

HAEMONETICS CORP  
Form DEF 14A  
June 27, 2006  
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  x

Filed by a Party other than the Registrant  o

Check the appropriate box:

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

**HAEMONETICS CORPORATION**  
(Name of Registrant as Specified In Its Charter)

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

Payment of Filing Fee (Check the appropriate box):

- x No fee required.
- o Fee computed on table below per Exchange Act Rules 14a-6(i)(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:
- o Fee paid previously with preliminary materials.
- o Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.
 

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

**HAEMONETICS®**

**HAEMONETICS CORPORATION**

**Notice of Annual Meeting of Stockholders**

**August 9, 2006**

To the Stockholders:

The Annual Meeting of our Stockholders will be held on Wednesday, August 9, 2006 at 9:00 a.m. at our Corporate Offices located at 400 Wood Road, Braintree, Massachusetts for the following purposes:

1. To elect three Directors as more fully described in the accompanying Proxy Statement.
2. To consider and act upon a proposal to amend the Articles of Organization of the corporation to increase the number of shares of Common Stock which the corporation has the authority to issue from 80,000,000 shares to 150,000,000.
3. To ratify the selection of Ernst & Young LLP as independent public accountants for fiscal year 2007.
4. To consider and act upon any other business which may properly come before the meeting.

The Board of Directors has fixed the close of business on June 12, 2006 as the record date for the meeting. All stockholders of record on that date are entitled to notice of and to vote at the meeting.

PLEASE COMPLETE AND RETURN THE ENCLOSED PROXY IN THE ENVELOPE PROVIDED WHETHER OR NOT YOU INTEND TO BE PRESENT AT THE MEETING IN PERSON.

By Order of the Board of Directors

Alicia R. Lopez  
Secretary

Braintree, Massachusetts  
July 3, 2006

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**HAEMONETICS CORPORATION  
PROXY STATEMENT**

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## GENERAL INFORMATION

This Proxy Statement is furnished in connection with the solicitation of proxies by the Board of Directors of Haemonetics Corporation (the Company ) for use at the Annual Meeting of Stockholders (the Meeting ) to be held on Wednesday, August 9, 2006 at the time and place set forth in the Notice of Meeting, and at any adjournment thereof. The approximate date on which this Proxy Statement and form of proxy are first being sent to stockholders is July 3, 2006.

### Voting

If the enclosed proxy is properly executed and returned, it will be voted in the manner directed by the stockholder. If no instructions are specified with respect to any particular matter to be acted upon, the proxy will be voted in favor of the election of directors as set forth in this Proxy Statement and for Items 2 and 3 listed in the Notice of the Meeting. Any person giving the enclosed form of proxy has the power to revoke it by voting in person at the meeting or by giving written notice of revocation to the Secretary of the Company at any time before the proxy is exercised.

### Quorum

A majority of the votes entitled to be cast on the matter must be present in person or be represented by proxy at the Meeting in order to constitute a quorum for the election of any director or for the consideration of any question. The election of the nominees for director will be decided by plurality vote. The affirmative vote of the holders of a majority of all outstanding shares entitled generally to vote at the meeting is required for approval of Item 2 listed in the Notice of the Meeting. To approve Item 3 listed in the Notice of the Meeting, it is necessary that the votes cast favoring the action exceed the votes cast opposing the action. Abstentions and non-votes are counted as present in determining whether the quorum requirement is satisfied. A non-vote occurs when a nominee holding shares for a beneficial owner votes on one proposal, but does not vote on another proposal because the nominee does not have discretionary voting power and has not received instructions from the beneficial owner. Abstentions and broker non-votes will not be taken into account in determining the outcome of the election of directors and Item 3. In the case of Item 2, abstentions and broker non-votes will have the effect of negative votes.

### Solicitation of Proxies

The Company will bear the cost of this solicitation. It is expected that the solicitation will be made primarily by mail, but regular employees or representatives of the Company (none of whom will receive any extra compensation for their activities) may also solicit proxies by telephone, telegraph or in person and arrange for brokerage houses and their custodians, nominees and fiduciaries to send proxies and proxy materials to their principals at the expense of the Company. The Company may retain a proxy solicitation firm to aid in soliciting proxies from its stockholders. The Company's principal executive offices are located at 400 Wood Road, Braintree, Massachusetts, USA 02184-9114, telephone number (781) 848-7100.

