

J2 GLOBAL COMMUNICATIONS INC
Form DEF 14A
April 09, 2003
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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:

- | | | | |
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| <input type="checkbox"/> | Preliminary Proxy Statement | <input type="checkbox"/> | Confidential, for Use of the Commission Only |
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j2 Global Communications, Inc.

(Name of Registrant as Specified in Its Charter)

(Name of Person(s) Filing Proxy Statement, if Other Than the Registrant)

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- No fee required.
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(4) Date Filed:

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j2 Global Communications, Inc.
6922 Hollywood Boulevard, Suite 800
Los Angeles, California 90028

April 9, 2003

Dear Stockholder:

We cordially invite you to attend the j2 Global Communications, Inc. 2003 Annual Meeting of Stockholders. The meeting will be held on Wednesday, May 7, 2003, at 10:00 a.m. local time at the Hollywood Roosevelt Hotel, 7000 Hollywood Boulevard, Los Angeles, California 90028.

At the meeting, stockholders will vote on important matters. Please take the time to carefully read the proposals described in the attached proxy statement.

Thank you for your support of j2 Global Communications.

Sincerely,

Richard S. Ressler

Chairman of the Board

This proxy statement and the accompanying proxy card are being mailed to j2 Global
stockholders beginning about April 9, 2003.

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j2 GLOBAL COMMUNICATIONS, INC.

Notice of Annual Meeting of Stockholders

to Be Held on May 7, 2003

We will hold the 2003 Annual Meeting of Stockholders of j2 Global Communications, Inc., a Delaware corporation, at the Hollywood Roosevelt Hotel, located at 7000 Hollywood Boulevard, Los Angeles, California 90028, on Wednesday, May 7, 2003, at 10:00 a.m. local time, for the following purposes:

1. To elect five directors to serve for the ensuing year and until their successors are elected;
2. To ratify the selection of Deloitte & Touche LLP as independent auditors for j2 Global Communications, Inc.; and
3. To transact such other business as may properly come before the meeting and any adjournment(s) and postponement(s) thereof.

The foregoing items of business are more fully described in the Proxy Statement which is attached to and made a part of this Notice.

The Board of Directors has fixed the close of business on March 27, 2003 as the record date for determining the stockholders entitled to receive notice of and to vote at the Annual Meeting and any adjournment or postponement thereof.

All stockholders are cordially invited to attend the Annual Meeting in person. However, whether or not you plan to attend the Annual Meeting in person, you are urged to mark, date, sign and return the enclosed proxy card as promptly as possible to ensure your representation and the presence of a quorum at the Annual Meeting. If you submit your proxy and then decide to attend the Annual Meeting to vote your shares in person, you may still do so. Your proxy is revocable in accordance with the procedures set forth in the Proxy Statement.

By Order of the Board of Directors,

Jeffrey D. Adelman

Vice President, General Counsel and Secretary

April 9, 2003

Los Angeles, California

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j2 Global Communications, Inc.

6922 Hollywood Boulevard, Suite 800, Los Angeles, California 90028

April 9, 2003

PROXY STATEMENT

ABOUT THE ANNUAL MEETING

Who Is Soliciting My Vote?

The Board of Directors of j2 Global Communications, Inc. (j2 Global) is soliciting your vote at the 2003 Annual Meeting of j2 Global s stockholders.

What Will I Be Voting On?

A proposal to elect five members to the j2 Global Board of Directors (see page 4).

A proposal to ratify the appointment of Deloitte & Touche LLP as j2 Global s auditors for 2003 (see page 23).

How Many Votes Do I Have?

You will have one vote for every share of j2 Global common stock you owned on March 27, 2003 (the record date).

How Many Votes Can Be Cast By All Stockholders?

11,243,113, which represents the total number of shares of j2 Global common stock that were outstanding on the record date.

How Many Votes Must Be Present to Hold the Meeting?

A majority of the votes that can be cast, or 5,621,557 votes. We urge you to vote by proxy even if you plan to attend the Annual Meeting, so that we will know as soon as possible that enough votes will be present for us to hold the Meeting.

What is the Required Vote to Approve Each Proposal?

