

TRAVELZOO INC
Form DEF 14A
April 29, 2005

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

SCHEDULE 14A

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

Filed by the Registrant
Filed by a Party other than the Registrant

Check the appropriate box:

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

Travelzoo 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)(4) and 0-11.

1) Title of each class of securities to which transaction applies:

2) Aggregate number of securities to which transaction applies:

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Travelzoo Inc.
590 Madison Avenue, 21st Floor
New York, NY 10022

May 2, 2005

Dear Stockholder:

You are cordially invited to attend the Annual Meeting of Stockholders of Travelzoo Inc. on June 1, 2005. We will hold the meeting at The Warwick Hotel, Kent Room, 65 West 54th Street, New York, New York 10019 at 10:00 a.m. local time.

In connection with the meeting, we enclose a notice of the meeting, a proxy statement and a proxy card. Detailed information relating to Travelzoo's activities and operating performance is contained in our 2004 Annual Report on Form 10-K, as filed with the Securities and Exchange Commission, which is also enclosed.

Whether or not you plan to attend the Annual Meeting of Stockholders, please vote your shares via mail with the enclosed proxy card. Please note that you can attend the meeting and vote in person, even if you have previously voted by proxy. If you plan to attend the meeting in person, please provide advance notice to Travelzoo by checking the box on your proxy card. In addition, you may provide notice to Travelzoo that you plan to attend in person by delivering written notice to Travelzoo's Secretary at 590 Madison Avenue, 21st Floor, New York, New York 10022.

If you hold your shares in street name through a bank, broker, or other nominee, please bring identification and proof of ownership, such as an account statement or letter from your bank or broker, for admittance to the meeting. An admission list containing the names of all of those planning to attend will be placed at the registration desk at the entrance to the meeting. You must check in to be admitted.

Travelzoo will make available an alphabetical list of stockholders entitled to vote at the meeting for examination by any stockholder during ordinary business hours at Travelzoo's principal executive offices, located at 590 Madison Avenue, 21st Floor, New York, New York 10022, from May 6, 2005 until the meeting.

On behalf of the entire Board of Directors, we look forward to seeing you at the meeting.

Sincerely,

Ralph Bartel
*Chairman of the Board of Directors, President,
Chief Executive Officer, and Secretary*

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**TRAVELZOO INC.
590 Madison Avenue
21st Floor
New York, New York 10022**

**NOTICE OF ANNUAL MEETING OF STOCKHOLDERS
To Be Held on June 1, 2005**

May 2, 2005

To the Stockholders of Travelzoo Inc.:

NOTICE IS HEREBY GIVEN that the Annual Meeting of Stockholders of Travelzoo Inc., a Delaware corporation, will be held on Wednesday, June 1, 2005, at 10:00 a.m., local time, at The Warwick Hotel, Kent Room, 65 West 54th Street, New York, New York 10019, for the following purposes:

1. To elect five directors for terms expiring in 2006; and
2. To ratify the appointment of KPMG LLP as principal independent auditors for the year 2005; and
3. To transact such other business as may properly come before the Meeting or any adjournment or postponement of the Meeting.

Only stockholders of record at the close of business on April 25, 2005 may vote at the Meeting. Your vote is important. Whether you plan to attend the Annual Meeting or not, **please cast your vote by completing, dating and signing the enclosed proxy card and returning it via mail to the address indicated.** If you attend the meeting and prefer to vote in person, you may do so even if you have previously voted by proxy.

By Order of the Board of Directors,

Travelzoo Inc.

Ralph Bartel
*Chairman of the Board of Directors, President,
Chief Executive Officer, and Secretary*

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**PROXY STATEMENT
FOR THE TRAVELZOO INC.
2005 ANNUAL MEETING OF STOCKHOLDERS
INFORMATION ABOUT THE ANNUAL MEETING**

Why am I receiving these proxy materials?

Travelzoo's Board of Directors is soliciting proxies to be voted at the 2005 Annual Meeting of Stockholders. This proxy statement includes information about the issues to be voted upon at the meeting.

On May 2, 2005, we began mailing these proxy materials to all stockholders of record at the close of business on April 25, 2005. On the record date, there were 16,250,479 shares of our common stock outstanding.

