

ALLIED HEALTHCARE PRODUCTS INC

Form DEF 14A

October 10, 2008

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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

**Allied Healthcare Products, Inc.**

(Name of Registrant as Specified In Its Charter)

N/A

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

Payment of Filing Fee (Check the appropriate box):

No fee required.

Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

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

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

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

(4) Proposed maximum aggregate value of transaction:

(5) Total fee paid:

Fee paid previously with preliminary materials.

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

(1) Amount previously paid:

(2) Form, schedule or registration statement no.:

(3) Filing party:

(4) Date filed:



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October 10, 2008

Dear Stockholder:

You are cordially invited to attend the Annual Meeting of Stockholders which will be held at the Corporate Headquarters of Allied Healthcare Products, Inc., 1720 Sublette, St. Louis, Missouri 63110 at 9:00 a.m., Central Time, on Thursday, November 13, 2008. On the following pages you will find the formal Notice of Annual Meeting and Proxy Statement.

Whether or not you plan to attend the meeting in person, it is important that your shares be represented and voted at the meeting. Accordingly, please date, sign and return the enclosed proxy card promptly.

We hope that you will attend the meeting and look forward to seeing you there.

Sincerely,  
John D. Weil  
*Chairman of the Board*

Earl R. Refsland  
*Chief Executive Officer*

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**NOTICE OF ANNUAL MEETING OF STOCKHOLDERS  
Thursday, November 13, 2008**

To the Stockholders of  
Allied Healthcare Products, Inc.:

The Annual Meeting of Stockholders of Allied Healthcare Products, Inc., a Delaware corporation (the Company), will be held at the Corporate Headquarters of Allied Healthcare Products, Inc., 1720 Sublette, St. Louis, Missouri 63110 on Thursday, November 13, 2008 at 9:00 a.m., Central Time, for the following purposes:

- (1) To elect five directors to serve until the next Annual Meeting of Stockholders or until their successors are elected and qualified;
- (2) To transact such other business as may properly come before the meeting or any adjournment thereof.

The foregoing items of business are more fully described in the Proxy Statement accompanying this Notice.

Only stockholders of record at the close of business on October 1, 2008 are entitled to notice of and to vote at the meeting. A list of stockholders of the Company at the close of business on October 1, 2008 will be available for inspection during normal business hours from October 20 through November 13, 2008 at the offices of the Company at 1720 Sublette Avenue, St. Louis, Missouri 63110 and will also be available at the meeting.

By Order of the Board of Directors,

Daniel C. Dunn  
*Vice President Finance, Chief Financial Officer*  
*Secretary & Treasurer*

St. Louis, Missouri  
October 10, 2008

**PLEASE FILL OUT, DATE AND SIGN THE ENCLOSED FORM OF PROXY AND RETURN IT IN THE ACCOMPANYING POSTAGE PAID ENVELOPE, EVEN IF YOU PLAN TO ATTEND THE MEETING. YOU MAY REVOKE YOUR PROXY IN WRITING, OR AT THE ANNUAL MEETING IF YOU WISH TO VOTE IN PERSON.**

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**QUESTIONS AND ANSWERS**

**Q: Why am I receiving these materials?**

A: The Board of Directors provides you these materials so that you may cast your vote knowledgeably on the matters being considered at the annual meeting of stockholders of Allied Healthcare Products, Inc.. The meeting will take place on November 13, 2008.

**Q: What information is contained in this Proxy Statement?**

A: The information in this Proxy Statement relates to the election of directors at the annual meeting, the voting process, our corporate governance, the compensation of our directors and most highly paid executive officers, and other required disclosures.

**Q: What is the record date and what does it mean?**

A: The Board has set October 1, 2008, as the record date for the annual meeting. Holders of our Common Stock at the close of business on the record date are entitled to receive notice of the meeting and to vote at the meeting. If you purchase Common Stock after the record date, you may vote those shares only if you receive a proxy to do so from the person who held the shares on the record date.

**Q: What am I voting on?**

A: The only matter to be voted upon this year is the election of our Board of Directors. Common stockholders may also vote on any other matter that is properly brought before the meeting.

**Q: Who are the nominees for directors?**

A: We have five directors who are standing for election. We describe each director briefly in this Proxy Statement.

**Q: How does the Board recommend I vote?**

A: Our Board recommends that you vote your shares **FOR** each of the nominees to the Board.