In the election of directors, the five nominees receiving the highest number of votes will be elected to the j2 Global Board of Directors, whether or not such number of votes for any individual represents a majority of the votes cast. For the ratification of Deloitte & Touche LLP as our independent auditors, the vote of the holders of a majority of shares of j2 Global common stock present or represented and entitled to vote at the Annual Meeting is required.

Table of Contents**Does Any Single Stockholder Control As Much As 5% of Any Class of j2 Global Stock?**

Yes. We were aware of the following beneficial owners of more than 5% of j2 Global common stock as of the record date:

| <u>Name and Address</u> | <u>Number of Shares</u> | <u>Percentage of Class</u> |
|-------------------------------------|--------------------------|----------------------------|
| Richard S. Ressler | 2,708,643 ⁽¹⁾ | 23.7% |
| c/o Orchard Capital Corporation | | |
| 6922 Hollywood Boulevard, 9th Floor | | |
| Los Angeles, CA 90028 | | |
| FMR Corp. | 1,332,740 ⁽²⁾ | 11.9% |
| 82 Devonshire Street | | |
| Boston, Massachusetts 02109 | | |

- (1) Consists of 2,200,878 shares of stock owned by Orchard/JFAX Investors, LLC, 250,000 shares of stock owned by Richard S. Ressler, 77,561 shares of stock owned by The Ressler Family Foundation, 77,079 shares of stock which Orchard/JFAX Investors may purchase pursuant to warrants which are exercisable in full at this time and options owned by Mr. Ressler to acquire 103,125 shares of stock that are exercisable within 60 days of the record date for this meeting. Mr. Ressler is the manager of Orchard/JFAX Investors and a trustee of The Ressler Family Foundation, but has disclaimed beneficial ownership of any shares of stock in which he has no pecuniary interest.
- (2) Consists of the following: Fidelity Management & Research Company, a wholly-owned subsidiary of FMR Corp. and an investment adviser registered under Section 203 of the Investment Advisers Act of 1940, is the beneficial owner of 875,510 shares as a result of acting as investment adviser to various investment companies registered under Section 8 of the Investment Company Act of 1940; and Fidelity Management Trust Company, 82 Devonshire Street, Boston, Massachusetts 02109, a wholly-owned subsidiary of FMR Corp. and a bank as defined in Section 3(a)(6) of the Securities Exchange Act of 1934, is the beneficial owner of 457,230 shares as a result of its serving as investment manager of the institutional account(s). This information is based solely on the information set forth in the Schedule 13G/A filed by FMR Corp. with the SEC on February 13, 2003.

How Do I Vote?

You can vote either in person at the Annual Meeting or by proxy without attending the Annual Meeting.

To vote by proxy, you must fill out the enclosed proxy card, date and sign it, and return it in the enclosed postage-paid envelope.

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If you want to vote in person at the Annual Meeting, and you hold your j2 Global stock through a securities broker (that is, in street name), you must obtain a proxy from your broker and bring that proxy to the meeting.

Can I Change My Vote?

Yes. Just send in a new proxy card with a later date or send a written notice of revocation to j2 Global's Secretary at 6922 Hollywood Boulevard, Suite 800, Los Angeles, California 90028. If you attend the Annual Meeting and want to vote in person, you can request that your previously submitted proxy not be used.

Can I Revoke My Proxy?

You may revoke a proxy at any time before it has been exercised by giving written notice of such revocation to j2 Global's Secretary at 6922 Hollywood Boulevard, Suite 800, Los Angeles, California 90028, by signing and duly delivering a proxy bearing a later date or by attending the Annual Meeting and voting in person. Attendance at the Annual Meeting will not by itself revoke a proxy.

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What If I Don't Vote For a Matter Listed On My Proxy Card?

If you return a proxy card without indicating your vote, your shares will be voted for the nominees listed on the card and for the ratification of Deloitte & Touche LLP as auditors for 2003.

What If I Vote Abstain ?

For the purpose of determining whether the stockholders have approved the ratification of Deloitte & Touche LLP, abstentions are treated as shares present or represented and entitled to vote, so abstaining has the same effect as a negative vote. An abstention has no effect on the outcome of the election of directors.

