

BLAIR CORP
Form DEF 14A
March 24, 2006

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

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

Filed by the Registrant ☒ x

Filed by a Party other than the Registrant ☐ o

Check the appropriate box:

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

Blair 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.
- ☐ o 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:

(2) Aggregate number of securities to which transaction applies:

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

(4) Proposed maximum aggregate value of transaction:

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☐ o Fee paid previously with preliminary materials.

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

(1) Amount Previously Paid:

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

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(3) Filing Party:

(4) Date Filed:

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BLAIR CORPORATION

Warren, Pennsylvania

**NOTICE OF THE ANNUAL MEETING OF STOCKHOLDERS OF
BLAIR CORPORATION**

to be held on Thursday, April 20, 2006

To The Stockholders:

Notice is hereby given that the Annual Meeting of Stockholders of Blair Corporation, a Delaware corporation, will be held at The Library Theatre, 302 Third Avenue West, Warren, Pennsylvania, on Thursday, April 20, 2006, at 11:00 a.m., for the following purposes:

1. To elect nine directors to serve for a term of one year and until their successors are elected and qualified;
2. To approve an amendment to the Restated Certificate of Incorporation of Blair Corporation to authorize five million shares of preferred stock; and
3. To ratify the appointment of Ernst & Young LLP as independent public accountants of Blair Corporation for the year 2006; and
4. To transact such other business as may lawfully come before the meeting or any adjournments thereof.

The Board of Directors has fixed the close of business on March 3, 2006 as the record date for the determination of stockholders entitled to notice of and to vote at the meeting, or any postponements or adjournments thereof.

Whether or not you plan to attend, you can ensure that your shares are represented at the meeting by promptly voting and submitting a proxy by telephone, by Internet or by completing, signing, dating and returning a proxy in the enclosed, postage paid, self addressed envelope. If you decide to attend the meeting, you may revoke the proxy at any time before it is voted.

Daniel R. Blair

Secretary

Dated: March 24, 2006

Warren, Pennsylvania

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BLAIR CORPORATION

Warren, Pennsylvania

March 24, 2006

PROXY STATEMENT

Solicitation and Voting of Proxies

This Proxy Statement solicits proxies on behalf of Blair Corporation (the "Company") for use at the Annual Meeting of Stockholders of the Company, to be held at 11:00 a.m. on Thursday, April 20, 2006, at The Library Theatre, 302 Third Avenue West, Warren, Pennsylvania. The Company's principal executive offices are located at 220 Hickory Street, Warren, Pennsylvania 16366.

Under Delaware law, any person giving a proxy pursuant to this solicitation may revoke it at any time before it is voted by filing a written notice of revocation with the Corporate Secretary of the Company, by delivering to the Company a duly executed proxy bearing a later date, or by attending the Annual Meeting and voting in person.

The shares represented by proxies received by the Company will be voted at the meeting, or at any adjournment thereof, in accordance with the specifications made therein. If no specifications are made on a proxy card, it will be voted FOR the nominees listed on the proxy card and FOR the other matters specified on the proxy card. Stockholders should note that while broker non-votes and votes for ABSTAIN will count toward establishing a quorum, passage of any proposal considered at the Annual Meeting will occur only if a sufficient number of votes are cast FOR the proposal. Accordingly, broker non-votes, votes to ABSTAIN and votes AGAINST will have the same effect in determining whether the proposal is approved.

Other than the matters listed on the attached Notice of Annual Meeting of Stockholders, the Board of Directors knows of no additional matters that will be presented for consideration at the Annual Meeting. Execution of the proxy card, however, confers on the designated proxies discretionary authority to vote the shares of Common Stock in accordance with their best judgment on such other business, if any, that may properly come before the Annual Meeting or any adjournments thereof.

A copy of the Company's Annual Report on Form 10-K, including financial statements and a description of the Company's operations for 2005 accompanies this Proxy Statement, but is not incorporated in this Proxy Statement by this reference. This Proxy Statement and the Notice of Meeting and enclosed proxy card are first being mailed to stockholders on or about March 24, 2006.

Voting Securities

The securities, which may be voted at the Annual Meeting, consist of shares of common stock of the Company, without nominal or par value (the "Common Stock"), with each share entitling its owner to one vote on all matters to be voted on at the Annual Meeting. There is no cumulative voting for the election of directors.

