I. Miller III ⁽¹⁾ 4550 Gordon Drive Naples, Florida 34102	408,446	12.71
Phillip Goldstein ⁽²⁾ 60 Heritage Drive Pleasantville, NY 10570	377,791	11.75
PNC Financial Services Group, Inc. and related entities ⁽³⁾ One PNC Plaza 249 Fifth Ave. Pittsburgh, PA 15265	339,695	10.57
Coghill Capital Management ⁽⁴⁾ 225 W. Washington Street, Suite 2200 Chicago, IL 60606	212,378	6.61
SC Fundamental Value Fund, L.P. and related entities ⁽⁵⁾ 420 Lexington Avenue, Suite 2601 New York, NY 10170	195,660	6.09
Barington Companies Equity Partners, L.P. and related entities ⁽⁶⁾ c/o Barington Capital Group, L.P. 888 Seventh Avenue, 17 th Floor New York, NY 10019	298,214	9.27
James A. Mitarotonda ⁽⁷⁾	285,936	8.56
Steven Berns	0	□
Melvyn Brunt ⁽⁸⁾	14,000	*
William J. Fox ⁽⁹⁾	16,800	*
Stephen Ligouri	0	□
Michael McManus ⁽¹⁰⁾	16,800	*
Joseph R. Wright, Jr.	0	□
Raymond A. Doig ⁽¹¹⁾	0	□
Stephen V. Imbler ⁽¹²⁾	0	□
All executive officers and directors as a group (9 persons)	333,536	10.38

- (1) On February 18, 2004, Lloyd I. Miller III filed an amendment to Schedule 13G pursuant to Rule 13d-1 of the Securities Exchange Act of 1934 with the Securities and Exchange Commission, reporting combined ownership of 408,446 shares of Common Stock. According to this Schedule 13G/A, Mr. Miller holds sole dispositive and voting power with respect to 68,748 shares of the reported securities as (i) the manager of a limited liability company that is the general partner of a certain limited partnership and (ii) an individual and shared dispositive and voting power with respect to 2,426,398 shares of the reported securities as an advisor to the trustee of certain family trusts.
- (2) On March 16, 2004, Phillip Goldstein filed an amendment to Schedule 13D pursuant to Rule 13d-1 of the Securities Exchange Act of 1934 with the Securities and Exchange Commission, reporting combined ownership of 377,791 shares of Common Stock.
- (3) On February 10, 2004, PNC Financial Services Group, Inc. filed an amendment to Schedule 13G pursuant to Rule 13d-1 of the Securities Exchange Act of 1934 with the Securities and Exchange Commission, reporting combined ownership of 339,695 shares of Common Stock as the total owned by three entities, PNC Financial Services Group, Inc., PNC Bancorp, Inc. and PNC Bank, National Association. The total shares of Common Stock reported are held in Trust Accounts created by an Amended and Restated Trust Agreement dated September 20, 1983, in which Lloyd I. Miller, Jr. was Grantor and for which PNC Bank, National Association serves as Trustee.
- (4) On June 20, 2002, Coghill Capital Management, a limited partnership, filed an amendment to Schedule 13D, pursuant to Rule 13d-1 of the Securities Exchange Act of 1934 with the Securities and Exchange Commission, reporting combined ownership of 212,378 shares of Common Stock as the total owned.

