

OWENS & MINOR INC/VA/  
Form DEF 14A  
March 12, 2004  
Table of Contents

**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

**Owens & Minor, Inc.**

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(Name of Registrant as Specified In Its Charter)

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

Payment of Filing Fee (Check the appropriate box):

No fee required.

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

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(1) Amount Previously Paid:

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

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(4) Date Filed:

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Last update: 02/22/2002

Table of Contents

**Notice of  
2004  
Annual Meeting  
and  
Proxy Statement**

**WHETHER OR NOT YOU PRESENTLY PLAN TO ATTEND THE MEETING IN  
PERSON, THE BOARD OF DIRECTORS URGES YOU TO VOTE.**

**Owens & Minor, Inc.**

**4800 Cox Road**

**Glen Allen, Virginia 23060-6292**

**Table of Contents**

March 12, 2004

Dear Shareholders:

It is a pleasure to invite you to our Annual Meeting of Shareholders on Thursday, April 29, 2004 at 10:00 a.m. The meeting will be held at the Lewis Ginter Botanical Garden, 1800 Lakeside Avenue, Richmond, Virginia. Directions are on the last page of the Proxy Statement. Morning refreshments will be served.

The primary business of the meeting will be to (i) elect four directors, and (ii) ratify the appointment of KPMG LLP as our independent auditors for 2004. In addition to considering these matters, we will review major developments since our last shareholders meeting as well as future opportunities. Our Board of Directors and management team will be there to chat with you and answer any questions.

Our new voting options this year allow you to vote your shares by the Internet, by telephone or by mailing the enclosed proxy card in the postage-paid envelope provided. Whichever method you choose, your vote is important so please vote as soon as possible. All of us at Owens & Minor appreciate your continued interest and support.

Warm regards,

G. GILMER MINOR, III

Chairman and Chief Executive Officer

**Table of Contents****Proxy Statement**

<b>Table of Contents</b>	<b>Page</b>
<u>Notice of Meeting</u>	1
<u>About the Meeting</u>	2
<u>Corporate Governance</u>	4
<u>Report of the Governance &amp; Nominating Committee</u>	4
<u>Board Meetings</u>	5
<u>Committees of the Board</u>	5
<u>Director Compensation</u>	6
<u>Director Nominating Process</u>	7
<u>Communications with the Board of Directors</u>	7
<b><u>Proposal 1 Election of Directors</u></b>	7
<u>Nominees for Election</u>	8
<u>Directors Continuing in Office</u>	9
<b><u>Proposal 2 Approval of Independent Auditors</u></b>	10
<u>Fees Paid to Independent Auditors</u>	10
<u>Report of the Audit Committee</u>	11
<u>Stock Ownership Information</u>	12
<u>Compliance with Section 16(a) Reporting</u>	12
<u>Stock Ownership Guidelines</u>	12
<u>Stock Ownership by Management and the Board of Directors</u>	13
<u>Stock Ownership by Certain Shareholders</u>	14
<u>Equity Compensation Plan Information</u>	14
<u>Executive Compensation</u>	15
<u>Summary Compensation Table</u>	15
<u>2003 Option Grants</u>	16
<u>2003 Option Exercises and Year-End Option Values</u>	17
<u>Retirement Plans</u>	17
<u>Severance Agreements</u>	18
<u>Report of the Compensation &amp; Benefits Committee</u>	18
<u>Comparison of Five-Year Cumulative Total Return</u>	22
<u>Certain Relationships and Related Transactions</u>	22
<u>Shareholder Proposals</u>	23
<u>Other Matters</u>	24
<u>Annex A Corporate Governance Guidelines</u>	A-1
<u>Annex B Audit Committee Charter</u>	B-1

**YOUR VOTE IS IMPORTANT**

**Whether or not you plan to attend the Annual Meeting, please vote your shares promptly by the Internet, by telephone or by completing, signing and mailing your proxy card in the enclosed envelope. Instructions for all three voting options are set forth on your proxy card.**

**Table of Contents**

**NOTICE OF ANNUAL MEETING OF SHAREHOLDERS**

**To Be Held Thursday, April 29, 2004**

TO THE SHAREHOLDERS OF OWENS & MINOR, INC.:

The Annual Meeting of Shareholders of Owens & Minor, Inc. (the Company or Owens & Minor ) will be held on Thursday, April 29, 2004 at 10:00 a.m. at the Lewis Ginter Botanical Garden, 1800 Lakeside Avenue, Richmond, Virginia.

The purposes of the meeting are:

1. To elect four directors to serve until the Annual Meeting of Shareholders in 2007;
2. To ratify the appointment of KPMG LLP as independent auditors for 2004; and
3. To transact any other business properly before the Annual Meeting.

Shareholders of record as of March 3, 2004 will be entitled to vote at the Annual Meeting.

Your attention is directed to the attached Proxy Statement. This Proxy Statement, proxy card and Owens & Minor s 2003 Annual Report are being distributed on or about March 12, 2004.