The Board of Directors has fixed the close of business on March 3, 2006 as the record date (the "Record Date") for the determination of stockholders entitled to notice of and to vote at the Annual Meeting and at any adjournments thereof. As reported by the transfer agent, there were 3,960,766 shares of the Company's Common Stock outstanding as of the Record Date.

The presence at the Annual Meeting, in person or by proxy, of the holders of a majority of the shares of Common Stock outstanding on the Record Date will constitute a quorum. In the event there are insufficient votes for a quorum or to approve or ratify any proposal at the time of the Annual Meeting, the Annual Meeting may be adjourned in order to permit the further solicitation of proxies.

As to the election of directors, the enclosed proxy card enables a stockholder to vote FOR the election of the nominees proposed by the Board, or to WITHHOLD AUTHORITY to vote for one or

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more of the nominees being proposed. Under Delaware law and the Company's bylaws, directors are elected by a majority of votes cast, without regard to either (i) broker non-votes; or (ii) proxies as to which authority to vote for one or more of the nominees being proposed is withheld.

As to the approval of an amendment to the Restated Certificate of Incorporation of the Company authorizing five million shares of preferred stock, by checking the appropriate box a stockholder may (i) vote FOR the item; (ii) vote AGAINST the item; or (iii) ABSTAIN from voting on such item. Under Delaware law and the Company's bylaws, an amendment to the Restated Certificate of Incorporation requires a majority vote of all of the outstanding Common Stock in favor of such amendment.

As to the ratification of Ernst & Young LLP as independent auditors of the Company and all other matters that may properly come before the Annual Meeting, by checking the appropriate box a stockholder may (i) vote FOR the item; (ii) vote AGAINST the item; or (iii) ABSTAIN from voting on such item. Under the Company's bylaws, all such matters shall be determined by a majority of the votes cast without regard to either (a) broker non-votes; or (b) proxies marked ABSTAIN as to that matter.

Proxies solicited hereby will be returned to the Company's transfer agent and will be tabulated by inspectors of election designated by the Company who will not be employed by or be directors of the Company or any of its affiliates. After the final adjournment of the Annual Meeting the proxies will be returned to the Company for safekeeping.

PRINCIPAL HOLDERS OF COMMON STOCK

(a) *Security Ownership of Certain Beneficial Owners.* The following table sets forth, as of the Record Date, certain information with respect to each person and institution known to the Company's management to be the beneficial owner of more than five percent (5%) of the outstanding shares of the Company's Common Stock.

Name and Address of Beneficial Owner	Amount and Nature of Beneficial Ownership	Percent of Class
The PNC Financial Services Group, Inc. 249 5th Avenue Pittsburgh, PA 15222	290,194(2)	7.33(1)
Barclays Global Investors, NA 45 Fremont Street San Francisco, CA 94105	257,483(3)	6.50(1)
Robert W. Blair 311 East Street Warren, Pennsylvania 16365	232,730(4)	5.88(1)
Dimensional Fund Advisors, Inc. 1299 Ocean Avenue, 11th Floor Santa Monica, CA 90401	208,699(5)	5.27(1)
Paradigm Capital Management, Inc. Nine Elk Street Albany, New York 12207	199,493(6)	5.04(1)
Loeb Partners Corporation 61 Broadway New York, NY 10006	*(7)	6.68%(7)
Opportunity Santa Monica Group 1865 Palmer Avenue Larchmont, NY 10538	** (8)	9.8%(8)

- (1) For purposes of calculating the percent of class ownership, the figure used for the amount of outstanding Common Stock is 3,960,766, which amount represents the figure reported as outstanding by the transfer agent as of the Record Date.

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- (2) PNC Bank, N.A., a wholly-owned subsidiary of PNC Bancorp, Inc., which is itself a wholly-owned subsidiary of PNC Financial Services Group, Inc. (collectively referred to herein as PNC), is deemed to have beneficial ownership of 290,194 shares of the Company's Common Stock of which PNC has shared dispositive power with respect to 10,000 shares.

The above information was provided to the U.S. Securities and Exchange Commission (the SEC) in a Schedule 13G filed on February 14, 2006 by PNC.