### Record Date and Voting Securities

Only stockholders of record at the close of business on June 12, 2006 are entitled to notice of and to vote at the meeting. On that date, the Company had outstanding and entitled to vote 26,926,336 shares of common stock with a par value of \$.01 per share. Each outstanding share entitles the record holder to one vote.

**BOARD OF DIRECTORS****Meetings of the Board of Directors**

During the last fiscal year, there were four regular meetings of the Board of Directors of the Company. All of the directors attended at least 75% of the aggregate of (i) the total number of meetings of the Board of Directors held while he or she was a director, and (ii) the total number of meetings held by Committees of the Board of Directors on which they served. All directors are strongly encouraged to and did, in fact, attend the annual meeting of stockholders in 2005.

**Directors Compensation**

The current compensation for directors of the Company is as follows:

	Current Compensation	
Chairman annual fee		\$200,000
Director s annual fee		\$24,000
Board meeting attendance (per day)	In person	\$1,000
	By phone	\$500
Option grant on initial election to Board		20,000
Annual option grant		6,000
Audit Committee Chairman annual fee		\$8,000
Audit Committee meeting attendance (per day)	In person	\$1,000
	By phone	\$300
Compensation Committee Chairman annual fee		\$6,000
Compensation Committee meeting daily attendance	In person	\$750
	By phone	\$300
Nominating Committee Chairman annual fee*		\$6,000
Nominating Committee meeting daily attendance	In person	\$750
	By phone	\$300

\* No such retainer is payable when the Chairman of the Board serves as Chairman of the Nominating and Governance Committee.

The options for the purchase of 6,000 shares of common stock of the Company granted to directors during fiscal 2006 were at an exercise price of \$44.74 per share. Upon their initial election as directors in July 2005, Richard J. Meelia and Ronald L. Merriman received a grant of options to purchase 20,000 shares of common stock of the Company at an exercise price of \$41.15 per share. Upon his initial election as a director in January 2006, Mark Kroll received a grant of options to purchase 20,000 shares of common stock of the Company at an exercise price of \$48.765 per share. Options granted to the directors and to the Chairman vest immediately upon date of grant. All options are granted at fair market value at date of grant.

### **Executive Sessions**

Executive sessions of the non-management directors (all of whom are independent) are generally held at the end of each board meeting. The Chairman of the Board of Directors presides over all such executive sessions.

### **Communications with the Board of Directors**

Stockholders may communicate with the Board of Directors or any individual director by sending communications to the attention of the Secretary of the Board, Alicia R. Lopez, who will forward such communications to the Chairman. Communications may also be sent via the Company's website: <http://www.haemonetics.com/site/content/investor/complaint-handling.asp>

### **Corporate Governance Principles and Board Matters**

The Company's Code of Business Conduct, Governance Guidelines and the Charters of the Audit, the Compensation, and the Nominating and Governance committees may be viewed on the Company's website at [http://www.haemonetics.com/site/content/investor/corp\\_gov.asp](http://www.haemonetics.com/site/content/investor/corp_gov.asp) and printed copies can be obtained by contacting the Secretary at the Company's headquarters.

### **Board Independence**

The Board has determined that each of the directors, excluding Mr. Nutter, has no material relationship with the Company and are independent within the meaning of the Securities and Exchange Commission and the New York Stock Exchange director independence standards in effect.

### **Committees of the Board**

*Compensation* The Board of Directors has a Compensation Committee composed of independent directors who are not employees of the Company. Currently, the members of the Compensation Committee are Ronald Gelbman, Chairman, Susan Bartlett Foote and Pedro Granadillo. The Compensation Committee determines the compensation to be paid to the key officers of the Company and administers the Company's 2005 Long-term Incentive Plans. During the last fiscal year, there were five meetings of the Compensation Committee.