BY ORDER OF THE BOARD OF DIRECTORS

GRACE R. DEN HARTOG

Senior Vice President, General Counsel

& Corporate Secretary

**Table of Contents**

**Street Address**

4800 Cox Road  
Glen Allen, Virginia 23060-6292

**Mailing Address**

P.O. Box 27626  
Richmond, Virginia 23261-7626

**PROXY STATEMENT**

**Annual Meeting of Shareholders**

**to be held on April 29, 2004**

**ABOUT THE MEETING**

**What You Are Voting On**

Proxies are being solicited by the Board of Directors for purposes of voting on the following proposals and any other business properly brought before the meeting:

**Proposal 1:** Election of the following four directors, each for a three-year term:

A. Marshall Acuff, Jr., Henry A. Berling, James B. Farinholt, Jr. and Anne Marie Whittemore.

**Proposal 2:** Ratification of KPMG LLP as Owens & Minor's independent auditors.

**Who is Entitled to Vote**

Shareholders as of the close of business on March 3, 2004 (the Record Date) are entitled to vote. Each share of the Company's Common Stock (Common Stock) is entitled to one vote. As of March 3, 2004, 39,207,676 shares of Common Stock were issued and outstanding.

**How to Vote**

You can vote by the Internet, by telephone or by mail.



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**By Internet.** You may vote by the Internet by following the specific instructions on the enclosed proxy card. If your shares are held in street name (through a broker), please contact your broker to determine whether you will be able to vote electronically.

**By Telephone.** You may vote by telephone using the toll-free number and following the instructions listed on the enclosed proxy card. If your shares are held in street name, please contact your broker to determine whether you will be able to vote by telephone.

**By Mail.** You may vote by mail by completing, signing and dating the enclosed proxy card and returning it in the postage-paid envelope provided.

However you choose to vote, you may revoke a proxy prior to the meeting by (1) submitting a subsequently dated proxy, (2) giving notice in writing to the Corporate Secretary of the Company or (3) voting in person at the meeting.

### **What Happens if You Don't Make Selections on Your Proxy Card**

If you properly vote your proxy card and do not make a selection on one or more proposals, you give authority to the individuals designated on the proxy card to vote on such proposal(s) and any other matter

## **Table of Contents**

that may arise at the meeting. If no specific instructions are given, it is intended that all proxies that are signed and returned will be voted FOR the election of all nominees for director and FOR the ratification of the appointment of KPMG LLP.

### **What it Means if You Get More Than One Proxy Card**

Your shares are probably registered differently or are held in more than one account. Sign and return or otherwise vote all proxy cards to ensure that all your shares are voted. Please have all of your accounts registered in the same name and address. You may do this by contacting our transfer agent, The Bank of New York, at 1-800-524-4458.

### **What Constitutes a Quorum**

A majority of the outstanding shares, present or represented by proxy, constitutes a quorum. A quorum is required to conduct the Annual Meeting. If you vote your proxy card, you will be considered part of the quorum. Abstentions and shares held by brokers or banks in street name that are voted on any matter are included in the quorum. Broker shares that are not voted on any matter will not be included in determining whether a quorum is present.

### **The Vote Required to Approve Each Item**

Election of Directors. The affirmative vote of a plurality of the votes cast at the meeting is required for the election of directors. A properly executed proxy marked Withhold authority with respect to the election of one or more directors will not be voted with respect to the director or directors indicated, although it will be counted for purposes of determining whether there is a quorum.

Ratification of Appointment of KPMG LLP. The ratification of the appointment of KPMG LLP requires that the votes cast in favor of the ratification exceed the number of votes cast opposing the ratification.

### **Whether Your Shares Will be Voted if You Don't Provide Your Proxy**

Whether your shares will be voted if you don't provide your proxy depends on how your ownership of shares of Common Stock is registered. If you own your shares as a registered holder, which means that your shares of Common Stock are registered in your name, your unvoted shares will not be represented at the meeting and will not count toward the quorum requirement, which is explained above. If a quorum is obtained, your unvoted shares will not affect whether a proposal is approved or rejected.

If you own your shares of Common Stock in street name, which means that your shares are registered in the name of your broker, your shares may be voted even if you do not provide your broker with voting instructions. Brokers have the authority under New York Stock Exchange rules to vote shares for which their customers do not provide voting instructions on certain routine matters.

The election of directors and the ratification of the designation of KPMG LLP as independent auditors of the Company are considered routine matters for which brokerage firms may vote unvoted shares. When a proposal is not a routine matter and the brokerage firm has not received voting instructions from the beneficial owner of the shares with respect to that proposal, the brokerage firm cannot vote the shares on that proposal. This is called a broker non-vote.

Abstentions, broker non-votes and, with respect to the election of directors, withheld votes will not be included in the vote totals and will not affect the outcome of the vote.

#### **Costs of Soliciting Proxies**

Owens & Minor will pay all costs of this proxy solicitation. The Company has retained Georgeson Shareholder Communications, Inc. to aid in the distribution and solicitation of proxies for approximately \$5,000 plus expenses. The Company will reimburse stockbrokers and other custodians, nominees and fiduciaries for their expenses in forwarding proxy and solicitation materials.