**Q: What is the proxy card for?**

A: By completing and signing the proxy card, you authorize the individuals named on the card to vote your shares for you. If you grant a proxy, the person(s) named as proxy holder(s) will also have the discretion to vote your shares on any other matter properly presented for a vote at the meeting. If for any unforeseen reason a director nominee is not available to serve, the persons named as proxy holders may vote your shares for another nominee. The proxy holders for this year's annual meeting are Earl R. Refsland and Daniel C. Dunn.

**Q: How will my employee stock purchase plan shares be voted?**

A: Shares of Common Stock held by participants in Allied Healthcare's employee stock purchase plans will be voted in accordance with instructions provided on a separate card given to participants in such plans.

**Q: How are votes counted?**

A: In the election of directors, you may vote **FOR** all of the nominees or your vote may be **WITHHELD** for some or all of the nominees.

**Q: What is the voting requirement to elect the directors?**

A: The election of directors at the Annual Meeting will be determined on the basis of the five candidates receiving the highest pluralities of votes cast at the Annual Meeting.

**Q: What happens if additional matters are presented at the annual meeting?**

A: We are not aware of any business other than the election of directors to be acted upon at the annual meeting. If you grant a proxy, the person(s) named as proxy holder(s) will have the discretion to vote your shares on any additional matters properly presented for a vote at the meeting.



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**Q: What is the difference between a stockholder of record and a street name holder?**

A: If your shares are registered directly in your name with our stock transfer agent, American Stock Transfer and Trust Company, you are considered a stockholder of record and the beneficial owner of those shares. As a stockholder of record, you have the right to grant your voting proxy directly to Allied Healthcare, or to vote in person at the meeting. If your shares are held in a stock brokerage account or by a bank, you are still considered the beneficial owner of those shares, but your shares are said to be held in street name. Only stockholders of record may vote in person at the meeting.

**Q: How do I vote if my shares are held in street name ?**

A: If your shares are held in street name, you will receive a form from your broker or bank seeking instruction as to how your shares should be voted.

**Q: What should I do if I receive more than one proxy card?**

A: It is important that you complete, sign, and date each proxy card and each voting instruction card that you receive because they represent different shares.

**Q: What if I submit a proxy card and then change my mind as to how I want to vote?**

A: If you are a stockholder of record, you may change your vote by granting a new proxy bearing a later date, by providing our Secretary with written notice of revocation of your proxy, or by attending the meeting and casting your vote in person. To change your vote for shares you hold in street name, you will need to follow the instructions in the materials your broker or bank provides you.

**Q: Where can I find the voting results of the annual meeting?**

A: Since the only matter expected to be voted upon is the election of directors in an uncontested meeting for which proxies are solicited in accordance with the Rules of the Securities and Exchange Commission ( SEC ), an announcement of results and vote tallies will be set forth in our 10-Q for the second quarter of 2008. If other matters are voted upon or if a nominee other than the director candidates named herein is elected, in addition to disclosing such information in our 10-Q, we will issue a press release and the details of the vote.

**Q: Whom may I call with questions about the annual meeting?**

A: For information about your stock ownership, or for other stockholder services, please contact Shareholder Relations at 314-771-2400, extension 604. For information about the meeting itself, please contact Daniel C. Dunn, our Secretary, at 314-771-2400.

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**ALLIED HEALTHCARE PRODUCTS, INC.  
1720 Sublette Avenue  
ST. Louis, Missouri 63110**

**ANNUAL MEETING OF STOCKHOLDERS  
Thursday, November 13, 2008**

**INTRODUCTION**

**SOLICITATION AND REVOCATION OF PROXIES**

The Board of Directors of Allied Healthcare Products, Inc., a Delaware corporation (the *Company*), is sending you this Proxy Statement to solicit proxies for use at the Annual Meeting of Stockholders (the *Annual Meeting*) to be held at 9:00 a.m., Central Time, Thursday, November 13, 2008, or at any adjournment thereof, for the purposes set forth herein and in the accompanying Notice of Annual Meeting of Stockholders. The Annual Meeting will be held at the Corporate Headquarters of Allied Healthcare Products, Inc., 1720 Sublette, St. Louis, Missouri 63110. You may revoke this proxy at any time prior to its exercise by delivering to the Company a written notice of revocation or a duly executed proxy bearing a later date or by attending the Annual Meeting and voting in person.