*Audit* The Board of Directors has an Audit Committee composed of independent directors who are not employees of the Company. Currently, the members of the Audit Committee are Ronald Merriman, Chairman, Lawrence Best, and Ronald Gelbman. The Audit Committee provides general oversight of the Company's financial reporting and disclosure practices, system of internal controls, and processes for monitoring compliance by the Company with Company policies. The Audit Committee is directly responsible for the appointment and termination (subject to stockholder ratification), and compensation of the independent registered public accounting firm. The Committee reviews with the Company's independent registered public accounting firm the scope of the audit for the year and the results of the audit when completed. The Audit Committee also reviews with internal audit various matters relating to internal accounting controls. During the last fiscal year, there were six meetings of the Audit Committee.

*Governance* The Board of Directors has a Nominating and Governance Committee composed of independent directors who are not employees of the Company. Currently, the members of the Nominating and Governance Committee are Ronald A. Matricaria, Chairman, Pedro Granadillo, Mark Kroll and Richard Meelia. The Nominating and Governance Committee recommends nominees for election as directors to the full Board of Directors. The Nominating and Governance Committee considers recommendations for nominees for directorships submitted by stockholders, directors and members of management. Other responsibilities of the Nominating and Governance Committee include recommending to the Board a set of corporate governance principles applicable to the Company and periodically reviewing such guidelines and recommending appropriate changes as applicable. During the last fiscal year, there were two regular meetings of the Nominating and Governance Committee.

#### **Director Nomination Process**

The Nominating and Governance Committee will review and evaluate all director nominations in the same manner. Stockholders who wish to submit candidates for consideration as nominees may submit an appropriate letter and resume to the Secretary of the Company at the Company's executive offices in Braintree, Massachusetts.

When identifying director nominees, the Nominating and Governance Committee will consider the following minimum criteria:

- The nominee's reputation, integrity, independence of thought and judgment, financial sophistication, leadership and (for New York Stock Exchange and Securities and Exchange Commission purposes) independence;
- The nominee's skills and business, personal and professional accomplishments, government or other professional experience and acumen, bearing in mind the composition of the Board and the current state of the Company and the markets in which the Company is active at the time;
- The number of other public companies for which the nominee serves as a director;
- The extent to which the nominee is prepared to participate fully in Board activities, including at least one Board committee and attendance at, and active participation in, meetings of the Board and the committee(s) of which he or she is a member, and not have other commitments that would, in the judgment of the Committee, interfere with or limit his or her ability to do so;
- The extent to which the nominee helps the Board reflect the diversity and interests of the Company's stockholders, employees, customers and communities;
- The willingness of the nominee to meet the Company's stock ownership requirements for directors;
- The nominee's knowledge of one or more segments of the Company's business; and
- The nominee's commitment to increasing stockholder value in the Company.

In the case of current directors being considered for re-nomination, the Nominating and Governance Committee will also take into consideration the director's history of attendance at Board and committee meetings, tenure as a member of the Board, and preparation for and participation in such meetings.

The Company's nomination process for new Board members is as follows:

- The Nominating and Governance Committee, the Chairman of the Board, the Chief Executive Officer, or other Board member identifies a need to add a new Board member who meets specific criteria or to fill a vacancy on the Board.
- The Nominating and Governance Committee initiates a search seeking input from Board members and senior management and hiring a search firm, if necessary.
- The Nominating and Governance Committee considers recommendations for nominees for directorships submitted by stockholders.
- The initial list of candidates that will satisfy specific criteria and otherwise qualify for membership on the Board, are identified and presented to the Nominating and Governance Committee, or its delegate, which evaluates the candidates.
- The Chairman of the Board and at least one member of the Nominating and Governance Committee interviews top candidates.
- The full Board is kept informed of progress.
- The Nominating and Governance Committee may offer other Board members the opportunity to interview the candidates and then meets to consider and approve the final candidates.
- The Nominating and Governance Committee seeks full Board endorsement of the final candidates.
- The final candidates are nominated by the Board or elected to fill a vacancy.