## **Table of Contents**

### **CORPORATE GOVERNANCE**

**General.** The Company is managed under the direction of the Board of Directors, which has adopted Corporate Governance Guidelines to set forth certain corporate governance practices. During 2003, the Company continued to review its corporate governance policies and practices relative to the policies and practices recommended by groups and authorities active in corporate governance as well as the requirements of the Sarbanes-Oxley Act of 2002 and rules promulgated thereunder or proposed by the Securities and Exchange Commission ( SEC ) and the New York Stock Exchange ( NYSE ), the exchange on which the Company s common stock is listed. As part of this ongoing effort, the Company revised the charters of each of its Audit Committee, Governance & Nominating Committee and Compensation & Benefits Committee in 2003. The Company also revised its Corporate Governance Guidelines and Code of Honor. For a description of the Governance & Nominating Committee s function with respect to corporate governance, see the Report of the Governance & Nominating Committee below.

**Corporate Governance Materials.** The Company s Corporate Governance Guidelines, Code of Honor and the charters of the Audit, Compensation & Benefits, and Governance & Nominating Committees are available on the Company s website at [www.owens-minor.com/investor relations/corporate governance](http://www.owens-minor.com/investor%20relations/corporate%20governance) and are available in print to any shareholder upon request to Corporate Secretary, Owens & Minor, Inc., 4800 Cox Road, Glen Allen, VA 23060.

**Code of Honor.** The Board of Directors has adopted a Code of Honor that is applicable to all employees of the Company, including the principal executive officer, the principal financial officer and the principal accounting officer, as well as the members of the Board of Directors. The Code of Honor is available on the Company s website at [www.owens-minor.com/investor relations/corporate governance](http://www.owens-minor.com/investor%20relations/corporate%20governance). The Company intends to post any amendments to or waivers from its Code of Honor (to the extent applicable to the Company s chief executive officer, principal financial officer, principal accounting officer, any other executive officer or any director) on its website.

**Director Independence.** The Board of Directors determined in 2003 that the following nine members of its 11-member Board are independent (within the meaning of NYSE listing standards and the Company s Corporate Governance Guidelines): A. Marshall Acuff, Jr., John T. Crotty, James B Farinholt, Jr., Richard E. Fogg, Vernard W. Henley, Peter S. Redding, James E. Rogers, James E. Ukrop and Anne Marie Whittemore. To assist it in making determinations of independence, the Board has adopted categorical standards (which are contained in Section I of the Company s Corporate Governance Guidelines included in this proxy statement as Annex A). The Board has determined that all directors identified as independent in this proxy statement meet these standards.

### **REPORT OF THE GOVERNANCE & NOMINATING COMMITTEE**

The Governance & Nominating Committee was formed by the Board of Directors in 1996 to promote good corporate governance practices. Composed of five independent directors who met five times during 2003, the Governance & Nominating Committee has adopted a charter that sets forth the committee s purpose: (i) to assist the Board by identifying and recommending nominees for election to the Board; (ii) to oversee the governance of the Company including recommending to the Board corporate governance guidelines for the Company; (iii) to lead the Board in its annual review of the Board s performance; and (iv) to recommend to the Board director nominees for each Board committee and each committee chairperson. The Governance & Nominating Committee also reviews the Company s responsibilities and performance as a corporate citizen. The Company s Corporate Governance Guidelines are included in this proxy statement as Annex A, and the Governance & Nominating Committee s charter together with the Corporate Governance Guidelines can be viewed on the Company s website.

Because of its past and continuing activities in studying and implementing good corporate governance practices at Owens & Minor, the Governance & Nominating Committee believes that the Company anticipated many of the requirements of the Sarbanes-Oxley Act of 2002, and

rules and proposed rules of the SEC and the

## **Table of Contents**

NYSE, involving corporate governance matters. The Governance & Nominating Committee welcomes these efforts to refine corporate governance practices and will continue to fully cooperate in their implementation at Owens & Minor.

### **THE GOVERNANCE & NOMINATING**

#### **COMMITTEE**

Anne Marie Whittemore, Chairperson

A. Marshall Acuff, Jr.

Vernard W. Henley

James E. Rogers

James E. Ukrop

### **BOARD MEETINGS**

The Board of Directors held six meetings during 2003. Each director attended all of the meetings of the Board and committees on which he or she served. The Company has not established a written policy regarding director attendance at its annual meetings of shareholders, but directors are expected to and generally do attend the annual meeting. All directors attended the 2003 Annual Meeting of Shareholders.

Under the Company's Corporate Governance Guidelines, non-management directors meet in executive session following each regularly scheduled Board meeting. These meetings are chaired by a Lead Director who is elected annually by the non-management directors following each Annual Meeting of Shareholders. James E. Rogers currently serves as Lead Director and presides over these executive sessions. As Lead Director, Mr. Rogers is also invited to participate in meetings of all Board committees but is permitted to vote only in the meetings of committees of which he is a member. Shareholders and other interested parties may contact the Lead Director by following the procedures set forth in Communications with the Board of Directors on page 7.

### **COMMITTEES OF THE BOARD**

The Board of Directors has the following committees:

**Audit Committee:** Oversees (i) the integrity of the Company's financial statements, (ii) the Company's compliance with legal and regulatory requirements, (iii) the qualification and independence of the Company's independent auditors; (iv) the performance of the Company's independent auditors and internal audit functions and (v) issues involving the Company's ethical and legal compliance responsibilities. The Audit Committee has sole authority to appoint, retain, compensate, evaluate and terminate the Company's independent auditor (subject, if applicable, to shareholder ratification). All members of the Audit Committee are independent.