- (3) Barclays Global Investors, NA, Barclays Global Fund Advisors, Barclays Global Investors, Ltd. and Barclays Global Investors Japan Trust and Banking Company Limited (collectively referred to herein as Barclays) are deemed to have beneficial ownership of 257,483 shares of Common Stock, which shares are held by Barclays in trust accounts for the economic benefit of the beneficiaries of these accounts.

Barclays provided the above information to the SEC in a Schedule 13G filed on January 26, 2006.

- (4) Mr. Blair disclaims beneficial ownership of certain shares not included herein that are held in several trusts of which Mr. Blair is a beneficiary of but as to which Mr. Blair has neither voting or dispositive power.

Robert W. Blair provided the information set forth in the table above to the SEC in a Schedule 13G filed on February 10, 2006.

- (5) Dimensional Fund Advisors, Inc. (Dimensional), a registered investment advisor, is deemed to have beneficial ownership of 208,699 shares of Common Stock, all of which shares are held in portfolios of four registered investment companies for which Dimensional serves as investment advisor and certain other investment vehicles, including co-mingled group trusts and separate accounts for which Dimensional serves as investment manager. The portfolios own all of the shares and Dimensional disclaims beneficial ownership of all such shares, however Dimensional possesses voting and dispositive power for such shares.

The above information was provided to the SEC in a Schedule 13G filed on February 6, 2006 by Dimensional.

- (6) Paradigm Capital Management, Inc. (Paradigm) is deemed to have beneficial ownership of 199,493 shares of Common Stock all of which shares are owned by advisory clients of Paradigm.

The above information was provided to the SEC in a Schedule 13G filed on February 15, 2006 by Paradigm.

- (7) Loeb consists of eight entities, (1) Loeb Arbitrage Fund (LAF), a New York limited partnership, is a registered broker-dealer, (2) Loeb Arbitrage Management (LAM), a Delaware corporation, is the general partner of LAF, (3) Loeb Partners Corporation (LPC), a Delaware corporation, is a registered broker-dealer and a registered investment advisor, (4) Loeb Holding Corporation (LHC), a Maryland corporation, is the sole stockholder of LAM and LPC, (5) Loeb Offshore Fund, Ltd. (LOF), a Cayman Islands exempted company, (6) Loeb Offshore Management, LLC (LOM), a Delaware limited liability company, is a registered investment advisor, is wholly owned by LHC and is LOF's and LMOF's investment advisor, (7) Loeb Marathon Fund (LMF), a Delaware limited partnership, whose general partner is LAM, and (8) Loeb Marathon Offshore Fund, Ltd. (LMOF), a Cayman Islands exempted company.

Together Loeb owns 551,327 shares of Common Stock as of May 6, 2005, including certain shares of Common Stock purchased and sold for the account of one customer of LPC as to which it has investment discretion.

* *The information, including the amount and percentage of shares of Common Stock, set forth in the table above was provided to the SEC in a Schedule 13D filed on May 10, 2005 by Loeb, which date was prior to the Company's tender offer and therefore the percentage of shares of Common Stock is*

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based on 8,247,426 shares outstanding, the number of shares outstanding immediately prior to the tender offer.

- (8) Opportunity Santa Monica Group is comprised of Santa Monica Partners Opportunity Fund L.P. (SMPOP) and Santa Monica Partners, L.P. (SMP) each a New York limited partnership, and Santa Monica Partners Asset Management LLC and SMP Asset Management LLC, each Delaware limited liability companies, which act as general partner for SMPOP and SMP, respectively.

Phillip Goldstein is deemed to be the beneficial owner of 418,450 shares of Common Stock, Andrew Dakos is deemed to be the beneficial owner of 49,500 shares of Common Stock and Lawrence J. Goldstein is deemed to be the beneficial owner of 340,550 shares of Common Stock. Power to dispose of Common Stock resides solely with Mr. Phillip Goldstein for 418,450 shares. Power to vote Common Stock resides solely with Mr. Phillip Goldstein for 137,150 shares and jointly for 6,400 shares. Power to dispose and vote Common Stock resides solely with Mr. Dakos for 49,500 shares. Power to dispose of Common Stock resides solely with Mr. Lawrence Goldstein for 340,550 shares.