Where and when is the Annual Meeting?

The Annual Meeting of Stockholders will take place on June 1, 2005 at The Warwick Hotel, Kent Room, 65 West 54th Street, New York, New York 10019. The meeting will begin at 10:00 a.m. local time.

What am I voting on?

We are asking our stockholders to elect five directors and to ratify the appointment of Travelzoo's independent auditors.

How many votes do I have?

You have one vote for each share of our common stock that you owned at the close of business on April 25, 2005, the record date. These shares include:

Shares held directly in your name as the stockholder of record, and

Shares held for you as the beneficial owner through a broker, bank, or other nominee in street name.

If I am a stockholder of record, how can I vote my shares?

You can vote by proxy or in person.

How do I vote by proxy?

If you are a stockholder of record, you may vote your proxy by mail. If you receive a paper copy of the Proxy Statement, simply mark the enclosed proxy card, date and sign it, and return it in the postage paid envelope provided. If you receive the Proxy Statement via e-mail, please print the attached proxy card, date and sign it, and return it via mail to Travelzoo Inc., Attention: Secretary, 590 Madison Avenue, 21st Floor, New York, New York 10022.

If you vote by proxy, the persons named on the card (your proxies) will vote your shares in the manner you indicate. You may specify whether your shares should be voted for all, some or none of the nominees for director or any other proposals properly brought before the Annual Meeting. If you sign your proxy card and do not indicate specific choices, your shares will be voted FOR the election of all nominees for director. If any other matter is properly brought before the meeting, your proxies will vote in accordance with their best judgment. At the time of submitting this Proxy Statement for printing, we knew of no matter that is required to be acted on at the Annual Meeting other than those discussed in this Proxy Statement.

If you wish to give a proxy to someone other than the persons named on the enclosed proxy card, you may strike out the names appearing on the card and write in the name of any other person, sign the proxy, and deliver it to the person whose name has been substituted.

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May I revoke my proxy?

If you give a proxy, you may revoke it in any one of three ways:

Submit a valid, later-dated proxy before the Annual Meeting,

Notify our Secretary in writing before the Annual Meeting that you have revoked your proxy, or

Vote in person at the Annual Meeting.

How do I vote in person?

If you are a stockholder of record, you may cast your vote in person at the Annual Meeting.

If I hold shares in street name, how can I vote my shares?

You can submit voting instructions to your broker or nominee. In most instances, you will be able to do this over the Internet or by mail. Please refer to the voting instruction card included in these materials by your broker or nominee.

What vote is required to approve each proposal?

Each share of our common stock is entitled to one vote with respect to each matter on which it is entitled to vote. Our directors are elected by a plurality of votes, which means that the nominees who receive the greatest number of votes will be elected. Under our bylaws, a majority of the shares present at the meeting in person or by proxy is required for approval of all other items.

In order to have a valid stockholder vote, a stockholder quorum must exist at the Annual Meeting. A quorum will exist when stockholders holding a majority of the outstanding shares of our stock are present at the meeting, either in person or by proxy.

If a broker indicates on its proxy that it does not have authority to vote certain shares held in street name on particular proposals, the shares not voted (broker non-votes) will not have any effect with respect to such proposals. Broker non-votes occur when brokers do not have discretionary voting authority on certain proposals and the beneficial owner has not instructed the broker how to vote on these proposals.

Ralph Bartel holds an aggregate of 12,755,374 shares of our common stock, representing approximately 78% of the outstanding shares as of April 25, 2005. He has indicated that he intends to vote in favor of all of the director nominees and in favor of the ratification of the appointment of KPMG LLP.

Who is paying the costs of soliciting these proxies?

We are paying the cost of preparing, printing, mailing and otherwise distributing these proxy materials. We will reimburse banks, brokerage firms, and others for their reasonable expenses in forwarding proxy materials to beneficial owners and obtaining their instructions. A few of our officers and employees may also participate in the solicitation, without additional compensation, by telephone, e-mail, other electronic means, or in person.

Where can I find the voting results of the meeting?