**Compensation & Benefits Committee:** Administers executive compensation programs, policies and practices. Advises the Board on salaries and compensation of the executive officers and makes other studies and recommendations concerning compensation and compensation policies. All members of the Compensation & Benefits Committee are independent.

**Governance & Nominating Committee:** Considers and recommends nominees for election as directors and officers and nominees for each Board committee. Reviews and evaluates the procedures, practices and policies of the Board and its members and leads the Board in its annual self-review. Oversees the governance of the Company, including recommending Corporate Governance Guidelines. All members of the Governance & Nominating Committee are independent.

**Executive Committee:** Exercises limited powers of the Board when the Board is not in session.

**Strategic Planning Committee:** Reviews and makes recommendations for the strategic direction of the Company.

**Table of Contents****BOARD COMMITTEE MEMBERSHIP**

Director	Board	Audit	Compensation & Benefits	Executive	Governance & Nominating	Strategic Planning
A. Marshall Acuff, Jr.	X	X			X	X
Henry A. Berling	X			X		X
John T. Crotty	X	X	X			X*
James B. Farinholt, Jr.	X	X*		X		X
Richard E. Fogg	X	X	X			
Vernard W. Henley	X	X	X		X	
G. Gilmer Minor, III	X*			X*		X
Peter S. Redding	X	X	X			X
James E. Rogers	X		X*	X	X	
James E. Ukrop	X		X		X	X
Anne Marie Whittemore	X		X	X	X*	
No. of meetings in 2003	6	8	5	2	4	2

\*Chairperson

**DIRECTOR COMPENSATION**

**Employee directors** receive no additional compensation other than their normal salary for serving on the Board or any of its committees.

**Non-employee directors** receive the following annual cash and stock compensation:

**DIRECTOR COMPENSATION TABLE**

Type of Compensation	Cash	Stock
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Annual Retainer	\$ 15,000	\$15,000
Additional Retainer for Lead Director	\$ 10,000	
Additional Retainer for Audit Committee Chair	\$ 5,000	
Additional Retainer for Other Committee Chairs	\$ 4,000	
Board or Committee Attendance Fee (per meeting, other than Audit Committee)	\$ 1,200*	
Audit Committee Attendance Fee (per meeting)	\$ 1,500*	
Board or Committee Telephone Conference (per meeting, other than Audit Committee)	\$ 800	
Audit Committee Telephone Conference (per meeting)	\$ 1,000	
Board Retreat (annual 2-day meeting)	\$ 1,800	
Stock Options		Option for 5,000 shares

\*The attendance fee for an audit committee meeting on the same day as a Board meeting is \$1,000 and for any other committee meeting held on the same day as a Board meeting is \$800.

## **Table of Contents**

Directors may defer the receipt of all or part of their director fees. Amounts deferred are invested in bookkeeping accounts that measure earnings and losses based on the performance of a particular investment. Directors may elect to defer their fees into the following two subaccounts: (i) an account based upon the price of the Common Stock and (ii) an account based upon the current interest rate of the Company's fixed income fund in its 401(k) plan. Subject to certain restrictions, a director may take cash distributions from a deferred fee account either prior to or following the termination of his or her service as a director. Directors are also permitted to receive payment of their director fees in Common Stock.

## **DIRECTOR NOMINATING PROCESS**

**Director Candidate Nominations and Recommendations by Shareholders.** The Company's bylaws provide that any shareholder of record and entitled to vote for the election of directors at the applicable meeting of shareholders may nominate directors by complying with the notice procedures set forth in the bylaws and summarized in Shareholder Proposals on page 23. In addition, although the Governance & Nominating Committee has not adopted a formal policy, it will consider director candidate recommendations by shareholders. Shareholders should submit any such recommendations to the Governance & Nominating Committee through the method described under Communications with the Board of Directors below.

**Process for Identifying and Evaluating Director Candidates.** The Governance & Nominating Committee evaluates all director candidates in accordance with the director qualification standards described in the Corporate Governance Guidelines. The Governance & Nominating Committee evaluates any candidate's qualifications to serve as a member of the Board based on the skills and characteristics of individual Board members as well as the composition of the Board as a whole. In addition, the Governance & Nominating Committee will evaluate a candidate's independence and diversity, age, skills and experience in the context of the Board's needs. There are no differences in the manner in which the committee evaluates director candidates based on whether the candidate is recommended by a shareholder. The Governance & Nominating Committee did not receive any recommendations from any shareholders in connection with the Annual Meeting.

## **COMMUNICATIONS WITH THE BOARD OF DIRECTORS**

The Board of Directors has approved a process for shareholders to send communications to the Board. Shareholders can send written communications to the Board, any committee of the Board, the Lead Director or any other individual director at the following address: P.O. Box 26383, Richmond, Virginia 23260. All communications will be relayed directly to the applicable director(s), except for communications screened for security purposes.

## **PROPOSAL 1: ELECTION OF DIRECTORS**

The Board of Directors is divided into three classes. One class is elected at each annual meeting to serve for a three-year term. Four directors will be elected at the Annual Meeting to serve for a three-year term expiring at the Company's Annual Meeting in the year 2007. Each nominee has agreed to serve if elected. If any nominee is not able to serve, the Board may designate a substitute or reduce the number of directors serving on the Board. Proxies will be voted for the nominees shown below (or if not able to serve, such substitutes as may be designated by the Board). The Board has no reason to believe that any of the nominees will be unable to serve.