This proxy material is first being sent to stockholders on or about October 10, 2008.

**OUTSTANDING SHARES AND VOTING RIGHTS**

Stockholders of record at the close of business on Wednesday, October 1, 2008 are entitled to notice of and to vote at the Annual Meeting. As of the close of business on that date, there were outstanding and entitled to vote 7,901,327 shares of common stock, \$.01 par value (*Common Stock*), each of which is entitled to one vote. No cumulative voting rights exist under the Company's Amended and Restated Certificate of Incorporation. For information regarding the ownership of the Company's Common Stock by holders of more than five percent of the outstanding shares and by the management of the Company, see *Security Ownership of Certain Beneficial Owners and Management*.

For purposes of determining the presence of a quorum and counting votes on the matters presented, shares represented by abstentions and broker non-votes (described below) will be counted as present, but not as votes cast, at the Annual Meeting. Under Delaware law and the Company's By-laws, the election of directors at the Annual Meeting will be determined on the basis of the five candidates receiving the highest pluralities of votes cast at the Annual Meeting. Any other matters submitted for consideration at the Annual Meeting requires the affirmative vote of the holders of a majority of the Company's Common Stock represented and voting at the Annual Meeting for approval. Proxies submitted by brokers that do not indicate a vote for some of the proposals because the brokers don't have discretionary voting authority and haven't received instructions from the beneficial owners on how to vote on those proposals are called broker non-votes. Whether brokers have discretionary voting authority in the absence of explicit grants of such authority by their customers is governed by regulations of stock exchanges of which the brokers are members or by applicable state law. The Company does not believe that broker non-votes will materially affect any matter expected to be presented at the meeting.

**ELECTION OF DIRECTORS**

The Company's Board of Directors is comprised of a single class. The directors are elected at the Annual Meeting of the Stockholders of the Company and each director elected holds office until his or her successor is elected and qualified. The Board currently consists of five members. The stockholders will vote at the 2008 Annual Meeting for the election of five directors for the one-year term expiring at the Annual Meeting of Stockholders in 2009. There are no family relationships among any directors or executive officers of the Company.

The persons named in the enclosed proxy will vote for the election of the nominees named below unless authority to vote is withheld. All nominees have consented to serve if elected. In the event that any of the nominees should be unable to serve, the persons named in the proxy will vote for such substitute nominee or nominees as they, in their discretion, shall determine. The Board of Directors has no reason to believe that any nominee named herein will be unable to serve.

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The Board of Directors recommends voting FOR each of the nominees named below.

The following material contains information concerning the nominees for election as Directors.

<b>Name of Nominee</b>	<b>Age</b>	<b>Principal Occupation</b>	<b>Director Since</b>
Judith T. Graves	61	Retired	February 2004
Joseph E. Root	63	Attorney	October 2006
William A. Peck	75	Director, Center for Health Policy, School of Medicine, Washington University, St. Louis, Missouri	April 1994
Earl R. Refsland	65	President and Chief Executive Officer of the Company, St. Louis, Missouri	September 1999
John D. Weil	67	Private Investor	August 1997

Except as set forth below, each of the nominees has been engaged in his principal occupation described above during the past five years.

Ms. Graves retired as the Assistant Director for Administrative Services and Controller to the Board of Commissioners of the Saint Louis Art Museum. Prior to assuming expanded responsibilities, Ms. Graves had been the Museum's Director of Finance and Controller to the Board of Commissioners since 1984.

Mr. Root is an attorney and is currently Chief Patent Counsel to UnitedLex Corp. a leader in legal process facilitation, a position he has held since April 2008. Mr. Root practices in the field of intellectual property, technology and patent law, and he was of counsel to Haynes Beffel & Wolfeld, an IP boutique located in Half Moon Bay, CA. Previously, he served as Senior IP Counsel to SAP AG, a worldwide leader in enterprise management software headquartered in Germany. During the 2000 to 2002 period, Mr. Root served as Senior Vice-President and General Counsel to two affiliated public companies: Fidelity National Information Systems and Micro General Corp. His career before that point spanned a range of positions both in-house and in private practice, including General Counsel of Marquip, Inc. in Phillips, Wisconsin and IP counsel positions with Johnson Controls, Inc. and RJR-Nabisco, Inc. He engaged in private practice with the New York offices of the Bryan Cave and Kenyon & Kenyon law firms. Mr. Root received a J.D., magna cum laude, from Wake Forest University, and a B.S. from the United States Military Academy. Before attending law school, Mr. Root served as an Armor Officer in the U.S. Army and in engineering and production management positions.