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**ITEM 1 ELECTION OF DIRECTORS**

Pursuant to the Articles of Organization of the Company, the Board of Directors is divided into three classes, with each class being as nearly equal in number as possible. One class is elected each year for a term of three years and until their successors shall be duly elected and qualified or until their death, resignation or removal. The terms of Ronald G. Gelbman, Ronald A Matricaria and Brad Nutter are expiring at this annual meeting.

The persons named in the accompanying proxy will vote, unless authority is withheld, for the election of the nominees named below. If any such nominees should become unavailable for election, which is not anticipated, the persons named in the accompanying proxy will vote for such substitutes as the Board of Directors may recommend. Should the Board of Directors not recommend a substitute for any nominee, the proxy will be voted for the election of the remaining nominees. The nominees are not related to each other or to any executive officer of the Company or its subsidiaries.

**Nominees for terms ending in 2009**

Name, Age, and Board

Data

**Ronald G. Gelbman**

Age 59

First elected Director in 2000

**Position, Principal Occupation, Business Experience and Directorships**

- 1998 to 2000, Johnson & Johnson Worldwide Chairman of the Health Systems and Diagnostics Group and member of the Executive Committee

- 1994 to 1998 Johnson & Johnson Worldwide chairman, Pharmaceuticals and Diagnostics and member of the Executive Committee
- 1972 to 1994 various senior level positions throughout the Johnson and Johnson organization
- Currently member of the Board of Directors of Serologicals Corporation, a publicly traded biologics company; a member of the Board of Directors of Clockwork Home Services, a private company; and the SunTrust Southwest Florida Board of Advisors; Trustee at Rollins College, the Ringling School of Art and Design, Chair of Sarasota YMCA; and Chair of Out-of-Door Academy College Preparatory School
- Since April 2003 non-executive Chairman of the Company
- 1995 to 2002, Chairman and from 1993 to 1999, President and CEO of St. Jude Medical Inc.
- Previously, Executive Vice President of the Pharmaceutical Division and President of North American Operations for Eli Lilly and Company, Inc.
- Currently member of the Board of Directors of the following publicly traded companies: Invitrogen, Inc., a life science technology company; and Hospira, Inc., a global specialty pharmaceutical and medication delivery company; Trustee emeritus of the University of Minnesota Foundation. In 2002, Life Time Achievement award for significant contributions to the healthcare industry

**Ronald A. Matricaria**

Age 62

First elected Director in 2002

Name, Age, and

Board Data

**Brad Nutter**

Age 54

First elected Director in 2003

**Position, Principal Occupation, Business Experience and Directorships**

- Since April 2003, President and CEO of the Company
- 2000, President and CEO, Gambro Healthcare, an international dialysis services company, a division of Gambro AB
- 1997 to 2000, Executive Vice President and Chief Operating Officer of Syncor International, Inc., a radiopharmaceuticals and medical imaging company
- Previously, senior positions at American Hospital Supply and Baxter International, Inc.

**Sitting Board Members**

Name, Age, and

Board Data

**Susan Bartlett Foote**

Age 59

Serving a term ending in 2007

**Position, Principal Occupation, Business Experience and Directorships**

- Since 2006 Associate Professor and former Division Head (held from 1999 to 2005), Division of Health Services Research and Policy for the School of Public Health at the University of Minnesota
- 1996 to 1999, President, Public Policy Partners, a health policy consulting firm
- 1982 to 1993, Associate Professor of Business & Public Policy at the University of California at Berkeley
- 1995 a Partner in the law firm of Dorsey & Whitney
- 1991 to 1994 a Senior Health Policy Analyst for the United States Senate
- Currently, member of the California State Bar Association; director of Park Nicollet Institute, Banner Health System, and Medical Technology Leadership Forum; member of the Medicare Coverage Advisory Committee; Mayor of Saint Paul Biotechnology Economic Development Advisory Committee, and the Saint Paul Heritage Preservation Commission
- 1998 to 2004 Senior Vice President of Human Resources at Eli Lilly & Co.