Information on each nominee and each continuing director, including age and principal occupation during the past five years, is set forth below.



**Table of Contents**

**NOMINEES FOR ELECTION**

**For Three-Year Term Expiring in 2007:**

**A. Marshall Acuff, Jr.**, 64, retired in 2001 as Senior Vice President and Managing Director of Salomon Smith Barney, Inc. where he was responsible for equity strategy as a member of the firm's Investment Policy Committee. Mr. Acuff is a Chartered Financial Analyst. He is a member of the Board of Directors of Sweet Briar College and a number of other private organizations, including the Virginia Foundation for Independent Colleges, the Community Foundation of Richmond, the Jamestown-Yorktown Foundation, Inc., the Endowment Association of the College of William and Mary, the Virginia Theological Seminary and Lewis Ginter Botanical Garden. Mr. Acuff has been a director since 2001.

**Henry A. Berling**, 61, is Executive Vice President of Owens & Minor. From 1995 to 2002, he served as Executive Vice President, Partnership Development. Prior to 1995, he served the Company in various positions, including Executive Vice President, Sales and Customer Development and Senior Vice President, Sales and Marketing. Mr. Berling has been a director since 1998.

**James B. Farinholt, Jr.**, 69, is a Managing Director of Tall Oaks Capital Partners, LLC, which manages an investment fund focused on start-up and early stage businesses in information technology and the life sciences fields. Mr. Farinholt retired in 2002 as Special Assistant to the President for Economic Development of Virginia Commonwealth University ( VCU ). He also serves on the Board of Directors of PharmaNetics, Inc. Mr. Farinholt has been a director since 1974.

**Anne Marie Whittemore**, 57, is a partner and member of the Executive Committee in the law firm of McGuireWoods LLP. Mrs. Whittemore serves on the Boards of Directors of T. Rowe Price Group, Inc. and Albemarle Corporation. She also serves on the Boards of Trustees of Hampden-Sydney College and the VMI Foundation and on the Board of Directors of the Wilderness Conservancy at Mountain Lake, Inc. Mrs. Whittemore has been a director since 1991.

**The Board of Directors recommends a vote FOR the election of each nominee as director.**

**Table of Contents**

**DIRECTORS CONTINUING IN OFFICE**

**Terms expiring in 2006:**

**John T. Crotty**, 66, is Managing Partner of CroBern Management Partnership, a healthcare investment firm, and President of CroBern, Inc., a healthcare consulting and advisory firm. Prior to co-founding these businesses, Mr. Crotty held several senior management positions during 19 years with American Hospital Supply Corporation, including corporate vice president of planning and business development and president of the services operating group. He also serves on the Boards of Directors of five private companies in the healthcare industry (including the board of VHA, Inc., the parent company of Novation, LLC, from which he will retire at the end of his term in April 2004). Mr. Crotty has been a director since 1999.

**Richard E. Fogg**, 63, retired in 1997 from Price Waterhouse, LLP (now PricewaterhouseCoopers LLP) where he was a partner for 23 years and served in a variety of leadership positions, including Associate Vice Chairman, Tax. Mr. Fogg is a Certified Public Accountant. Since his retirement in 1997, Mr. Fogg has provided strategic consulting services to several non-public companies. Mr. Fogg has been a director since 2003.

**James E. Rogers**, 58, is President of SCI Investors Inc, a private equity investment firm. Mr. Rogers also serves on the Boards of Directors of Wellman, Inc., Caraustar Industries, Inc., Cadmus Communications Inc. and Ethyl Corp. Mr. Rogers has been a director since 1991.

**James E. Ukrop**, 66, is Chairman of Ukrop's Super Markets, Inc., a retail grocery chain, and Chairman of First Market Bank. Mr. Ukrop also serves on the Board of Directors of Legg Mason, Inc. Mr. Ukrop has been a director since 1987.

**Table of Contents****Terms expiring in 2005:**

**Vernard W. Henley**, 74, retired in 2001 as Chairman of the Board and Chief Executive Officer of Consolidated Bank and Trust Company, Richmond, Virginia. Mr. Henley has been a director since 1993.

**G. Gilmer Minor, III**, 63, is Chairman and Chief Executive Officer of Owens & Minor. Mr. Minor also serves on the Board of Directors of SunTrust Banks, Inc. Mr. Minor has been a director since 1980.

**Peter S. Redding**, 65, retired in 2000 as President and Chief Executive Officer of Standard Register Company. He serves on the Board of Directors of Projects Unlimited in Dayton, Ohio and Workflow Management, Inc. in Palm Beach, Florida. Mr. Redding has been a director since 1999.

**PROPOSAL 2: APPROVAL OF INDEPENDENT AUDITORS**

The Audit Committee has selected KPMG LLP to serve as the Company's independent auditors for 2004, subject to ratification by the shareholders. Representatives of KPMG LLP will be present at the Annual Meeting to answer questions and to make a statement, if they desire to do so.