We intend to announce preliminary voting results at the meeting. We will publish the final results in our Quarterly Report on Form 10-Q for the second quarter of 2005, which we intend to file on or before July 29, 2005. You can obtain a copy of the Form 10-Q by logging on to Travelzoo's investor relations Web site at www.travelzoo.com/ir, by calling the Securities and Exchange Commission at (800) SEC-0330 for the location of the nearest public reference room, or through the EDGAR system at www.sec.gov. Information on our website does not constitute part of this proxy statement.

Table of Contents**ELECTION OF DIRECTORS (PROXY ITEM NO. 1)**

Under Travelzoo's certificate of incorporation, the number of directors of Travelzoo is fixed, and may be increased or decreased from time to time, by resolution of the Board of Directors. Each director holds office for a term of one year, until the annual meeting of stockholders next succeeding the director's election and until a successor is elected and qualified or until the earlier resignation or removal of the director. Mr. Ralph Bartel, Mr. Ehrlich, Mr. Neale-May, and Ms. Urso are currently directors of Travelzoo.

Ms. Mak, a director of the Company, advised the Company that she does not wish to be nominated to continue as a director following completion of her current term in June 2005. Ms. Mak indicated that this decision was based on other business commitments.

Nominees for a One-Year Term That Will Expire in 2006:

The ages, principal occupations, directorships held and other information as of April 30, 2005, with respect to our nominees are shown below.

Name	Age	Position
Ralph Bartel, Ph.D.(2)	39	Chairman of the Board of Directors, President, and Chief Executive Officer
Holger Bartel, Ph.D.	38	Executive Vice President
David J. Ehrlich(1)	42	Director
Donovan Neale-May(1)	53	Director
Kelly M. Urso(1)(2)(3)	39	Director

(1) Member of the Audit Committee

(2) Member of the Compensation Committee

(3) Member of the Disclosure Committee

Each of the director nominees listed above was elected to be a director at the Company's Annual Meeting of Stockholders held on June 2, 2004. Our board of directors has determined that each of Mr. Ehrlich, Mr. Neale-May, and Ms. Urso meet the independence requirements of the listing standards of the National Association of Securities Dealers (the "NASD").

Ralph Bartel, Ph.D., founded Travelzoo in May 1998 and has served as our President, Chief Executive Officer and Chairman of the Board of Directors since inception. Prior to his founding of Travelzoo, from 1996 to 1997, Mr. Bartel served as Managing Assistant at Gruner + Jahr AG, the magazine division of Bertelsmann AG. Mr. Bartel holds a Ph.D. in Communications from the University of Mainz, Germany, a Ph.D. in Economics from the University of St. Gallen, Switzerland, an MBA in Finance and Accounting from the University of St. Gallen, Switzerland, and a Master's degree in Journalism from the University of Eichstaett, Germany.

Holger Bartel, Ph.D., has served as Executive Vice President since September 1999. From 1995 to 1998, Mr. Bartel worked as an Engagement Manager at McKinsey & Company in Los Angeles. From 1992 to 1994, Mr. Bartel was a research fellow at Harvard Business School. Mr. Bartel holds an MBA in Finance and Accounting and a Ph.D. in Economics from the University of St. Gallen, Switzerland. He is the brother of Ralph Bartel.

David J. Ehrlich has served as a director since February 1999. Since February 2003, Mr. Ehrlich has been Vice President of Corporate Development for NetIQ Corporation. From 1998 to 2002, Mr. Ehrlich held the position of Vice President, Product Management and Strategic Partnering for Visual Networks, Inc. Mr. Ehrlich holds a bachelor's degree in Sociology, a Master's degree in Industrial Engineering from Stanford University, and an MBA from Harvard Business School.

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Donovan Neale-May has served as a director since February 1999. Since 1987, Mr. Neale-May has been President of Neale-May & Partners, a strategic marketing and public relations firm with 80 full-time communications professionals headquartered in Palo Alto, California.

Kelly M. Urso has served as a director since February 1999. Since July 2003, Ms. Urso has been a principal at K. M. Urso & Company, LLC. From September 2001 to July 2003, Ms. Urso was employed as a tax attorney by Reynolds & Rowella LLP. From 1997 to 2001, Ms. Urso served as the leader of the expatriate tax group at General Electric International, Inc. Ms. Urso holds a bachelor's degree in business administration from the University of Cincinnati and a Juris Doctor degree from the Thomas M. Cooley Law School in Lansing, Michigan.