**Pedro P. Granadillo**

Age 59

Serving a term ending in 2007

- 1970 to 1998 various positions throughout the Eli Lilly organization including 13 years in senior level positions in manufacturing in the United States and internationally
- Currently, member of the Board of Directors of First Indiana Corporation, First Indiana Bank, N.A., Noven Pharmaceuticals and the Purdue Research Foundation
- 1995 to 2005 with St. Jude Medical, Inc.; senior level positions including 2001 to 2005 as Senior Vice President and Chief Technology Officer of the Cardiac Rhythm Management Division and 1999 to 2001 as Senior Vice President for Technology and Design
- Adjunct Professor of Biomedical Engineering at the California Polytechnic State University and a faculty member for the University of California Anderson School of Business program on Creativity and Innovation
- Currently serves on the Board of Directors for Taser International, Inc.

**Mark W. Kroll, Ph.D.**

Age 53

Serving a term ending in 2007

**Lawrence C. Best**

Age 56

Serving a term ending in 2008

- 1992 to present Executive Vice President and CFO for Boston Scientific, a worldwide device manufacturer
- Previously partner at Ernst & Young, accounting firm specializing in serving multinational companies in the high technology and life sciences fields
- 1979 to 1981 two year fellowship at the Securities and Exchange Commission and one-year term as White House-appointed Presidential Exchange Executive
- Currently serves as a member of the Board of Directors of Biogen Idec, Inc. and on the President's Council of Massachusetts General Hospital in Boston

**Richard J. Meelia**

Age 57

Serving a term ending in 2008

- 2006 to present, CEO and from 1995 to 2005, President of Tyco Healthcare, a multi billion dollar healthcare business
- 1991 to 1995 Group President of Kendall Healthcare Products Company, a \$450 million healthcare business
- 1987 to 1990 President of Infusaid, Inc., a division of Pfizer
- 1973 to 1987 Vice President of Sales and Marketing at American Hospital Supply Corporation/Kendall McGaw
- Currently Chairman of the Board EmployAbility, Inc., and member of the Boards of Directors at Chernobyl Children Project, Inc. and Saint Anselm College
- 2003 to present, managing partner of Merriman Partners, a consulting business for professional service firms

**Ronald L. Merriman**

Age 61

Serving a term ending in 2008

- 2000 to 2003 Managing Director and Member of the Office of the Chair at O Melveny & Myers LLP
- 1999 to 2000 Executive Vice President of Carlson Wagonlit Travel
- 1967 to 1997 increasingly responsible positions at KPMG including Vice Chair of the Management Committee, managing partner of the firm's Global Health Care Business, Board Member, and Senior Partner
- Currently a member of the Board of Directors and chair of the Audit and Finance Committee of Pentair, Inc., a publicly traded global diversified industrial company and a member of the Board and Audit Committee of Realty Income Corporation, a publicly traded real estate investment trust

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

The following table sets forth, as of May 15, 2006, certain information with respect to beneficial ownership of the Company's common stock by: (i) each person known by the Company to own beneficially more than five percent of the Company's common stock; (ii) each of the Company's directors and nominees and each of the executive officers named in the Summary Compensation Table elsewhere in this Proxy Statement; and (iii) all directors and executive officers as a group.

**Ownership Table**

<b>Name of Beneficial Owner</b>	<b>Title of Class</b>	<b>Amount &amp; Nature of Beneficial Ownership</b>	<b>Percent of Class</b>
Ronald A. Matricaria(1)	Common Stock	49,000	0.18 %
Brad Nutter(2)	Common Stock	280,000	1.03 %
Peter M. Allen(3)	Common Stock	60,612	0.22 %
Brian Concannon(4)	Common Stock	64,654	0.24 %
Ronald J. Ryan(5)	Common Stock	208,130	0.77 %
Robert Ebbeling(6)	Common Stock	124,807	0.46 %
Ronald G. Gelbman(7)	Common Stock	51,000	0.19 %
Lawrence C. Best(8)	Common Stock	38,000	0.14 %
Susan Bartlett Foote(9)	Common Stock	33,000	0.12 %
Pedro P. Granadillo(10)	Common Stock	36,000	0.13 %
Mark W. Kroll(11)	Common Stock	26,000	0.10 %
Richard J. Meelia(12)	Common Stock	26,000	0.10 %
Ronald L. Merriman(13)	Common Stock	26,000	0.10 %
Barclays Global Investors, N.A.(14)	Common Stock	2,468,881	9.33 %
FMR Corp.(15)	Common Stock	2,137,775	8.075 %
All executive officers and directors as a group (13 persons)(16)	Common Stock	1,023,203	3.67 %