**The Board of Directors recommends a vote FOR the ratification of the appointment of KPMG LLP to serve as Owens & Minor's independent auditors for 2004.**

**FEES PAID TO INDEPENDENT AUDITORS**

For each of the years ended December 31, 2002 and 2003, KPMG LLP billed the Company the fees set forth below in connection with professional services rendered by that firm to the Company:

	<u>Year 2002</u>	<u>Year 2003</u>
Audit Fees	\$ 204,500	\$ 216,950
Audit-Related Fees	\$ 49,975	\$ 29,500
Tax Fees	\$ 10,025	\$ 12,760
All Other Fees	\$ 0	\$ 0
	<u>          </u>	<u>          </u>
Total	\$ 264,500	\$ 259,210

## **Table of Contents**

**Audit Fees.** These are fees for professional services performed for the audit of the Company's annual financial statements and review of financial statements included in the Company's 10-Q filings as well as any services normally provided in connection with statutory and regulatory filings or engagements.

**Audit-Related Fees.** These are fees primarily for the annual audits of the Company's employee benefit plan financial statements and consultations by management related to financial accounting and reporting matters.

**Tax Fees.** These are fees for non-audit related tax services provided to certain officers who selected KPMG LLP to provide personal tax assistance. The Company adopted a policy, effective beginning in 2004, that officers who receive personal tax services paid for by the Company as part of their compensation package may not select KPMG LLP to provide such services.

**All Other Fees.** KPMG LLP did not provide any services other than those described above.

The Audit Committee has established policies and procedures for the approval and pre-approval of audit services and permitted non-audit services. The Audit Committee has the responsibility to engage and terminate the Company's independent auditors, to pre-approve their performance of audit services and permitted non-audit services and to review with the Company's independent auditors their fees and plans for all auditing services. All services provided by and fees paid to KPMG LLP in 2003 were pre-approved by the Audit Committee and there were no instances of waiver of approval requirements or guidelines during this period. The Audit Committee's pre-approval policies and procedures for services by independent auditors are appended to the Audit Committee Charter attached hereto as Annex B.

## **REPORT OF THE AUDIT COMMITTEE**

The Audit Committee is composed of six directors, each of whom is independent within the meaning of SEC regulations and NYSE listing standards for audit committee members. The Board of Directors has determined that Mr. Farinholt, Chairman of the Audit Committee, is an audit committee financial expert, as defined by SEC regulations. The Audit Committee operates under a written charter adopted by the Board of Directors, a copy of which is included as Annex B to this proxy statement. The Audit Committee reviews its charter at least annually and revises it as necessary to ensure compliance with current regulatory requirements.

The Audit Committee selects the Company's independent auditors, subject to shareholder ratification. Management is responsible for the Company's internal controls and the financial reporting process. The independent auditors are responsible for performing an independent audit of the Company's consolidated financial statements in accordance with generally accepted auditing standards and for issuing a report thereon. The Audit Committee's responsibility is to monitor and review these processes, acting in an oversight capacity relying on the information provided to it and on the representations made by management and the independent auditors. In this context, the Audit Committee has met and held discussions with management and KPMG LLP, the Company's independent auditors.

Management represented to the Audit Committee that the Company's consolidated financial statements were prepared in accordance with generally accepted accounting principles. The Audit Committee has reviewed and discussed the consolidated financial statements with management and KPMG LLP, including the scope of the auditors' responsibilities, critical accounting policies and practices used and significant financial reporting issues and judgments made in connection with the preparation of such financial statements.

The Audit Committee has discussed with KPMG LLP the matters required to be discussed by Statement on Auditing Standards No. 61 (Communication with Audit Committees). The Audit Committee has also received the written disclosures and the letter from KPMG LLP relating to the independence of that firm as required by Independence Standards Board Standard No. 1 (Independence Discussions with Audit Committees), has discussed with KPMG LLP that firm's independence from the Company and considered the compatibility of non-audit services with the auditors' independence.



**Table of Contents**

Based upon its discussions with management and KPMG LLP and its review of the representation of management and the report of KPMG LLP to the Audit Committee, the Audit Committee recommended that the Board of Directors include the audited consolidated financial statements in the Company's Annual Report on Form 10-K for the year ended December 31, 2003 for filing with the SEC.

THE AUDIT COMMITTEE

James B. Farinholt, Jr., Chairperson

A. Marshall Acuff, Jr.

John T. Crotty

Richard E. Fogg

Vernard W. Henley

Peter S. Redding

**STOCK OWNERSHIP INFORMATION**

**Compliance With Section 16(a) Reporting**

Section 16(a) of the Securities Exchange Act of 1934 requires the Company's directors and executive officers to file reports with the SEC of holdings and transactions in the Company's Common Stock. Based on the Company's records and information provided by the directors and officers, the Company believes that the filing requirements were satisfied in 2003.

**Stock Ownership Guidelines**

Under the Company's Management Equity Ownership Program (MEOP) adopted in 1997, officers are expected, over a five-year period, to achieve the following levels of ownership of Common Stock:

<u>Officer</u>	<u>Value of Common Stock</u> <u>Owned</u>
Chief Executive Officer	4.0 x Base Salary
President	3.0 x Base Salary
Executive Vice Presidents	2.0 x Base Salary

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Senior Vice Presidents	1.5 x Base Salary
Vice Presidents, Regional Vice Presidents	1.0 x Base Salary

In addition, the Board of Directors adopted a policy in 1997 that each director achieve, over a five-year period, a level of ownership in Common Stock equal to at least five times the annual retainer fee (including both cash and stock retainer).