Can My Shares Be Voted If I Don't Return My Proxy Card and Don't Attend the Annual Meeting?

If you don't vote your shares held in street name, your broker can vote your shares on any matter scheduled to come before the meeting.

If your broker does not have discretion to vote your shares held in street name on a particular proposal and you don't give your broker instructions on how to vote your shares, or your broker has such discretion but does not exercise it, the votes will be broker non-votes, which will have no effect on the vote for any matter scheduled to be considered at the Annual Meeting but which will be counted for purposes of determining whether a quorum is present for transaction of business at the Annual Meeting.

If you don't vote your shares held in your name, your shares will not be voted and will not be counted for purposes of determining whether a quorum is present for transaction of business at the Annual Meeting.

What Happens if the Meeting is Postponed or Adjourned?

Your proxy will still be good and may be voted at the postponed or adjourned meeting. You will still be able to change or revoke your proxy until it is voted.

Table of Contents**PROPOSAL 1 ELECTION OF DIRECTORS****General**

A board of five directors is to be elected at the j2 Global Annual Meeting. Unless otherwise instructed, the proxy holders will vote the proxies received by them for j2 Global's five nominees named below, each of whom is currently a director of j2 Global. In the event that any nominee of j2 Global is unable or declines to serve as a director at the time of the Annual Meeting, neither of which events is expected, the proxies will be voted for such nominee as shall be designated by the current j2 Global Board of Directors to fill the vacancy.

Vote Required

Each share of j2 Global common stock may vote for up to five director-nominees. Votes may not be cumulated. If a quorum is present, the five nominees receiving the highest number of votes will be elected to the j2 Global Board of Directors, whether or not such number of votes for any individual represents a majority of the votes cast.

The term of office of each person elected as a director will continue until the next j2 Global Annual Meeting or until his successor has been elected and qualified.

THE j2 GLOBAL BOARD OF DIRECTORS RECOMMENDS A VOTE FOR EACH OF THE NOMINEES LISTED BELOW.

Nominees

The names of the nominees, their ages at the record date and certain other information about them are set forth below:

| <u>Name</u> | <u>Age</u> | <u>Principal Occupation</u> | <u>Director Since</u> |
|---------------------------------------|------------|----------------------------------------------------------|-----------------------|
| Richard S. Ressler ⁽¹⁾ | 44 | President, Orchard Capital Corporation | 1997 |
| John F. Rieley | 60 | Entrepreneur | 1995 |
| Michael P. Schulhof ⁽¹⁾⁽²⁾ | 60 | Private Investor | 1997 |
| Robert J. Cresci ⁽¹⁾⁽²⁾ | 59 | Managing Director of Pecks Management Partners Ltd. | 1998 |
| Douglas Y. Bech ⁽²⁾ | 57 | Chairman and CEO of Raintree Resorts International, Inc. | 2000 |

(1) Member of the Compensation Committee

(2) Member of the Audit Committee

There are no family relationships among any of the directors or executive officers of j2 Global.

Richard S. Ressler has been Chairman of the Board and a director since 1997. He is the Managing Member of Orchard/JFAX Investors, LLC, one of j2 Global's principal stockholders. He was the Chief Executive Officer of j2 Global from March 1997 until January 2000, serving in this capacity (and in his current capacity as Chairman of the Board and director) pursuant to a consulting agreement between the Company and Orchard Capital Corporation. Mr. Ressler is the founder and President of Orchard Capital, a firm that provides investment capital and advice to companies (including j2 Global) in which Orchard Capital or its affiliates invest. He has been a principal of Orchard Capital since 1994. Mr. Ressler is Chairman of CIM Group, Inc., which acts as an integrated real estate investment and management services firm for institutional investors. He has been a principal of CIM Group and its predecessor since 1994. Mr. Ressler also has been the Chairman of the Board of MAI Systems Corporation, a provider of hospitality software, since 1995 and served as MAI's Chief Executive Officer from 1995 to 1997, serving in each of these capacities pursuant to a consulting agreement between MAI and Orchard Capital.