Dr. Peck is currently serving as the Wolff Distinguished Professor at Washington University and Director of the Center for Health Policy. From 1993 to June 2003, Dr. Peck served as Executive Vice Chancellor for Medical Affairs at Washington University and from 1989 to June 2003, Dean of the School of Medicine at Washington University, St. Louis, Missouri.

Mr. Refsland has served as President and Chief Executive Officer of the Company since September 1999. From February 1999 to January 2000, Mr. Refsland served as Director and Chairman of the Board of Andros Technologies. From May 1995 to March 1998, Mr. Refsland served as President and CEO of Photometrics Limited. Mr. Refsland previously served as Chief Executive Officer and member of the Board of Directors of Allied Healthcare Products, Inc. from 1986 to 1993.

Mr. Weil has served as President of Clayton Management Co. since 1973. Mr. Weil currently serves as a director of Pico Holdings, Inc and Baldwin & Lyons, Inc. Mr. Weil also serves as a member of the Board of Trustees of Washington University, St. Louis, Missouri, and as President of the St. Louis Art Museum Commission.

**If you sign and return the proxy form and do not specify otherwise, we will vote your shares for the election of the five nominees listed above.**

### **Board of Director Independence**

The Board has determined that each of the current Directors and is independent within the meaning of Company's director independence standards, which reflect the NASDAQ Global Market ( NASDAQ-GM ) director independence standards, as currently in effect and as they may be changed from time to time. Furthermore, the Board has determined that each of the members of each of the committees is independent within the meaning of

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the Sarbanes-Oxley Act of 2002 (Audit Committee) and the NASDAQ-GM committee independence standards (Audit, Compensation and Nominating/Corporate Governance Committees).

### **Board Meetings    Committees of the Board**

The Board of Directors of the Company held four meetings during the fiscal year ended June 30, 2008. The Board of Directors presently maintains a Compensation Committee, an Audit Committee and a Governance and Nominating Committee.

The Compensation Committee consists of Messrs. Weil, Root, Peck and Madam Graves. This committee reviews and approves the Company's executive compensation policy, administers the Company's incentive compensation bonus plan and makes recommendations concerning the Company's employee benefit policies and stock option plans in effect from time to time. The Compensation Committee held one meeting during the fiscal year ended June 30, 2008. The Compensation Committee does not have a charter, but in the course of performing its duties, the committee adheres to the Company's Corporate Governance Principles, a copy of which is available on the Company's website: [www.alliedhpi.com](http://www.alliedhpi.com).

The Audit Committee consists of Messrs. Weil, Root, Peck and Madam Graves. The Charter for the Audit Committee is available on the Company's web site: [www.alliedhpi.com](http://www.alliedhpi.com). This committee recommends engagement of the Company's independent auditors and is primarily responsible for approving the services performed by the Company's independent auditors and for reviewing and evaluating the Company's accounting principles and its systems of internal accounting controls. The Audit Committee held four meetings during the fiscal year ended June 30, 2008. The Board of Directors has determined that nominees for director should meet all the criteria that have been established by the Board of Directors and the Nomination, Compensation and Governance Committee for board membership and not just have certain specific qualities or skills, like those that would qualify a nominee as an audit committee financial expert. Accordingly, the Board of Directors believes that it is not in the best interests of the Company to nominate as a director someone who does not have all the experience, attributes and qualifications sought. The Audit Committee consists of three independent directors, each of whom has been selected for the Audit Committee by the Board of Directors based on its determination that they are fully qualified to monitor the performance of management, internal accounting operations and the independent public accountants, and are fully qualified to monitor the disclosures of the Company to the end that they fairly present its financial condition and results of operations. Although one or more of the members of the Audit Committee meets, in the Company's opinion, the SEC definition of an audit committee financial expert, the Board of Directors has decided not to designate any one of them as such. In addition, the Audit Committee has the ability on its own to retain other independent public accountants or other consultants whenever it deems appropriate. The Board of Directors believes that this is fully equivalent to having an audit committee financial expert on the Audit Committee.