- (5) On December 6, 2002, SC Fundamental Value Fund and related entities filed a Schedule 13G pursuant to Rule 13d-1 of the Securities Exchange Act of 1934 with the Securities and Exchange Commission, reporting combined ownership of 1,195,660 shares of Common Stock as the total owned.
- (6) On May 25, 2004, the Barington group jointly filed an amendment to Schedule 13D pursuant to Rule 13d-1 of the Securities Exchange Act of 1934 with the Securities and Exchange Commission, reporting combined ownership of 298,214 shares of Common Stock as the total owned by the four entities. According to that Schedule 13D/A, Barington Companies Equity Partners L.P. owns 67,438 shares of Common Stock, Ramius Securities, LLC owns 34,512 shares of Common Stock, Barington Capital Group, L.P. owns 80,598 shares of Common Stock and Starboard Value & Opportunity Fund, LLC owns 103,766 shares of Common Stock. Subsequent to this filing, Barington Capital Group, L.P. purchased an additional 11,900 shares of Common Stock. Barington Companies Investors, LLC is the general partner of Barington Companies Equity Partners, L.P. James Mitarotonda is the managing member of the Barington Companies Investors, LLC and Chairman of the Board, President and Chief Executive Officer of Barington Capital Group, L.P.
- (7) Includes 67,438 shares of Common Stock owned by Barington Companies Equity Partners L.P., 92,498 shares of Common Stock owned by Barington Capital Group, L.P. and 126,000 shares of Common Stock issuable upon the exercise of stock options exercisable within 60 days of October 27, 2004. James A. Mitarotonda is President and Chief Executive Officer of Barington Companies Investors, LLC, the general partner of Barington Companies Equity Partner L.P., and Chairman of the Board, President and Chief Executive Officer of Barington Capital Group, L.P. Consequently, Mr. Mitarotonda may be deemed to beneficially own all of the shares held by Barington Companies Equity Partners L.P. and Barington Capital Group, L.P. Mr. Mitarotonda disclaims beneficial ownership of such shares, except to the extent of his respective pecuniary interest therein.

- (8) Includes 14,000 shares of Common Stock issuable upon the exercise of stock options exercisable within 60 days of October 27, 2004.
- (9) Includes 16,800 shares of Common Stock issuable upon the exercise of stock options exercisable within 60 days of October 27, 2004.
- (10) Includes 16,800 shares of Common Stock issuable upon the exercise of stock options exercisable within 60 days of October 27, 2004.
- (11) Resigned as Chief Executive Officer on April 15, 2003.
- (12) Resigned as President and Chief Financial Officers on April 15, 2003.

* Does not exceed 1%.

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Board Meetings and Committees

During 2003, our Board held a total of six (6) meetings, and all incumbent directors attended at least than 75% of the meetings of our Board or the meetings of committees, if any, upon which such directors served. Certain matters approved by our Board were approved by unanimous consent. Our Board has determined that Steven Berns, Stephen Ligouri, Michael McManus and Joseph R. Wright, Jr. qualify as independent under the National Association of Securities Dealers' ("NASD") listing standards.

Our Board has three committees: the Audit Committee, the Nominating and Corporate Governance Committee and the Compensation Committee. All Committees are comprised solely of independent directors.

Audit Committee.

The Audit Committee currently consists of Steven Berns (Chairman), Michael McManus and Joseph R. Wright, Jr. The Board has determined that each member is "independent" under the NASD's listing standards and the applicable rules of the Securities Exchange Commission (the "SEC"), that each member is "financially literate" under the NASD's listing standards and that Mr. Berns qualifies as an Audit Committee Financial Expert under the applicable rules of the SEC. From January 1, 2003 to April 2003, the Audit Committee consisted of two non-employee directors, Mr. Holtzman and Mr. Mitarotonda, each of whom was determined at that time to be independent under the NASD's listing standards; however, in April 2003, Messrs. Holtzman and Mitarotonda both became employees of the Company and therefore did not qualify as independent directors. On April 29, 2003, our Board replaced Messrs. Holtzman and Mitarotonda by electing William J. Fox, Michael A. McManus, Jr. and Jesse Choper to serve on the Audit Committee, with Mr. Fox acting as chairman. Each of these members was determined at that time to be independent under the NASD's listing standards. On May 29, 2004, Messrs. Choper and Holtzman resigned from our Board. Mr. Wright joined the Audit Committee when he was named to the Board on July 21, 2004. On October 7, 2004 Mr. Fox was named our president and chief executive officer and therefore no longer qualified as an independent director. Mr. Berns replaced Mr. Fox on the Audit Committee when he was named to the Board on October 7, 2004. While Messrs. Mitarotonda and Holtzman served on our Audit Committee, they also served as executive officers of MM Companies, Inc. ("MMC"), an entity to which we made a \$929,000 payment on January 2, 2003, representing reimbursement of MMC's legal costs in connection with a stockholder derivative action. However, since this payment was made as reimbursement in connection with a stockholder derivative action, we believe that this payment arises solely from investments in our securities and therefore did not compromise the independent judgment of Messrs. Mitarotonda and Holtzman during fiscal year 2003.