(1) Includes 24,000 shares that Mr. Matricaria has the right to acquire upon the exercise of options currently exercisable or exercisable within 60 days of May 15, 2006. Total does not include 100,000 shares exercisable pursuant to options held by the Matricaria Family Foundation as to which Mr. Matricaria disclaims beneficial ownership.

(2) Includes 275,000 shares that Mr. Nutter has the right to acquire upon the exercise of options currently exercisable or exercisable within 60 days of May 15, 2006.

(3) Includes 57,500 shares which Mr. Allen has the right to acquire upon the exercise of options currently exercisable or exercisable within 60 days of May 15, 2006.

(4) Includes 57,500 shares which Mr. Concannon has the right to acquire upon the exercise of options currently exercisable or exercisable within 60 days of May 15, 2006.

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- (5) Includes 206,202 shares which Mr. Ryan has the right to acquire upon exercise of options currently exercisable or exercisable within 60 days of May 15, 2006.
- (6) Includes 101,131 shares which Mr. Ebbeling has the right to acquire upon the exercise of options currently exercisable or exercisable within 60 days of May 15, 2006.
- (7) Includes 51,000 shares which Mr. Gelbman has the right to acquire upon the exercise of options currently exercisable or exercisable within 60 days of May 15, 2006.
- (8) Includes 38,000 shares which Mr. Best has the right to acquire upon the exercise of options currently exercisable or exercisable within 60 days of May 15, 2006.
- (9) Includes 32,000 shares which Ms. Foote has the right to acquire upon the exercise of options currently exercisable or exercisable within 60 days of May 15, 2006.
- (10) Includes 32,000 shares which Mr. Granadillo has the right to acquire upon the exercise of options currently exercisable or exercisable within 60 days of May 15, 2006.
- (11) Includes 26,000 shares which Mr. Kroll has the right to acquire upon the exercise of options currently exercisable or exercisable within 60 days of May 15, 2006.
- (12) Includes 26,000 shares which Mr. Meelia has the right to acquire upon the exercise of options currently exercisable or exercisable within 60 days of May 15, 2006.
- (13) Includes 26,000 shares which Mr. Merriman has the right to acquire upon the exercise of options currently exercisable or exercisable within 60 days of May 15, 2006.
- (14) This information has been derived from a Schedule 13G filed with the Securities and Exchange Commission on January 31, 2006 reporting aggregate ownership of and sole dispositive power over 2,468,881 shares and sole voting power over 2,312,584 shares. The reporting entity's address is 45 Fremont Street, San Francisco CA 94105.
- (15) This information has been derived from a Schedule 13G filed with the Securities and Exchange Commission on February 14, 2006 reporting aggregate ownership of and sole dispositive power over 2,137,775 shares and sole voting power over 781,300 shares. The reporting entity's address is 82 Devonshire Street, Boston, MA 02109.
- (16) Includes 952,333 which executive officers and directors have the right to acquire upon the exercise of options currently exercisable or exercisable within 60 days of May 15, 2006.

### **Compliance with Section 16(a) of the Securities Act of 1934**

Section 16(a) of the Securities Exchange Act of 1934 (the "Act") requires the Company's directors, officers and persons who own more than 10% of the Company's common stock to file with the Securities and Exchange Commission and the New York Stock Exchange reports concerning their ownership of the Company's common stock and changes in such ownership. Copies of such reports are required to be furnished to the Company. To the Company's knowledge, based solely on a review of copies of such reports furnished to the Company during or with respect to the Company's most recent fiscal year, all Section 16(a) filing requirements applicable to persons who were, during the most recent fiscal year, officers or directors of the Company or greater than 10% beneficial owners of its common stock were complied with.