*** The information, including the amount and percentage of shares of Common Stock, set forth in the table above was provided to the SEC in a Schedule 13D filed on May 3, 2005 by Opportunity Santa Monica Group, which date was prior to the Company's tender offer and therefore the percentage of shares of Common Stock is based on 8,247,426 shares outstanding, the number of shares outstanding immediately prior to the tender offer.*

(b) *Security Ownership of Management.* The following table sets forth, as of the Record Date, certain information with respect to Common Stock owned beneficially by each director and nominee for election as a director, the named executive officers included below under Executive Compensation, and by all current directors and executive officers of the Company as a group. Please note that as of October 28, 2005, Robert Crowley resigned as Senior Vice President (Menswear, Home and Marketing Services) and director of the Company.

Name of Beneficial Owner	Amount and Nature of Beneficial Ownership(1)	Percent of Class**
Robert Crowley	21,434(2)(3) *	
Harriet Edelman	3,575(4) *	
David N. Elliott	4,920(7) *	
Cynthia A. Fields	2,075 *	
John O. Hanna	14,350(2) *	
Jerel G. Hollens	125 *	
Craig N. Johnson	6,900 *	
John A. Lasher	19,639(2)(3)(8) *	
Murray K. McComas	50,475(2)(4) 1.27%	
Ronald L. Ramseyer	3,325 *	
Michael A. Rowe	12,565(3) *	
Randall A. Scalise	15,806(2)(3) *	

Michael A. Schuler

2,250 *

John E. Zawacki

113,795(2)(3) 2.87%

All directors and executive officers as a group

(includes [19] persons)

308,247(2)(3)(5)(6) 7.78%

* *Does not exceed 1%*

** *For purposes of calculating the percent of class ownership, the figure used for the amount of outstanding Common Stock is 3,960,766, which amount represents the figure reported as outstanding by the transfer agent as of the Record Date.*

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- (1) Unless otherwise indicated, each person has sole voting and investment power with respect to the shares beneficially owned.
- (2) The share totals include the following shares of Common Stock held by and for the benefit of members of the immediate families of certain directors, nominees and executive officers, as to which the indicated directors, nominees and executive officers have no voting or investment power, beneficial interest in which is disclaimed by such directors, nominees and executive officers: Robert D. Crowley (8,234 shares), John O. Hanna (3,100 shares), John A. Lasher (390 shares), Murray K. McComas (2,480 shares), Randall A. Scalise (225 shares) and John E. Zawacki (31,230 shares).
- (3) The share totals include the following shares of Common Stock underlying stock options granted by the Company, which are exercisable now or within 60 days of the Record Date: Robert D. Crowley (5,000 shares), John A. Lasher (2,067), Michael A. Rowe (5,018 shares), Randall A. Scalise (2,067 shares), and John E. Zawacki (58,105 shares) and all directors and executive officers listed as a group 78,193 shares).
- (4) The share totals include the following shares, which were deferred pursuant to the Company's Stock Accumulation and Deferred Compensation Plan for non-management directors: Harriet Edelman (2,075 shares) and Murray K. McComas (2,250 shares).
- (5) This share total includes 544 shares of Common Stock, which are held by or for the benefit of members of the immediate families of executive officers of the Company not identified individually in this chart, as to which such executive officers have no voting or investment power, beneficial interest in which is disclaimed by such executive officers.
- (6) Such share totals include an aggregate of 575 shares of Common Stock jointly owned by certain of the directors and executive officers with their spouses.
- (7) Includes 1,600 shares of Company Common Stock, which Mr. Elliott holds in an IRA.
- (8) Such shares total includes 562 shares of Common Stock held of record and beneficially by the estate of Marguerite M. Lasher of which Mr. Lasher is the executor.

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One of the purposes of the meeting is to elect nine directors to serve until the next Annual Meeting of Stockholders and until their successors have been elected and qualified. The persons named in the proxy intend to vote the proxy FOR the election of directors, the nominees named below. If, however, any nominee is unwilling or unable to serve as a director, which is not expected as of the date of this Proxy Statement, the persons named in the proxy reserve the right to vote FOR such other person as may be nominated by the Nominating and Corporate Governance Committee of the board of directors. Directors will be elected by a majority of the votes cast at the Annual Meeting without regard either (i) broker non-votes, or (ii) proxies as to which authority to vote for one or more of the nominees being proposed is withheld.