The Governance and Nominating Committee consists of Messrs. Weil, Root, Peck and Madam Graves. This committee recommends nominees to fill vacancies on the Board of Directors. The Governance and Nominating Committee did not hold a meeting during the fiscal year ended June 30, 2008. The Governance and Nominating Committee will consider nominees submitted by stockholders for inclusion on the recommended list of nominees submitted by the Company and voted on at the Annual Meeting of Stockholders in 2009 if such nominations are submitted in writing to the Company's headquarters Attention: Governance and Nominating Committee, no later than June 1, 2009. The Governance and Nominating Committee does not have a charter, but in the course of performing its duties, the committee adheres to the Company's Corporate Governance Principles, a copy of which is available on the Company's website: [www.alliedhpi.com](http://www.alliedhpi.com).

### **Compensation of Directors**

Each director who is not an employee of the Company is entitled to receive an annual fee of \$15,000 for his services as a director and additional fees of \$1,000 for attendance at each meeting of the Board of Directors and \$350 for attendance at each meeting of committees of the Board of Directors. The Audit Committee Chairman is entitled to receive an additional annual fee of \$1,000. Directors are also entitled to reimbursement for their expenses in attending meetings.

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In 1995, the Company's stockholders approved and adopted the 1995 Stock Option Plan for Directors (the 1995 Directors Plan) to the members of the Board of Directors who are not employees of the Company or any of its subsidiaries. The 1995 Directors Plan granted options to directors on a formula basis at the time of initial election to the board, for service on certain board committees and for reelection to the board. Options outstanding under the 1995 Directors Plan are subject to adjustment in the event of a reorganization, merger, consolidation, stock split, dividend payable in Common Stock, split-up, combination or other exchange of shares. The options are treated as non-qualified options for federal income tax purposes such that any value in the option is taxable as ordinary income as of the date of exercise. The purchase price for shares of Common Stock to be purchased upon the exercise of options is equal to the last reported sales price per share of Common Stock on the Nasdaq National Market on the date of grant (or the last reported sales price on such other exchange or market on which the Common Stock is traded from time to time).

As adopted, the 1995 Directors Plan was intended to provide formula awards in accordance with certain then-applicable exemptive rules of the SEC and is administered by the Board of Directors, which may delegate administration thereof to a committee of the Board. The 1995 Directors Plan expired in accordance with its terms prior to the 2005 Annual Meeting of Stockholders. Options generally expire ten years from date of grant and the expiration of the 1995 Directors Plan had no impact on outstanding options.

Pursuant to the express terms of the 1995 Directors Plan, options to purchase 10,000 shares of Common Stock were granted to each eligible director on the date such person is first elected to the Board of Directors of the Company. An option to purchase an additional 5,000 shares of Common stock is granted to each eligible director on the date such person is first elected to serve as Chairman of the Board of the Company. These options may not be exercised for a period of two years from the date of grant and thereafter become exercisable on a cumulative basis in 25% increments beginning on the second anniversary of the date of grant and concluding on the fifth anniversary thereof.

In addition, the 1995 Directors Plan provided that options to purchase 1,000 shares of Common stock were granted to each eligible director on the date such person is re-elected to the Board of Directors by the vote of the stockholders, at the annual or other meeting at which directors are elected, and that options to purchase 500 shares of Common Stock are granted to each eligible director on the date such person is elected or re-elected to serve as Chairman of a Committee maintained by the Board of Directors from time to time. These options may not be exercised for a period of one year from the date of grant and thereafter are exercisable in full.

Following termination of the 1995 Directors Plan, the Board adopted and the stockholders approved at the 2006 Annual Meeting, the Allied Healthcare Products Inc. Incentive Stock Plan for Non-Employee Directors (the 2005 Directors Plan). That Plan permits the Board discretion in continuing formula stock option grants on the basis used in the 1995 Directors Plan or alternative forms of equity interests as discussed below.

**Director Compensation**

The following table sets forth the compensation we paid to our non-employee directors for their service in fiscal year 2008.

	<b>Change in Pension Value and</b>
<b>Option</b>	<b>Non-Equity Nonqualified</b>



Name (a)	Fees	Stock Awards (c)	Awards (\$) (d)	Incentive	Deferred Compensation (\$) (f)	All Other Compensation (\$) (g)	Total (\$) (h)
	Earned or Paid in Cash(\$) (b)			Plan Compensation (\$) (e)			
Judith T. Graves	\$ 21,750		\$ 10,652				\$ 32,402
Joseph E. Root	\$ 20,750		\$ 8,918				\$ 29,668
William A. Peck	\$ 20,750		\$ 4,212				\$ 24,962
John D. Weil	\$ 20,750		\$ 4,212				\$ 24,962

Note 1: Reflects dollar value of option awards for financial reporting purposes.