**COMPENSATION COMMITTEE REPORT ON EXECUTIVE COMPENSATION(1)**

The Compensation Committee determines and reviews the compensation to be paid to the key executives of the Company and administers the Company's 1990 Stock Option Plan, its 1992, and 2000 Long-Term Incentive Plans and its 2005 Long-Term Incentive Compensation Plan. The Compensation Committee is comprised entirely of independent directors.

In its deliberations, the Committee takes into account the recommendations of appropriate Company officials.

**Compensation Philosophy**

The Company's executive compensation program is intended to attract, retain and motivate exceptional leaders dedicated to the success of the organization, maximize individual and company performance and display a clear correlation between the cost of compensation and the value to the employees and the Company. To align executive compensation with stockholder interests and company performance, the program utilizes a combination of salary, cash bonuses, and stock options awarded primarily for the achievement of pre-determined corporate performance objectives. The compensation received by its executive officers is thereby linked to the Company's performance. Within this overall policy, compensation packages for individual executive officers are intended to reflect the responsibilities of their position, current performance within their position and past achievements with the Company, as well as the Company's performance.

To strengthen the alignment between the long-term interests of the employees and the stockholders, the Company maintains an executive share ownership program.

**Base Salaries**

In arriving at the base salaries paid to the Company's executives for the year ended April 1, 2006, the Committee considered each executive's individual contributions to the performance of the Company, his or her level of responsibility, experience in business, potential in the Company, and the level of compensation necessary, in the overall competitive environment, to retain talented individuals. All of these factors were collectively taken into account by the Committee in making an assessment as to the appropriate base salary for each of the Company's executive officers, and no particular weight was assigned to any one factor.

**FY06 Performance Based Annual Bonus**

For the fiscal year ended April 1, 2006, each executive was eligible to receive a potential cash bonus. These potential cash awards were established at the beginning of the fiscal year and executives could not receive any of the cash awards unless the Company reached certain minimum stated earnings per share results for the fiscal year. Bonus payouts were determined by the Company's performance to specific targets for revenue, operating income and earnings per share for the fiscal year. When the specified targets were underachieved or overachieved, the potential cash bonus was adjusted to certain specified levels. A portion of an executive's bonus was also dependent upon their individual performance against their own individual performance objectives, such as division financial performance, business development goals and cost savings initiatives. For all executives, 70% of their stated potential cash bonus was solely dependent

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(1) The material in this report is not soliciting material, is not deemed filed with the Commission and is not to be incorporated by reference in any filing of the Company under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, whether made before or after the date hereof and irrespective of any general incorporation language in any such filing.

upon the achievement of the stated corporate financial performance targets for revenue, operating income and earnings per share for the fiscal year, and 30% was dependent upon the achievement of their individual performance objectives. In reaching its decisions with respect to bonus payments the Compensation Committee considered the Company's performance to its stated financial performance targets. The bonuses based upon corporate performance were approved by the Compensation Committee in accordance with the predetermined payout schedule approved at the beginning of the fiscal year. For the portion of the bonuses associated with the achievement of individual goals, the Compensation Committee approved these bonuses after considering the achievement of the individual performance objectives.

For fiscal 2007, the Committee approved the stated potential bonus opportunities for executive officers. With the exception of Ron Ryan, 70% of each executive officer's bonus opportunity is tied to the achievement of predetermined corporate and business unit financial performance targets for revenue and/or operating income and 30% to the achievement of predetermined individual performance objectives. For Ron Ryan, the Committee approved an annual bonus target of \$154,600 which is tied solely to Mr. Ryan's individual performance targets, and will be paid on a pro-rata basis for the percentage of the year worked by him.

In recognition of past performance, and the importance of their new roles to the Company's future strategy, the Committee approved long term cash bonuses of \$200,000 each for Bob Ebbeling, Vice President Operations and Brian Concannon, President Patient Division and Regional Markets. The award will be payable on May 5, 2009 to Mr. Ebbeling and Mr. Concannon provided he remains employed as of such date.