The table below sets forth the name of each nominee for election as a director and the nominee's age, position with the Company, business experience and principal occupation during the past five years, and familial relationships with other directors. With the exception of Jerel G. Hollens, who was appointed as a Director effective February 24, 2006, all of the nominees were elected as directors at the Company's 2005 Annual Meeting of Stockholders.

The Board of Directors recommends the election of each nominee for director listed below.

Name	Age	Position with Company	Director Since	Business Experience During Past Five Years
Harriet Edelman	50	Director	2001	Director, Hershey Foods Corp. (makers of chocolate and candy products), April 2003 present; Senior Vice President, Business Transformation and Chief Information Officer, Avon Products, Inc. (direct seller of cosmetics, clothing, toys, perfume, jewelry, books and videos), New York, NY, January 2000 present.
Cynthia A. Fields	56	Director	2003	Director, Boston Proper (retailer of women's apparel), June 2001 present; President, CFC Consulting (consulting firm), June 2000 present.
John O. Hanna	74	Director	1992	Member of Executive Committee, January

2000 present; Director,
JLB Service Bank,
August 2003 present;
Chairman of the Board of
Directors, Northwest
Bancorp, Inc. (savings
and loan holding
company), Warren, PA,
July 2001 July 2003;
Director, President and
Chief Executive Officer,
Northwest Bancorp, Inc.,
Warren, PA, November
1994 July 2001;
Chairman, Northwest
Savings Bank, Warren,
PA, July 1998 July
2003; Director,
Jamestown Savings Bank
(depository institution),
Jamestown, NY,
November 1995 June
2005; President and
Chief Executive Officer,
Jamestown Savings
Bank, Jamestown, NY,
July 1998 July 2003.

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Name	Age	Position with Company	Director Since	Business Experience During Past Five Years
Jerel G. Hollens	53	Director	2006	Independent consultant, November 2005 – present; Senior Vice President Supply Chain, Dick's Sporting Goods (online sporting goods retailer), Pittsburgh, PA, September 2003 – November 2005; Vice President Business Design, Gap Inc. (specialty retailer), San Francisco, CA, July 2001 – April 2003; Vice President Supply Chain, Toys R Us (toy store), Paramus, NJ, March 1997 – July 2001
Craig N. Johnson	64	Chairman of the Board	1997	Chairman of the Board, April 2003 – present; Member of Executive Committee, January 2000 – present; Managing Director and Partner, Glenthorne Capital, Inc. (financial advisory and investment banking services), Philadelphia, PA, February 1994 – February 2002.
Murray K. McComas	69	Director	1977	Member of Executive Committee 1987-2003; Chairman of the Board, April 1987 – April 2003.
Ronald L. Ramseyer	63	Director	2001	Executive Vice

President Chief
Marketing Officer,
Casual Male Retail
Group, Inc. (big and tall
men's clothing retailer),
Canton, MA, March
2005 present;
Consultant strategic
planning &
multi-channel marketing,
Ramseyer Direct
(consulting firm),
November 2002
February 2005; President
of Direct Marketing,
Bass Pro Shops (outdoor
gear retailers),
Springfield, MO, April
2001 November 2002;
President and Chief
Executive Officer,
Macy's By Mail, Inc.
(mail order apparel
catalogue), September
1997 March 2001.

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Name	Age	Position with Company	Director Since	Business Experience During Past Five Years
Michael A. Schuler 56 Director 2003 President and Chief Executive Officer, Westny Building Products Co.,(a distributor of residential and commercial window and door products), December 2003 present; President and Chief Executive Officer, Donerail Investments, Ltd. (private investment partnership), Bradford, PA, March 2001 December 2003; Chairman of Audit Committee, National City Corporation (financial holding company), Cleveland, OH 2000 2002; Board Member, Audit Committee Member, Public Policy Committee Member, National City Corporation, Cleveland, OH, 1996 2002; Chairman, President and Chief Executive Officer, Zippo Manufacturing Co. (retailer of lighters, pocket knives, key holders, money clips, writing instruments and tape measures), Bradford, PA, September 1986 March 2001.				
John E. Zawacki 57 Director, President, and Chief Executive Officer 1988 President				

and Chief Executive Officer, December 1999 present; Member of Executive Committee 1996-present; Manager and President, Blair Payroll LLC, May 2000 present.