The Board of Directors is not aware that any nominee named in this Proxy Statement is unwilling or unable to serve as a director. If, however, a nominee is unavailable for election, your proxy authorizes the named designees to vote for a replacement nominee if the Board of Directors names one.

YOUR BOARD OF DIRECTORS RECOMMENDS A VOTE FOR THESE NOMINEES.

Board Meetings and Committees

The Board of Directors has appointed an Audit Committee, a Compensation Committee, and a Disclosure Committee. Below is a table indicating the membership of each of the Audit Committee, Compensation Committee, and Disclosure Committee and how many times the Board of Directors and each such committee met in fiscal year 2004. Each of Mr. Ralph Bartel, Mr. Ehrlich, Mr. Neale-May and Ms. Urso attended at least 75 percent of the total number of meetings of the Board of Directors and of the committees on which he or she serves.

	Board	Audit	Compensation	Disclosure
Mr. Ralph Bartel	Chair		Chair	
Mr. Ehrlich	Member	Chair		
Mr. Neale-May	Member	Member		
Ms. Urso	Member	Member	Member	Member
Number of 2004 Meetings	4	4	1	4

The Company does not require that directors attend the Annual Meeting. Ralph Bartel, our Chairman of the Board of Directors, and Ms. Urso were the only directors who attended the 2004 Annual Meeting.

Audit Committee

The Audit Committee's primary responsibilities are to oversee and monitor (i) the integrity of Travelzoo's financial statements, (ii) the qualifications and independence of our independent auditor, (iii) the performance of our independent auditor and internal audit staff, and (iv) the compliance by Travelzoo with legal and regulatory requirements. A complete description of the committee's responsibilities is set forth in its written charter. The Audit Committee is responsible for appointing the auditors and is directly responsible for the compensation and oversight of the work of our independent auditors. The Audit Committee is composed solely of independent directors as defined in the listing standards of the National Association of Securities Dealers and operates under a written charter adopted by the entire Board of Directors. The Board has determined that Mr. Neale-May qualifies as an audit committee financial expert within the definition of SEC regulations.

Compensation Committee

The Compensation Committee reviews and approves the compensation and benefits for the Company's executive officers and directors, and makes recommendations to the Board of Directors regarding such matters. The Report of the Compensation Committee is included on page 10.

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Disclosure Committee

The Disclosure Committee's primary responsibilities are (i) to design, establish and evaluate controls and other procedures that are designed to ensure the accuracy and timely disclosure of information to the SEC and investment community and (ii) to review and supervise preparation of all SEC filings, press releases and other broadly disseminated correspondence.

Nominating Committee

Travelzoo does not have a nominating committee of the Board of Directors. Since it is a Controlled Company under Rule 4350(c)(5) of the NASD Manual, on account of the stock ownership by Ralph Bartel, such a committee is not required. Through his share ownership, Mr. Bartel is in a position to control Travelzoo and to elect our entire board of directors.

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 non-management directors as a group, any board committee or any chair of any such committee by mail. 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 c/o Corporate Secretary at Travelzoo Inc., 590 Madison Avenue, 21st Floor, New York, NY 10022.

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 Corporate Secretary will make the sufficient copies of the contents to send to each director who is a member of the group or committee to which the correspondence is addressed.

Audit Committee Report

The Audit Committee oversees Travelzoo's financial reporting process on behalf of your Board of Directors. Management is primarily responsible for the financial statements and reporting processes including the systems of internal controls, while the independent auditors are responsible for performing an independent audit of Travelzoo's consolidated financial statements in accordance with auditing standards of the Public Company Accounting Oversight Board (PCAOB), and expressing an opinion on the conformity of those financial statements with accounting principles generally accepted in the United States.