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John F. Rieley is a co-founder and has been a director of j2 Global since 1995. From December 1995 when j2 Global was founded until March 1997, he held various offices with j2 Global. Since March 1997, he has provided consulting services to j2 Global under an agreement between j2 Global and Boardrush Media LLC of which he is the President. He has managed, marketed and consulted on other projects in the media field, the airline industry and in public affairs including his position as President of Flasher Factory, Inc.

Michael P. Schulhof has been a director of j2 Global since 1997. Mr. Schulhof is a private investor in the media, communications and entertainment industry and the Chief Executive Officer of Global Technology Investments, LLC. From 1993 to 1996, he was President and Chief Executive Officer of Sony Corporation of America. Mr. Schulhof is a trustee of Brandeis University, the Lincoln Center for the Performing Arts, New York University Medical Center and the Brookings Institution. He is a member of the Council on Foreign Relations and the Investment and Services Policy Advisory Committee to the U.S. Trade Representative. Mr. Schulhof is a director of SportsLine, USA, Inc., an Internet-based sports media company.

Robert J. Cresci has been a director of j2 Global since 1998. Mr. Cresci has been a Managing Director of Pecks Management Partners Ltd., an investment management firm, since 1990. Mr. Cresci currently serves on the boards of Sepracor, Inc., Luminex Corporation, Aviva Petroleum Ltd., Film Roman, Inc., Candlewood Hotel Co., Inc., SeraCare Life Sciences, Inc., Continucare Corporation, LTWC Corporation and several private companies.

Douglas Y. Bech has served as a director of j2 Global since November 2000. From August 1988 through November 2000, he served as a director of eFax.com. Since August 1997, Mr. Bech has served as Chairman and Chief Executive Officer of Raintree Resorts International, Inc., a company that owns and operates luxury vacation ownership resorts. Mr. Bech was a founding partner of and, since August 1994, has served as a Managing Director of Raintree Capital, LLC, a merchant banking firm. Prior to his present position, Mr. Bech practiced law, most recently from October 1994 to October 1997 as a partner with Akin, Gump, Strauss, Hauer & Feld, L.L.P. Mr. Bech currently serves on the boards of Frontier Oil Corporation and Pride Companies, L.P. He also is a director of the American Resort Developers Association.

Executive Officers

The following sets forth certain information regarding j2 Global's executive officers (ages are as of the record date):

Scott M. Jarus, 47, has been President of j2 Global since July 2001. Prior to joining j2 Global, Mr. Jarus was the President and Chief Operating Officer of OnSite Access, Inc., a premier building-centric integrated communications provider, from 1998 to 2001. From 1994 to 1998, Mr. Jarus held various senior management positions in the telecommunications industry, including serving as Senior Vice President of Operations at RCN Telecom, and was co-founder and Vice President of Multimedia Medical Systems, Inc. For nine years prior to 1994, Mr. Jarus served in various senior management positions, including Vice President of Operations of Metromedia Communications.

Nehemia Zucker, 46, has been j2 Global's Chief Financial Officer since 1996, and since December 2000 has also served as j2 Global's Chief Marketing Officer. Prior to joining j2 Global in 1996, he was Chief Operations Manager of Motorola's EMBARC division, which packages CNBC and ESPN for distribution to paging and wireless networks. From 1980 to 1996, Mr. Zucker held various positions in finance, operations and marketing at Motorola in the United States and abroad.

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R. Scott Turicchi, 39, has been j2 Global's Executive Vice President, Corporate Development since March 2000. He served as a director of j2 Global from 1998 through 2000. From 1990 to 2000, Mr. Turicchi was a Managing Director in Donaldson, Lufkin & Jenrette Securities Corporation's investment banking department. At DLJ, he was responsible for corporate finance activities, including public equity offerings, high grade and high yield debt offerings, private equity placements and mergers and acquisitions advisory services.

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Greggory Kalvin, 43, has been j2 Global's Vice President of Finance since December 2000. He served as j2 Global's Controller from May 1997 until December 2000. Prior to joining j2 Global, Mr. Kalvin served as a Senior Audit Manager at KPMG LLP and then as Managing Audit Director for Prudential Healthcare, Inc.