The table below sets forth the name of each executive officer of the Company not listed above, his or her age, position with the Company and business experience during the past five years:

Name	Age	Position with Company	Executive Officer Since	Business Experience During Past Five Years
Daniel R. Blair	37	Corporate Secretary	2003	Corporate Secretary, April 2003 present; Corporate Human Resources Representative, March 2001 present.
Cynthia L. Dziendziel	46	Vice President (Customer Services)	2005	Vice President (Customer Services), October 2005 present; Merchandising Director (Menswear) October 2004 October 2005; General Manager, The Bon Ton (department stores offering apparel, cosmetics, home furnishings, bedding and furniture and fine jewelry), February 1992 October 2004.

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Name	Age	Position with Company	Executive Officer Since	Business Experience During Past Five Years
David N. Elliott	52	Senior Vice President		(Merchandising and Design) 2004 Senior Vice President (Merchandising and Design), October 2005 present; Senior Vice President (Womenswear), July 2004 October 2005; Vice President and General Merchandising Manager, Ross Simons (retailer of jewelry, luxury items and gifts), Cranston, RI, 2003 July 2004; Executive Vice President, Merchandising and Product Development, Petals, Inc. (retailer of flowers, wedding accessories, bridal jewelry and unity candles), Tarrytown, NY, 1994 2003.
Jeffrey H. Parnell	44	Vice President		(Marketing) 2000 Vice President (Marketing), March 2001 present.
Larry J. Pitorak	59	Interim Chief Financial Officer		2005 Interim Chief Financial Officer, September 2005 present; Partner, Tatum LLC, (executive services and consulting firm), Cleveland, OH, 2002 present; Senior

Vice President-Finance,
Treasurer and Chief
Financial Officer, The
Sherwin-Williams
Company (manufacturer
and retailer of paints,
coatings and related
products), Cleveland,
OH, 1973 – 2001.

Michael A. Rowe

51 Chief Information
Officer and Vice
President (Information
Services) 2000 Chief
Information Officer,
July 2002 – present; Vice
President (Information
Services), January 2000
present.

Theresa A. Ruby

41 Vice President
(Cultural Change &
Human
Resources) 2005 Vice
President (Cultural
Change & Human
Resources), March
2005 – present;
Corporate Director of
Leadership Supply,
Bechtel Group, Inc.,
2002 – March 2005; Vice
President, HRMG, Inc.,
1999 – 2002.

Randall A. Scalise

51 Vice President
(Fulfillment) 1993
Vice President
(Fulfillment), March
2001 – present.

Lawrence R. Vicini

57 Vice President
(Merchandise
Procurement) 1992
Vice President
(Merchandise
Procurement) October
2005 – present; Vice
President (International
Trade) June 1992
October 2005; Director

and President, Blair
International Holdings,
Inc., December 2000
present; Director, Blair
International, Ltd.,
January 2001 present;
Director, Blair
International Singapore
Pte. Ltd., January 2001
present.

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Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Securities and Exchange Act of 1934 (the "Exchange Act") requires the Company's officers (as defined in regulations promulgated by the Securities and Exchange Commission ("SEC") thereunder), directors and persons who own more than ten percent (10%) of a registered class of the Company's equity securities to file reports of ownership and changes in ownership with the SEC. Officers, directors and greater than ten percent (10%) stockholders are required by SEC regulation to furnish the Company with copies of all Section 16(a) forms they file.

Based solely on a review of Forms 3 and 4 and amendments thereto furnished to the Company during fiscal year 2005, Forms 5 and amendments thereto furnished to the Company with respect to fiscal year 2005, and any written representations provided by a director or officer that no Form 5 is required with respect to fiscal year 2005, the Company believes that during fiscal year 2005 its officers and directors complied with all filing requirements with the exception of Cynthia L. Dziendziel. Ms. Dziendziel filed a late report on Form 3 and there were no transactions reported on that report. The Company does not have any greater than ten percent (10%) beneficial owners.

PROPOSAL 2. APPROVAL OF AN AMENDMENT TO THE RESTATED CERTIFICATE OF INCORPORATION AUTHORIZING PREFERRED STOCK

On February 10, 2006, our Board of Directors unanimously approved an amendment to the Restated Certificate of Incorporation of the Company, authorizing five million shares of preferred stock and permitting the Board of Directors to issue shares of preferred stock having whatever voting powers, designations, preferences, limitations, restrictions, dividend rates, conversion prices, redemption prices and relative rights as the directors shall establish from time to time, in a resolution or resolutions approving the issuance of such preferred stock. The Board of Directors has directed that the amendment be put to a vote of the stockholders at the 2006 Annual Meeting. The Board of Directors has no present intention to issue shares of preferred stock if the amendment is approved.