**Table of Contents****Stock Ownership By Management and the Board of Directors**

The following table shows, as of March 3, 2004, the number of shares of Common Stock beneficially owned by each director and nominee, the Named Executive Officers (hereafter defined in the Summary Compensation Table) and all current executive officers and directors of the Company as a group.

Name of Beneficial Owner	Sole Voting and Investment Power (1)	Other(2)	Aggregate Percentage Owned
G. Gilmer Minor, III	652,699	28,796	1.74%
A. Marshall Acuff, Jr.	15,338	0	*
Henry A. Berling	474,159	8,457	1.23%
John T. Crotty	27,374	87	*
James B. Farinholt, Jr.	24,409	0	*
Richard E. Fogg	7,324	0	*
Vernard W. Henley	32,647	0	*
Peter S. Redding	27,597	278	*
James E. Rogers	38,093	0	*
James E. Ukrop	78,028	0	*
Anne Marie Whittemore	48,968	0	*
Craig R. Smith	383,954	90	*
Jeffrey Kaczka	49,180	0	*
David R. Guzmán	47,127	0	*
All Executive Officers and Directors as a group (22 persons)	2,297,407	39,708	5.98%

\*Represents less than 1% of the total number of shares outstanding.

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(1) Includes 1,011,110 shares which certain officers and directors of the Company have the right to acquire through the exercise of stock options within 60 days following March 3, 2004. Stock options exercisable within 60 days of March 3, 2004 for each of the Named Executive Officers are as follows:

Mr. Minor 109,500; Mr. Smith 304,500; Mr. Berling 146,600; Mr. Kaczka 39,600; Mr. Guzmán 36,800

(2) Includes: (a) shares held by certain relatives or in estates; (b) shares held in various fiduciary capacities; and (c) shares for which the shareholder has shared power to dispose or to direct disposition. These shares may be deemed to be beneficially owned under the rules and regulations of the SEC, but the inclusion of such shares in the table does not constitute an admission of beneficial ownership.

**Table of Contents****Stock Ownership By Certain Shareholders**

The following table shows, as of March 3, 2004, the organizations deemed by SEC rules to beneficially own more than 5% of the Common Stock (based on the information contained in Schedule 13G filings made by each such organization in February 2004).

Name and Address of Beneficial Owner	Shares Beneficially Owned	Percentage Owned
Wellington Management Company, LLP 75 State Street, Boston, MA 02109	4,310,000(1)(2)	11.02%
Vanguard Specialized Funds Vanguard Health Care Fund 100 Vanguard Blvd., Malvern, PA 19355	2,260,000(2)	5.78%
Westport Asset Management, Inc. 253 Riverside Avenue, Westport, CT 06880	2,643,683(1)	6.76%
T. Rowe Price Associates, Inc. 100 E. Pratt Street, Baltimore, MD 21202	2,170,900(1)	5.55%

(1) According to such organization's Schedule 13G, such shares are owned in its capacity as an investment advisor.

(2) The 2,260,000 shares beneficially owned by Vanguard Specialized Funds Vanguard Health Care Fund are also included in the 4,310,000 shares beneficially owned by Wellington Management Company, LLP in its capacity as an investment advisor.

**Equity Compensation Plan Information**

The following table shows, as of December 31, 2003, information with respect to compensation plans under which shares of Common Stock are authorized for issuance.

Plan Category	(a)	(b)	(c)
	Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted-average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plans

(excluding securities reflected  
in column (a))

Equity compensation plans approved by shareholders (1)	2,184,000	\$14.71	923,566
Equity compensation plans not approved by shareholders (2)	0	0	0
<b>Total</b>	<b>2,184,000</b>	<b>\$14.71</b>	<b>923,566</b>

(1) These equity compensation plans are the 1993 Stock Option Plan, 1998 Stock Option and Incentive Plan, 1998 Directors Compensation Plan and the 2003 Directors Compensation Plan.

(2) The Company does not have any equity compensation plans that have not been approved by shareholders.

**Table of Contents****EXECUTIVE COMPENSATION****SUMMARY COMPENSATION TABLE**

The following table shows for each of the past three years the compensation paid by the Company to its Chief Executive Officer and four most highly compensated executive officers ( Named Executive Officers ).

Name and Principal Position	Year	Annual Compensation			Long-Term Compensation (1)		
		Salary (\$)**	Bonus (\$)	Other Annual Compensation (\$)(2)	Awards		
					Restricted Stock Awards (\$)(3)	Securities Underlying Options(#)(4)	All Other Compensation (\$)(5)
G. Gilmer Minor, III Chairman & Chief Executive Officer	2003	\$ 751,583	\$ 500,000		\$ 282,768	50,000	\$ 44,799
	2002	693,338	382,417		235,684	45,000	34,129
	2001	666,151	333,009		219,252	58,000	37,640
Craig R. Smith President & Chief Operating Officer	2003	552,635	311,145		232,546	50,000	16,796
	2002	509,808	224,951		141,468	45,000	21,332
	2001	482,695	195,887		137,709	58,000	21,854
Henry A. Berling Executive Vice President	2003	395,770	177,877		83,074	20,000	17,195
	2002	367,470	132,150		70,158	18,000	20,612
	2001	353,340	117,662		65,455	18,000	22,018
Jeffrey Kaczka Senior Vice President & Chief Financial Officer (6)	2003	378,000	163,163		56,404	5,000	13,154
	2002	359,358	128,128		38,471	18,000	7,678
	2001	234,231	135,700		61,240	25,000	2,189
David R. Guzmán Senior Vice President & Chief Information Officer	2003	373,973	154,033		55,823	7,000	18,393
	2002	351,734	117,986		37,239	10,000	7,949
	2001	342,201	112,101		32,860	12,000	6,237