In this context, the committee has met and held discussions with management and the independent auditors. The committee discussed with Travelzoo's independent auditors the overall scope and plan for their audit. The committee met, at least quarterly, with the independent auditors, with and without management present, and discussed the results of their examinations, their evaluations of Travelzoo's internal controls, and the overall quality of Travelzoo's financial reporting. Management represented to the committee that Travelzoo's consolidated financial statements were prepared in accordance with accounting principles generally accepted in the United States. The committee has reviewed and discussed the consolidated financial statements with management and the independent auditors, including their judgments as to the quality, not just the acceptability, of Travelzoo's accounting principles and such other matters as are required to be discussed with the committee under auditing standards of the PCAOB.

Travelzoo's independent auditors also provided to the committee the written disclosures required by the Independence Standards Board Standard No. 1 (Independence Discussions with Audit Committees), and the committee discussed with the independent auditors that firm's independence, including those matters required to be discussed by Statement on Auditing Standards No. 61.

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In reliance on the reviews and discussions referred to above, the committee recommended to the Board of Directors (and the Board of Directors has approved) that the audited financial statements be included in the Annual Report on Form 10-K for the fiscal year ended December 31, 2004 for filing with the SEC. The committee has retained KPMG LLP as Travelzoo's independent auditors for fiscal year 2005.

While the committee has the responsibilities and powers set forth in its charter, it is not the duty of the committee to plan or conduct audits or to determine that Travelzoo's financial statements are complete and accurate and are in accordance with generally accepted accounting principles. This is the responsibility of management and the independent auditor. Nor is it the duty of the committee to conduct investigations or to assure compliance with laws and regulations and Travelzoo's business conduct policies.

Audit Committee

David J. Ehrlich (*Chairman*)
 Donovan Neale-May
 Kelly M. Urso

Director Compensation

During 2004, we compensated Mr. Ehrlich, Mr. Neale-May, and Ms. Urso for their services to us. Such compensation consisted of cash paid to each director as shown in the table below.

Name	2004 Compensation
Mr. Ralph Bartel	N/A
Mr. Ehrlich	\$ 20,000
Mr. Neale-May	\$ 20,000
Ms. Urso	\$ 27,500

Directors are compensated based on an hourly rate based upon their attendance of meetings.

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The following table shows the amount of our common stock beneficially owned as of May 2, 2005, by each director and each of the executive officers listed in the Summary Compensation Table on page 9 of this proxy statement, and all current directors and executive officers as a group. In general, shares beneficially owned include those shares a person has or shares the power to vote, or the power to dispose of. The table also shows the number of options to purchase shares of our common stock that are exercisable, either immediately or by July 1, 2005:

Amount of Common Stock Beneficially Owned

Name	Number of Shares(1)	Exercisable Options(2)	Total	% of Shares Outstanding
Holger Bartel	20		20	*
Ralph Bartel	12,755,374	2,193,349	14,948,723	81%
David J. Ehrlich				
Kelly N. Ford				
Steven M. Ledwith	16		16	*
Donovan Neale-May				
Lisa Su	6		6	*
Shirley Tafoya				
Kelly M. Urso		17,725	17,725	*
Directors and executive officers as a group (10 persons)	12,755,416	2,211,074	14,966,490	81%

* Represents less than 1% of the outstanding shares of common stock.

(1) All shares are held directly.

(2) Shares that could be acquired by exercising stock options through July 1, 2005.

Security Ownership of Certain Beneficial Owners

The following table shows all persons or entities that we know to beneficially own more than 5% of our stock as of May 2, 2005:

Name and Address of Beneficial Owner	Number of Shares of Common Stock(1)	Percent of Outstanding Common Stock
Ralph Bartel 590 Madison Avenue 21st Floor New York, New York 10022	14,948,723	81%

(1) Includes 2,193,349 shares of common stock that could be acquired by exercising stock options through July 1, 2005.

Section 16(a) Beneficial Ownership Reporting Compliance

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Under Section 16(a) of the Securities Exchange Act of 1934, the Company's directors, executive officers and the beneficial holders of more than 10% of the Company's common stock are required to file reports of ownership and changes in ownership with the Securities and Exchange Commission. Based on our records and other information, the Company believes that during 2004 all applicable Section 16(a) filing requirements were met.