The Audit Committee hires the Company's independent accountants and is charged with the responsibility of overseeing the financial reporting process of the Company. In the course of performing its functions, the Audit Committee reviews, with management and the independent accountants, the Company's internal accounting controls, the annual financial statements, the report and recommendations of the independent accountants, the scope of the audit, and the qualifications and independence of the auditors. The report of the Audit Committee is set forth later in this Proxy Statement. The Audit Committee held four (4) meetings during 2003. A copy of the Audit Committee charter as adopted by the Board on October 7, 2004 is attached to this Proxy Statement as Exhibit B.

Nominating and Corporate Governance Committee.

The Nominating and Corporate Governance Committee currently consists of Michael McManus (Chairman), Steven Berns and Stephen Ligouri. The Board has determined that each member is independent under the NASD's listing standards. The Committee is responsible for identifying individuals who are qualified to become directors, recommending nominees for membership on the Board and committees of the Board, promulgating minimum qualifications that it believes must be met by director nominees, establishing policies for considering director candidates recommended by stockholders, implementing procedures for stockholders in submitting recommendations for director candidates and developing and recommending to the Board corporate governance guidelines.

The Committee has established the following minimum qualifications for prospective nominees: (1) high accomplishments in his or her respective field, with superior credentials and recognition, (2) if applicable, a demonstrated history of actively contributing at board meetings, (3) high personal and professional integrity, exceptional ability and judgment, and effectiveness, in conjunction with the other nominees to the Board, in serving the long-term interests of the stockholders, and (4) sufficient time and availability to devote to the affairs of the Company, particularly in light of the number of boards on which the nominee may serve. In addition, the Committee may consider a variety of other qualities and skills, including whether the nominee has direct experience in the industry or in the markets in which the Company operates and the definition of independence within the meaning of Rule 4200 of the NASD listing standards. Nominees must also meet any applicable requirements of the U.S. Securities and Exchange Commission's regulations, state law, and the Company's charter and by-laws.

The Committee has established a process for identifying and evaluating nominees for director. The Committee may solicit recommendations from any or all of the following sources: non-management directors, the Chief Executive Officer, other executive officers, third-party search firms or any other source it deems appropriate. The Committee will then, without regard to the source of the initial recommendation of such proposed director candidate, review and evaluate the qualifications of any such proposed director candidate, and conduct inquiries it deems appropriate. Upon identifying individuals qualified to become members of the Board, consistent with the minimum qualifications and other criteria approved by the Board from time to time, and provided that the Company is not legally required to provide third parties with the ability to nominate individuals for election as a member of the Board, the Committee will then recommend that the Board select the director nominees for election at each annual meeting of stockholders.

The Committee will consider director candidates recommended by the Company's stockholders. A stockholder wishing to propose a nominee should submit a recommendation in writing to the Company's Secretary at least 120 days before the mailing date for proxy material applicable to the annual meeting for which such nomination is proposed for submission, setting forth, among other things required by the Committee's charter, (i) the name, age, business address and, if known, residence address of each nominee, (ii) the principal occupation or employment of each such nominee for the past five years, (iii) the consent of the proposed director candidate to be named in the proxy statement relating to the Company's annual meeting of stockholders and to serve as a director if elected at such annual meeting and (iv) any additional information regarding director nominees pursuant to the rules of the Securities and Exchange Commission. The Committee anticipates that it would use these sources as well as stockholder recommendations to identify candidates in the future.