**Table of Contents****Indemnification and Limitation of Liability**

The Company's Amended and Restated Certificate of Incorporation provides that the Company's directors are not liable to the Company or its stockholders for monetary damages for breach of their fiduciary duties, except under certain circumstances, including breach of the director's duty of loyalty, acts or omissions not in good faith or involving intentional misconduct or a knowing violation of law or any transaction from which the director derived improper personal benefit. The Company's By-laws provide for the indemnification of the Company's directors and officers, to the full extent permitted by the Delaware General Corporation Law. The company also has indemnification agreements with each officer and director providing for contractual indemnification substantially similar in scope to the provisions of the By-Laws.

**SECURITY OWNERSHIP OF CERTAIN BENEFICIAL  
OWNERS AND MANAGEMENT**

This section describes (i) people who beneficially own 5% or more of our voting stock; and (ii) how much stock our directors and executive officers own.

**Voting Stock Owned by 5% Beneficial Owners.**

The following table sets forth information regarding all persons known to the Company to be the beneficial owners of more than five percent of the Company's Common Stock as of August 31, 2008, based upon filings by such persons with the SEC under applicable provisions of the federal securities laws. As of the close of business on August 31, 2008, there were 7,900,077 shares of Common Stock outstanding. Counting each share only once, the aggregate number of shares of Common Stock beneficially owned by the people in this table is 6,097,178 shares, or 77% of our outstanding Common Stock.

<b>Name and Address of Beneficial Owner</b>	<b>Shares Owned Beneficially</b>	<b>Percent of Outstanding Shares</b>
John D. Weil 200 North Broadway, Suite 825 St. Louis, MO 63102	3,084,414(1)	39.0%
Wells Fargo & Company 420 Montgomery Street San Francisco, CA 94104	1,311,885(2)	17.0%
Dimensional Fund Advisors Inc. 1299 Ocean Avenue, 11 <sup>th</sup> Floor Santa Monica, Ca 90401	501,967(3)	6.4%
Earl R. Refsland 1720 Sublette St. Louis, MO 63110	724,300(4)	8.6%
Royce & Associates, LLC 1414 Avenue of the Americas New York, NY 10019	474,612(5)	6.0%

- (1) Mr. Weil directly owns 13,250 shares (including 4,000 shares held in his IRA account) and is deemed to have direct ownership of an additional 5,750 shares under options, issued pursuant to the Company's Director Plans, which were exercisable at August 31, 2008, or will become exercisable within 60 days thereafter. Mr. Weil's spouse is the owner of 26,300 shares and his adult son is the owner of 10,000 shares; Mr. Weil disclaims any economic interest in such shares and the shares held by his son are not included in the total set forth above. The remaining 3,039,114 shares reflected in the table are owned by Woodbourne Partners L.P., a private investment partnership of which Clayton Management Company is the general partner. Mr. Weil is the sole director and stockholder of Clayton Management Company and as such has sole voting and dispositive power with respect to such shares.
- (2) Holdings reported on Form 13G as of January 15, 2008.

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- (3) Holdings reported on Form 13G as of February 6, 2008.
- (4) Includes 542,000 shares deemed owned as a result of exercisable options.
- (5) Holdings reported on Form 13G as of January 22, 2008.

**Stock Beneficially Owned by Management and Nominees.**

The following table sets forth information regarding the ownership of Common Stock of the Company for each director, each executive officer named in the Summary Compensation Table and all directors and executive officers as a group as of August 31, 2008. As of the close of business on August 31, 2008, there were 7,900,077 shares of Common Stock outstanding. In computing the aggregate number of shares and percentages owned by all directors and executive officers as a group, which includes shares owned by persons not named in the table, we counted each share only once.