Table of Contents**Code of Ethics**

We have adopted a code of ethics that applies to our Chief Executive Officer, who is also our Chief Financial Officer, and our Controller (Chief Accounting Officer). This code of ethics is posted on our Web site located at www.corporate.travelzoo.com/governance. We intend to satisfy the disclosure requirement under Item 10 of Form 8-K regarding an amendment to, or waiver from, a provision of this code of ethics by posting such information on our Web site, at the address and location specified above.

Our Executive Officers

Executive officers are appointed annually by the Board and serve at the discretion of the Board. Set forth below is information regarding our executive officers as of May 2, 2005:

Name	Age	Position
Ralph Bartel, Ph.D.	39	President, Chief Executive Officer, Chief Financial Officer, Chairman of the Board of Directors, and Secretary
Holger Bartel, Ph.D.	38	Executive Vice President
Kelly N. Ford	37	Vice President of Marketing
Steven M. Ledwith	47	Chief Technology Officer
Lisa Su	30	Controller (Chief Accounting Officer)
Shirley Tafoya	42	Senior Vice President of Sales

Ralph Bartel, Ph.D., founded Travelzoo in May 1998 and has served as our President, Chief Executive Officer and Chairman of the Board of Directors since inception. Prior to his founding of Travelzoo, from 1996 to 1997, Mr. Bartel served as Managing Assistant at Gruner + Jahr AG, the magazine division of Bertelsmann AG. Mr. Bartel holds a Ph.D. in Communications from the University of Mainz, Germany, an MBA in Finance and Accounting from the University of St. Gallen, Switzerland, and a Master's degree in Journalism from University of Eichstaett, Germany.

Holger Bartel, Ph.D., has served as Executive Vice President since September 1999. From 1995 to 1998, Mr. Bartel worked as an Engagement Manager at McKinsey & Company in Los Angeles. From 1992 to 1994, Mr. Bartel was a research fellow at Harvard Business School. Mr. Bartel holds an MBA in Finance and Accounting and a Ph.D. in Economics from the University of St. Gallen, Switzerland. He is the brother of Ralph Bartel.

Kelly N. Ford has served as Vice President of Marketing since December 2002. From February 2001 to December 2002, Mr. Ford worked as Director of Media Strategy and Development at America Online Inc. From January 2000 to November 2000, Mr. Ford worked as Vice President of Marketing at ISalvage.com, Inc. From 1992 to 2000, Mr. Ford worked at Campbell Soup Company as Marketing Director. Mr. Ford holds a bachelor's degree in Electrical Engineering with Computer Science Specialty from Stanford University and an MBA from INSEAD.

Steven M. Ledwith has served as our Chief Technology Officer since January 2000. From January 1998 to January 2000, Mr. Ledwith worked as Senior Mechanical Engineer at Radix Technologies, Inc. Mr. Ledwith holds a bachelor's degree in Thermomechanical Engineering from University of Illinois at Chicago Circle.

Lisa Su has served as Controller (Chief Accounting Officer) since October 2000. From April 1999 to September 2000, Ms. Su was a Treasury Accountant for Webvan Group, Inc. Ms. Su holds a bachelor's degree in Economics/Accounting from Claremont McKenna College and an MBA in Finance from California State University, Hayward.

Shirley Tafoya has served as Senior Vice President of Sales since May 2001. From August 1999 to March 2001, Ms. Tafoya worked as Director of Western Sales at Walt Disney Internet Group. From 1998 to 1999, Ms. Tafoya worked as Sales Manager at IDG/ International Data Group. From 1994 to 1998,

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Ms. Tafoya worked as Director, Global Accounts, at CMP Media. Ms. Tafoya holds a bachelor's degree in Business Administration from Notre Dame de Namur University.

Executive Compensation

The following table sets forth summary information concerning all compensation we paid our chief executive officer and each of our executive officers during the years ended December 31, 2002, 2003 and 2004.