The Committee did not hold any meetings during 2003. A copy of the Nominating and Corporate Governance Committee charter as adopted by the Board on October 7, 2004 is attached to this Proxy Statement as Exhibit C. A copy of the Corporate Governance Guidelines as adopted by the Board on October 7, 2004 is attached to this Proxy Statement as Exhibit D.

Compensation Committee.

The Compensation Committee currently consists of Joseph R. Wright, Jr. (Chairman), Stephen Ligouri and Michael McManus. The Board has determined that each member is independent under the NASD's listing standards. From January 1, 2003 to April 2003, the Compensation Committee of the Board of Directors consisted of two non-employee directors, Messrs. Holtzman and Mitarotonda, each of whom was determined at that time to be independent under the listing standards; however, in April 2003, Messrs. Holtzman and Mitarotonda both became employees of the Company and, therefore, did not qualify as independent directors. On April 29, 2003, our Board replaced Messrs. Holtzman and Mitarotonda by electing William J. Fox, Michael A. McManus, Jr. and Jesse Choper to serve on the Compensation Committee, with Mr. Choper acting as chairman. On May 29, 2004, Mr. Choper resigned from our Board, and, on October 7, 2004, Mr. Fox was named our president and chief executive officer and therefore no longer qualified as an independent director. Mr. Ligouri replaced Mr. Fox on the Compensation Committee when he was named to the Board on October 7, 2004.

The Compensation Committee sets the compensation of the Chief Executive Officer and other senior executives of the Company, administers the stock option plans and the executive compensation programs of the Company, determines eligibility for, and awards under, such plans and programs, and makes recommendations to the Board with regard to the adoption of new employee benefit plans, stock option plans and executive compensation plans. The report of the Compensation Committee is set forth later in this Proxy Statement. The Compensation Committee held one (1) meeting during 2003. A copy of the Compensation Committee charter as adopted by the Board on October 7, 2004 is attached to this Proxy Statement as Exhibit E.

Compensation Committee Interlocks and Insider Participation.

The Compensation Committee is currently composed of independent, non-employee directors. No interlocking relationships exist among our Board, Compensation Committee or executive officers and the Board, Compensation Committee or executive officers of any other company, nor has an interlocking relationship existed in the past.

Code of Business Conduct and Ethics.

The Company has adopted a Code of Business Conduct and Ethics which applies to directors, officers, senior management, and certain other employees of the Company, including its principal executive officer, principal financial officer, principal accounting officer or controller or persons performing similar functions. The Code of Business Conduct and Ethics is attached hereto as Exhibit F. The Company shall provide a copy of its Code of Business Conduct and Ethics to any person without charge, upon request. Requests for a copy of the Code of Business Conduct and Ethics can be made in writing to the following address: L Q Corporation, Inc., 888 Seventh Avenue, 17th Floor, New York, NY 10019 Attn: Secretary.

Communications with Directors.

The Board has established a process to receive communications from stockholders. Stockholders and other interested parties may contact any member (or all members) of the Board, or the independent directors as a group, any Board committee or any Chair of any such committee by mail or electronically. To communicate with the Board of Directors, any individual directors or any group or committee of directors, correspondence should be addressed to the Board of Directors or any such individual directors or group or committee of directors by either name or title. All such correspondence should be sent to L Q Corporation, Inc., 888 Seventh Avenue, 17th Floor, New York, New York 10019 Attn: Secretary. To communicate with any of our directors electronically, a shareholder should send an email to the Company's Secretary: mbrunt@barington.com.