Board Meetings and Committees

j2 Global's Board of Directors held five meetings during the year ended December 31, 2002 and conducted business by written consent. The Board of Directors has a Compensation Committee and an Audit Committee. It does not have a Nominating Committee.

j2 Global's Audit Committee currently consists of Messrs. Cresci, Schulhof and Bech. The Audit Committee provides oversight on matters relating to accounting, financial reporting, internal control, auditing and regulatory compliance activities. This Committee is responsible for selecting and evaluating j2 Global's independent auditors, and also evaluating the independence of the auditors. In addition, the Committee reviews j2 Global's audited financial statements with management and the independent auditors, recommends whether such audited financial statements should be included in j2 Global's annual report and prepares an annual report to shareholders to be included in j2 Global's proxy statement. The Committee held five meetings during 2002.

j2 Global's Compensation Committee currently consists of Messrs. Cresci, Schulhof and Ressler. The Compensation Committee reviews and approves j2 Global's executive compensation policies and is responsible for administering j2 Global's 1997 Stock Option Plan and j2 Global's 2001 Employee Stock Purchase Plan. The Compensation Committee held one meeting during 2002 and conducted business by written consent.

During 2002, each incumbent j2 Global director attended at least seventy-five percent (75%) of all of the meetings of the Board of Directors and the Committees of which he was a member.

Director Compensation

j2 Global does not pay fees to its directors for the performance of their duties as directors of j2 Global. j2 Global does reimburse directors for their out-of-pocket expenses incurred in connection with attendance at board and committee meetings of j2 Global. j2 Global's directors are eligible to participate in j2 Global's 1997 Stock Option Plan. In June 2002, Messrs. Bech, Cresci, Rieley, Schulhof and Ressler were each granted options to purchase 12,500 shares of j2 Global's common stock at an exercise price of \$14.10 per share. During 2002, Mr. Schulhof exercised warrants to purchase 105,000 shares of common stock at a price of \$2.80 per share and sold those shares on the open market. No other options or warrants were exercised by any of j2 Global's directors in 2002. See "Executive Officer Compensation and Other Matters 1997 Stock Option Plan" beginning on page 12 for a description of the terms of j2 Global's 1997 Stock Option Plan.

The services of Richard S. Ressler as Chairman are provided to j2 Global pursuant to a consulting agreement. See "Executive Officer Compensation and Other Matters Report of the Compensation Committee of the Board of Directors on Executive Compensation" beginning on page 14 for a description of the terms of that agreement.

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**INFORMATION REGARDING BENEFICIAL OWNERSHIP OF
PRINCIPAL STOCKHOLDERS AND MANAGEMENT**

The following table sets forth the beneficial ownership of j2 Global common stock as of the record date by each director, by each executive officer and by all such directors and executive officers as a group.

| <u>Name⁽¹⁾</u> | <u>Number of Shares Beneficially Owned⁽²⁾</u> | <u>Approximate Percentage</u> |
|-------------------------------------------------------------------|----------------------------------------------------------------------|-----------------------------------|
| Richard S. Ressler | 2,708,643 ⁽³⁾ | 23.7% |
| Douglas Y. Bech | 26,136 ⁽⁴⁾ | * |
| Robert J. Cresci | 14,375 ⁽⁵⁾ | * |
| John F. Rieley | 38,125 ⁽⁶⁾ | * |
| Michael P. Schulhof | 2,500 ⁽⁷⁾ | * |
| Scott M. Jarus | 80,282 ⁽⁸⁾ | * |
| Nehemia Zucker | 75,570 ⁽⁹⁾ | * |
| R. Scott Turicchi | 122,448 ⁽¹⁰⁾ | 1.1% |
| Greggory Kalvin | 4,688 ⁽¹¹⁾ | * |
| All directors and named executive officers as a group (9 persons) | 3,072,767 | 26.4% |