In reaching its decision, the Board of Directors stated that it believes that being able to create and issue preferred stock with custom tailored terms will assist the Company to raise additional financing if and when it may be needed.

Further authorization, for future issuances of shares of preferred stock, by a vote of the stockholders of the Company's stock will not be solicited at the time of any such issuances.

The Board of Directors recommends approval of the amendment to the Restated Certificate of Incorporation of the Company authorizing five million shares of preferred stock and granting the Board of Directors the authority to issue shares of preferred stock from time to time in a resolution or resolutions.

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The following table summarizes the compensation earned by and awarded to the Company's chief executive officer, John E. Zawacki, its four most highly compensated executive officers other than Mr. Zawacki, and Robert Crowley who served as an executive officer for a portion of 2005 (the "named executive officers"), for all services rendered to the Company during 2005 and for each of the previous two years.

Named Principal Position	Year	Annual Compensation			Long-Term Compensation	
		Salary	Bonus	Other Annual Compensation	Restricted Stock	Securities Underlying Options
					Awards (3)	Options (4)
John E. Zawacki	2005	\$ 471,993	\$ 329,773	\$ 344,886	\$ 390,986	\$ 344,886
President and CEO	2004	490,148	179,480	111,895	411,243	
	2003	461,499	108,194	5,155	69,225	26,502
James Elliott(6)						
109,391 152,043 204,075 122,064 58,980						
Deputy President						
29,239 90,390 0 401,100 8,558						
(Marketing & Design)						
James A. Rowe						
140,795 132,715 178,511 24,638 23,830						
President						
39,803 62,531 36,595 24,805 18,255						
(Information Services)						
33,825 38,853 9,419 10,725 6,201 12,186						
James A. Scalise						
142,805 106,132 42,940 51,496 23,688						
President						
140,862 62,574 65,076 24,805 19,775						
(President)						
28,645 36,219 40,278 10,725 6,201 16,977						
James Lasher(7)						
141,731 103,307 334,454 24,638 23,927						
President						
144,384 56,394 6,801 24,805 18,431						
(Marketing)						
35,331 44,866 1,703 10,725 6,201 17,855						
Robert Crowley(8)						
196,303 177,389 267,855 58,400 29,936						
Deputy President						
88,425 96,028 91,728 141,128 23,678						
(War, Home and						
173,505 56,755 38,540 34,613 15,000 23,781						
(Engineering Services) retired						

- (1) On January 17, 2005, the Compensation Committee approved an incentive award schedule for fiscal year 2005. Executive officers were eligible to receive awards equal to a percentage of their salary income for 2005. The base payout goal for 2005 was \$18,000,000, such that no incentive awards would be received unless the Company's income before income taxes equaled or exceeded this threshold figure. The income before income taxes (as determined by the Company in accordance with the incentive plan) in 2005 was \$28,885,454. Therefore, incentive compensation was paid to the Company's executive officers in 2006 for fiscal year 2005. Incentive compensation was paid by the Company to its executive officers in 2005 for 2004 and in 2004 for 2003. The figure for 2005 includes the following amounts paid by the Company to the named executive officers to allow such officers to pay in full for restricted stock awards issued pursuant to the Company's Employee Stock Purchase Plan in 1997: John E. Zawacki (\$5,683); Randall A. Scalise (\$3,789); and John A. Lasher (\$3,789)
- (2) The figure for 2005 includes the sum of (i) amounts reimbursed to the named executive officers for the payment of taxes on restricted stock awards and the underlying vesting of shares, (ii) interest imputed on the deferred payment for restricted stock not yet fully paid for by the named executive officers, (iii) with respect to shares purchased by the named executive officers through the exercise of nonqualified stock options, the dollar value of the difference between the price paid by the named executive officers and the fair market value of such security at the date of purchase, (iv) amounts paid out to compensate the named executive officers for personal days, of which employee is entitled to five, not utilized during the year, and (v) amounts reimbursed to certain executive officers for a reduction in earned vacation days available for use due to