All communications received as set forth in the preceding paragraph will be opened by the Corporate Secretary for the sole purpose of determining whether the contents represent a message to our directors. Any contents that are not in the nature of advertising, promotions of a product or service, patently offensive material or matters deemed inappropriate for the Board of Directors will be forwarded promptly to the addressee. In the case of communications to the Board or any group or committee of directors, the Company's Secretary will make sufficient copies (or forward such information in the case of e-mail) of the contents to send to each director who is a member of the group or committee to which the envelope or e-mail is addressed.

It is the Company's policy that its directors are invited and encouraged to attend the Annual Meeting. All of our directors except one was in attendance at the 2003 annual meeting of stockholders.

Section 16(a) Beneficial Ownership Reporting Compliance.

Section 16(a) of the Securities Exchange Act of 1934 requires our officers and directors, and persons who own more than 10% of a registered class of our equity securities, to file certain reports regarding ownership of, and transactions in, our securities with the SEC. Such officers, directors and 10% stockholders are also required by SEC rules to furnish us with copies of all Section 16(a) forms that they file. To our knowledge, based solely on our review of copies of Forms 3, 4, 5 and amendments thereto furnished to us pursuant to Rule 16(a)-(e) with respect to the last fiscal year and any written representations referred to in Item 405(b)(2)(i) of Regulation S-K stating that no report on Form 5 was required for our officers, directors and 10% stockholders, we believe that all reports required to be filed under Section 16(a) have been filed on a timely basis by the foregoing persons for our 2003 fiscal year.

Executive Compensation

The following table sets forth the total compensation received for services rendered to us for the years ended December 31, 2003, 2002 and 2001 by the Named Executive Officers. Numbers of securities in this table reflect the reverse-forward stock split which took place on June 7, 2004.

Name and Principal Position	Year	Annual Compensation			Long-Term Compensation
		Salary	Bonus	Other Annual Compensation	# Securities Underlying Options/SARs
James A. Mitarotonda Chief Executive Officer	2003	\$46,487	□	□	63,000
	2002	□	□	□	□
	2001	□	□	□	□
Seymour Holtzman Co-Chief Executive Officer (resigned May 29, 2004)	2003	\$10,000	□	□	63,000
	2002	□	□	□	□
	2001	□	□	□	□
Raymond A. Doig Chief Executive Officer (resigned April 15, 2003)	2003	\$72,924	□	□	□
	2002	\$84,001	□	\$60,250(1)	□
	2001	□	□	□	30,000
Stephen V. Imbler President and Chief Financial Officer (resigned April 15, 2003)	2003	\$33,415	□	□	□
	2002	\$84,001	□	37,000(2)	10,000
	2001	□	□	□	30,000

(1) Amount represents consulting fees of \$21,250 and Board compensation fees of \$39,000.

(2) Amount represents Board compensation fees.

Option Grants in Last Fiscal Year

The following table provides information relating to stock options awarded to each of the Named Executive Officers during the year ended December 31, 2003. All such options were awarded under our 1996 Equity Incentive Plan. Numbers of securities and exercise prices reflect the reverse-forward stock split which took place on June 7, 2004.

Name	Individual Grants				Potential Realizable Value at Assumed Annual Rates of Stock Price Appreciation for Options Term(4)	
	Number of Securities Underlying Options/SARs Granted(1)	Percentage of Total Options/SARs Granted to Employees in Fiscal 200 (2)	Exercise Price(3)	Expiration Date	5%	10%
Seymour Holtzman	58,800(5)	42%	\$2.07	7/18/13	\$205,306	\$326,806
Seymour Holtzman	4,200(5)	3%	\$1.27	5/14/12	\$5,368	\$8,555
James Mitarotonda	58,800	42%	\$2.07	7/18/13	\$205,236	\$326,806
James Mitarotonda	4,200	3%	\$1.27	5/14/12	\$5,368	\$8,555
Melvyn Brunt	14,000	10%	\$2.07	4/14/13	\$48,863	\$77,809