* Less than 1%

- (1) The address for all executive officers, directors and director nominees is c/o j2 Global Communications, Inc., 6922 Hollywood Blvd., Suite 800, Los Angeles, CA 90028.
- (2) As of the record date for this meeting, 11,243,113 shares of j2 Global common stock were outstanding.
- (3) Consists of 2,200,878 shares of j2 Global common stock owned by Orchard/JFAX Investors, LLC, 250,000 shares of stock owned by Richard S. Ressler, 77,561 shares of stock owned by The Ressler Family Foundation, 77,079 shares of stock which Orchard/JFAX Investors may purchase pursuant to warrants which are exercisable in full at this time and options owned by Mr. Ressler to acquire 103,125 shares of j2 Global common stock that are exercisable within 60 days of the record date for this meeting. Mr. Ressler is the manager of Orchard/JFAX Investors and a trustee of The Ressler Family Foundation, but has disclaimed beneficial ownership of any shares of j2 Global common stock in which he has no pecuniary interest.
- (4) Consists of 17,851 shares of j2 Global common stock owned by Douglas Y. Bech, 2,513 shares of stock owned by the AYBech Trust of 1984, 2,513 shares of stock owned by the KEBech Trust of 1984, and options to acquire 3,259 shares of j2 Global common stock that are exercisable within 60 days of the record date for this meeting. Mr. Bech is the trustee of the AYBech Trust of 1984 and of the KEBech Trust of 1984, but has disclaimed beneficial ownership of any shares of j2 Global common stock in which he has no pecuniary interest.
- (5) Consists of options to acquire 14,375 shares of j2 Global common stock that are exercisable within 60 days of the record date for this meeting.

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- (6) Consists of 23,750 shares of j2 Global common stock and options to acquire 14,375 shares of j2 Global common stock that are exercisable within 60 days of the record date for this meeting.
- (7) Consists of options to acquire 2,500 shares of j2 Global common stock that are exercisable within 60 days of the record date for this meeting.
- (8) Consists of 17,782 shares of j2 Global common stock and options to acquire 62,500 shares of j2 Global common stock that are exercisable within 60 days of the record date for this meeting.
- (9) Consists of 64,184 shares of j2 Global common stock owned by Nehemia Zucker, 625 shares of stock owned by Mr. Zucker for the benefit of Lian Zucker, 625 shares of stock owned by Mr. Zucker for the benefit of Adam Zucker, and options to acquire 10,136 shares of j2 Global common stock that are exercisable within 60 days of the record date for this meeting.

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- (10) Consists of 3,385 shares of j2 Global common stock, vested warrants to acquire 35,938 shares of j2 Global common stock and options to acquire 83,125 shares of j2 Global common stock that are exercisable within 60 days of the record date for this meeting.

- (11) Consists of 782 shares of j2 Global common stock and options to acquire 3,906 shares of j2 Global common stock that are exercisable within 60 days of the record date for this meeting.

Table of Contents**EXECUTIVE OFFICER COMPENSATION AND OTHER MATTERS****Summary Compensation Table**

The following table shows, as to j2 Global's President (principal executive officer) and other executive officers as of the end of the last fiscal year, information concerning all compensation paid for services to j2 Global in all capacities during the last three fiscal years.

| Name and Principal Position | Year | Annual Compensation | | Long Term Compensation | |
|-----------------------------|---------------------|---------------------|------------|------------------------|-----------------------------|
| | | Salary (\$) | Bonus (\$) | Securities | |
| | | | | Options (#) | All Other Compensation (\$) |
| Scott M. Jarus | 2002 | 270,000 | | 250,000 | |
| President | 2001 ⁽¹⁾ | 124,615 | | 250,000 | |
| | 2000 | | | | |
| Nehemia Zucker | 2002 | 220,000 | 85,000 | 86,521 | |
| Chief Financial and | 2001 | 196,634 | 14,438 | 101,042 | |
| Marketing Officer | 2000 | 172,019 | 35,000 | 88,542 | |
| R. Scott Turicchi | 2002 | 110,160 | 15,000 | 96,500 | |
| Executive VP, Corp Dev | 2001 | 171,997 | 18,563 | 92,500 | |
| | 2000 | 181,731 | | 212,500 ⁽²⁾ | |
| Greggory Calvin | 2002 | 119,885 | 25,000 | 19,593 | |