### **Long-Term Incentive Plans**

The Company's long term incentive program is intended to provide additional incentive to build stockholder's value, reward long-term corporate performance, and promote employee commitment through stock ownership. Information with respect to stock options held by executive officers is included in the tables following this report.

In fiscal 2006 the Compensation Committee chose to continue to provide stock options to meet long term incentive objectives. The number of options granted to individual executives was determined according to a value based model derived from competitive data, taking into account the nature and scope of each executive position. The vesting of options granted in fiscal year 2006 is time vested over four years. The amount realized by a recipient from an option grant will depend on the future appreciation in the price of the Company's common stock.

### **Employment Agreements**

In January 2006, the Compensation Committee approved change in control agreements for twelve senior executives to ensure a consistent and equitable approach to providing change in control benefits. Upon a change in control and change in employment status, each executive would receive a lump sum payment of annual base and target bonus cash compensation at a set multiple, acceleration of non vested stock options, continuation of health and welfare plan coverages or payment of cost for comparable health and welfare plan coverages for one year from the date of loss of coverages due to the change in control and an additional payment covering the excise tax imposed on payments related to the change in control, after the payment of applicable income taxes by the executive. The multiple applied to the change in control benefit provided to the CEO is 2.99. The multiple applied to the change in control benefit provided to all other executives is 2.0.



**Internal Revenue Code Limits on Deductibility of Certain Compensation**

In 1993 the Internal Revenue Code was amended to limit the deduction a public company is permitted for compensation paid in 1994 and thereafter to the chief executive officer and to the four most highly compensated executive officers, other than the chief executive officer. Generally, amounts paid in excess of \$1.0 million to a covered executive, other than performance based compensation, cannot be deducted. In order to qualify as performance based compensation under the tax law, certain requirements must be met, including approval of the performance measures by the stockholders. In its deliberations, the Committee considers ways to maximize deductibility of executive compensation, but nonetheless retains the discretion to compensate executive officers at levels the Committee considers commensurate with their responsibilities and achievements. The Company has not adopted a policy that all executive compensation be fully deductible.

**Compensation of Chief Executive Officer**

In recognition of Mr. Nutter's leadership and the Company's performance during the fiscal year ended April 1, 2006, the Compensation Committee in June 2006 awarded Mr. Nutter a merit increase of 4% bringing his base compensation to \$520,000 and increased his potential cash bonus for fiscal 2007 to \$520,000. Mr. Nutter's target bonus for fiscal year 2006 was \$500,000 and his actual bonus was \$524,325. As in the case of the other executive officers, 70% was dependent upon the achievement of stated corporate performance targets (revenue, operating income and earnings per share) and 30% on individual performance objectives. The cash bonus actually awarded was based upon achievement, and in some cases overachievement, of such goals. In May 2006 the Committee awarded Mr. Nutter an option for the purchase of 200,000 shares of common stock. Such option was granted at fair market value on the date of grant, which was \$52.76.

***COMPENSATION AND MANAGEMENT  
DEVELOPMENT COMMITTEE***

Ronald G. Gelbman, Chairman  
Susan Bartlett Foote  
Pedro P. Granadillo

**EXECUTIVE COMPENSATION**

The following table sets forth all compensation earned by the Company's Chief Executive Officer and the Company's four most highly compensated executive officers (other than the Chief Executive Officer) for all services rendered as executive officers to the Company and its subsidiaries for the Company's fiscal years ended April 1, 2006, April 2, 2005 and April 3, 2004.

**Summary Compensation Table**

Name and Principal Position	Annual Compensation				Long-Term Compensation	
	Fiscal Year	Salary (1)	Bonus(1)	Other Annual Compensation	Awards Stock Options	All Other Compensation (5)
<b>Brad Nutter(2)</b>	2006	\$ 500,000	\$ 524,325	\$ 4,326 (2)	200,000	\$ -0-
President & CEO	2005	\$ 500,000	\$ 370,825			