<b>Name and Address of Beneficial Owner</b>	<b>Shares Owned Beneficially</b>	<b>Percent of Outstanding Shares</b>
Earl R. Refsland Director and Chief Executive Officer	724,300(1)	8.6%
John D. Weil Chairman of the Board of Directors	3,084,414(2)	39.0%
William A. Peck, M.D. Director	11,000(3)	*
Joseph E. Root Director	3,500(4)	*
Judith T. Graves Director	12,500(5)	*
Eldon P. Rosentrater Vice President Administration/Corporate Planning	35,000(6)	*
Daniel C. Dunn Vice President Finance, Chief Financial Officer and Secretary	31,306(7)	*
Robert B. Harris Vice President Operations	15,000(8)	*
All directors and executive officers as a group (8 persons)	3,917,020	45.8%

\* Less than 1.00%.

- (1) Includes 542,000 shares deemed owned as a result of exercisable options.
- (2) See footnote concerning Mr. Weil's beneficial ownership in preceding table.
- (3) Includes 11,000 shares deemed owned as a result of exercisable options.

- (4) Includes 1,500 shares deemed owned as a result of exercisable options.
- (5) Includes 12,000 shares deemed owned as a result of exercisable options.
- (6) Includes 30,000 shares deemed owned as a result of exercisable options.
- (7) Includes 30,000 shares deemed owned as a result of exercisable options and 506 shares held in the Company's Employee Stock Ownership Plan.
- (8) Includes 15,000 shares deemed owned as a result of exercisable options.

**Table of Contents****EXECUTIVE OFFICERS**

This section provides information regarding the executive officers of the Company who are appointed by and serve at the pleasure of the Board of Directors:

<b>Name</b>	<b>Age</b>	<b>Position(s)</b>
Earl R. Refsland	65	Director, President and Chief Executive Officer(1)
Eldon P. Rosentrater	54	Vice President Administration/Corporate Planning(2)
Robert B. Harris	51	Vice President Operations(3)
Daniel C. Dunn	49	Vice President Finance, Chief Financial Officer Secretary & Treasurer(4)

- (1) Mr. Refsland has been Director, President and Chief Executive Officer of the Company since September, 1999.
- (2) Mr. Rosentrater has been Vice President-Administration/Corporate Planning of the Company since March, 2003. He previously held the position of Vice President Operations from October 1999 to 2003. Prior to that time, Mr. Rosentrater held the positions of Assistant to the President from 1998 to 1999; Director of Information Technologies from 1995 to 1998; Director of Business Development from 1993 to 1995 and Group Product Manager from 1989 to 1993.
- (3) Mr. Harris has been Vice President Operations since July, 2006. He previously held the positions for Command Medical Products, Inc. of Vice President Operations from January 2002 to January 2006 and Director of Operations from October 1999 to December 2001. Prior to that time, Mr. Harris held the position of Plant Manager for Sherwood Medical, a subsidiary of Tyco Healthcare from 1997 to 1999.
- (4) Mr. Dunn has been Vice President Finance, Chief Financial Officer, Secretary and Treasurer since July, 2001. He previously held the position of Director of Finance at MetalTek International from 1998 to 2001. Prior to that time, Mr. Dunn held the position of Corporate Controller at Allied Healthcare Products, Inc. from 1994 to 1998.

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**EXECUTIVE COMPENSATION**

**COMPENSATION DISCUSSION AND ANALYSIS.**

**Compensation Committee.**

The Compensation Committee, composed entirely of non-employee members of the Board of Directors, reviews, recommends and approves changes to the Company's compensation policies and program for the chief executive officer, other senior executives and certain key employees. In addition to the delegated authority in areas of compensation, the Committee administers the Company's stock option plans and agreements and recommends to the Board of Directors annual or other grants to be made in connection therewith.

In the Committee's discharge of its responsibilities, it considers the compensation, primarily of the chief executive officer and the Company's other executive officers, and sets overall policy and considers in general the basis of the levels of compensation of other key employees.

**Policy and Objectives.**

Recognizing its role as a key representative of the stockholders, the Committee seeks to promote the interests of stockholders by attempting to align management's remuneration, benefits and perquisites with the economic well being of the Company. Basically, the Committee seeks the successful implementation of the Company's business strategy by attracting and retaining talented managers motivated to accomplish these stated objectives. Since the achievement of operational objectives should, over time, represent the primary determinant of share price, the Committee links elements of compensation of executive officers and certain key employees with the Company's operating performance. In this way, objectives under a variety of compensation programs should eventually reflect the overall performance of the Company. By adherence to the above program, the compensation process should enhance stockholder value. The Committee attempts to be fair and competitive in its views of compensation. Thus, rewards involve both business and individual performance.

**Components of Compensation**