Summary Compensation Table

Name and Principal Position	Fiscal Year	Annual Compensation		Long Term Compensation	All Other Compensation
		Salary (\$)	Bonus (\$)	Shares Underlying Options (#)(1)	
Ralph Bartel Chairman, President, Chief Executive Officer, and Secretary	2004	\$ 225,001	15,000		
	2003	\$ 196,002			
	2002	\$ 192,000		5,000	
Lisa Su Controller	2004	\$ 133,801	15,000		
	2003	\$ 124,339			
	2002	\$ 103,337			
Steven Ledwith Chief Technology Officer	2004	\$ 162,215	15,000		
	2003	\$ 147,126			
	2002	\$ 130,000			
Holger Bartel Executive Vice President	2004	\$ 273,000	15,000		
	2003	\$ 246,495			
	2002	\$ 240,000			
Shirley Tafoya Senior Vice President of Sale	2004	\$ 386,512	15,000		
	2003	\$ 294,275			
	2002	\$ 134,448			
Kelly Ford Vice President of Marketing	2004	\$ 200,001	15,000		
	2003	\$ 186,133			
	2002	\$ 13,925			

(1) The options issued to Ralph Bartel during 2002 constitute compensation for participation on the Board of Directors.

Employment Agreements

Ralph Bartel has entered into an employment agreement with us. His current employment agreement became effective on July 1, 2004, and provides for an annual salary of \$250,000. We may terminate the agreement with or without cause by delivering two weeks' advance written notice to Mr. Bartel. He may terminate his employment agreement with or without cause by delivering two weeks' advance written notice to us.

Mr. Bartel has agreed not to compete with us, solicit our suppliers or employees or reveal our confidential information during the term of his employment agreement and for one year thereafter. In addition, Mr. Bartel is bound by a proprietary inventions agreement which prohibits him from, among other things, disseminating or using confidential information about our business or clients in any way that would be adverse to us.

Certain Transactions

In connection with a registration statement related to the re-sale of up to 750,000 shares by Ralph Bartel, our Chairman of the Board and Chief Executive Officer, the Company paid approximately \$50,000 which

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included accounting fees and expenses, legal fees and expenses, and the SEC registration fees. The Company did not pay any fees and expenses of counsel for Mr. Bartel. Any commissions, discounts or other fees payable to a broker, dealer, underwriter, agent or market maker in connection with the sale of any of the shares will be borne by Mr. Bartel.

Option Grants in Last Fiscal Year

No options were granted to our executive officers during fiscal year 2004.

Option Exercises and Year-End Values

The following table contains information concerning options exercised by our executive officers during fiscal year 2004 and unexercised options held on December 31, 2004:

Name	Shares Acquired on Exercise	Value Realized(\$)	Number of Securities Underlying Unexercised Options/SARS at FY-End(#)	Value of Unexercised In-The-Money Options/ SARs at FY-End\$(1)
			Exercisable/Unexercisable	Exercisable/Unexercisable
Ralph Bartel			2,193,349/0	\$ 211,354,977/\$0

(1) Calculated by (A) determining the difference between (1) the average of the high and low trading prices per share of Travelzoo's common stock on December 31, 2004 and (2) the exercise price of the option and (B) multiplying such difference by the total number of shares under option, net of the aggregate value of all option exercise proceeds.

Stock Option Plan

We do not currently have any stock option plan or other equity based compensation plans in effect.

Report of the Compensation Committee on Executive Compensation

The Compensation Committee consists of two directors, one of whom is an independent director. Ralph Bartel does not participate in the committee's decision as to his specific compensation package. The committee regularly reviews the company's executive compensation policies and practices and establishes the compensation of executive officers.

Compensation Principles

The fundamental objective of Travelzoo's executive compensation program is to attract, retain and motivate key executives to enhance long-term profitability and shareholder value. Travelzoo's executive compensation program meets this objective by:

providing for a level of compensation that is competitive with other similarly sized publicly traded companies, with particular emphasis on those in the Internet and media industries, and

linking the compensation of executives to the operating and financial performance of the company by reviewing the salary regularly and making adjustments relative to the company's overall performance.

Salary

Travelzoo targets executives' annual salaries to be competitive with comparable companies in the Internet and media industries with whom the company competes for management. It considers the experience and performance of the individual executive, the compensation of his or her peers in the industry, the responsibilities and change in responsibilities during the past year of the individual executive, the overall performance of the department under the executive's control and the overall performance of the entire com