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\*\*Salaries in 2003 reflect 27 pay periods rather than the normal 26 pay periods per calendar year.

(1) The Company has no Long-Term Incentive Plans as defined by applicable SEC rules.

(2) None of the Named Executive Officers received Other Annual Compensation in excess of the lesser of \$50,000 or 10% of combined salary and bonus for fiscal years 2003, 2002 or 2001.

(3) Of the total Restricted Stock awards for 2003, the following amounts were awarded to the Named Executive Officer for achieving his stock ownership requirement under the Management Equity Ownership Program (MEOP):

Mr. Minor	\$147,084	Mr. Kaczka	\$15,613
Mr. Smith	\$154,760	Mr. Guzmán	\$17,316
Mr. Berling	\$ 38,606		

Aggregate restricted stock holdings and values at December 31, 2003 for the Named Executive Officers are as follows:

Mr. Minor	90,710 shares, \$1,987,456	Mr. Kaczka	6,599 shares, \$144,584
Mr. Smith	34,594 shares, \$ 757,955	Mr. Guzmán	4,812 shares, \$105,431
Mr. Berling	25,821 shares, \$ 565,738		

Dividends are paid on restricted stock at the same rate as for all shareholders of record.



**Table of Contents**

(4) No SARs were granted in 2003, 2002 or 2001.

(5) Includes for each officer Company contributions or benefits attributable in 2003 to the following:

	<u>401(k) Plan</u>	<u>Stock Purchase Plan</u>	<u>Life Insurance</u>
Mr. Minor	\$ 6,000	\$ 720	\$ 37,989
Mr. Smith	6,000	720	10,076
Mr. Berling	6,000	0	11,195
Mr. Kaczka	6,000	720	6,434
Mr. Guzmán	6,000	720	11,673

(6) Mr. Kaczka joined the Company as Senior Vice President & Chief Financial Officer on April 17, 2001. Mr. Kaczka's bonus in 2001 included a \$50,000 signing bonus.

**2003 OPTION GRANTS**

This table shows options granted during 2003 to the Named Executive Officers. The Company did not grant any SARs during 2003.

Name	<u>Individual Grants(1)</u>				<u>Value(2)</u>
	<u>Number of Securities Underlying Options Granted</u>	<u>% of Total Options Granted to Employees in Fiscal Year</u>	<u>Exercise or Base Price (\$/Share)</u>	<u>Expiration Date</u>	<u>Grant Date Present Value(\$)</u>
G. Gilmer Minor, III	50,000	15.75%	\$ 18.48	4/24/10	\$ 237,000
Craig R. Smith	50,000	15.75%	18.48	4/24/10	237,000
Henry A. Berling	20,000	6.30%	18.48	4/24/10	94,800
Jeffrey Kaczka	5,000	1.58%	18.48	4/24/10	23,700
David R. Guzmán	7,000	2.21%	18.48	4/24/10	33,180

(1) The vesting schedule is as follows: 40%, 30% and 30% on first, second and third April 24th after grant date.

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(2) Based upon Black Scholes option valuation model. Assumptions include a risk-free interest rate of 2.7%, annual dividend yield of 2.3%, an average period outstanding of four years and expected volatility of approximately 35.2%.

**Table of Contents****2003 OPTION EXERCISES AND YEAR-END OPTION VALUES**

This table shows for the Named Executive Officers any options exercised during 2003 and unexercised options held on December 31, 2003. There were no SARs exercised during 2003 or outstanding on December 31, 2003. Value of unexercised options is calculated using the difference between the option exercise price and \$21.91, the closing price per share of Common Stock on December 31, 2003, multiplied by the number of shares underlying the option.

Name	Shares Acquired Upon Exercise	Value Realized	Number of Securities Underlying Unexercised Options at Year End		Value of Unexercised In-the-Money Options at Year End	
			Exercisable	Unexercisable	Exercisable	Unexercisable
G. Gilmer Minor, III	120,000	\$ 1,104,345	145,543	94,400	\$ 1,056,939	\$ 467,780
Craig R. Smith	33,750	272,801	253,600	94,400	2,325,508	467,780
Henry A. Berling	0	0	165,300	36,200	1,365,355	177,518
Jeffrey Kaczka	0	0	24,700	23,300	143,572	132,758
David R. Guzmán	0	0	27,400	16,600	176,788	88,210

**RETIREMENT PLANS**

**Pension Plan.** The Company provides retirement benefits under a defined benefit pension plan to substantially all employees who had earned benefits as of December 31, 1996. Benefits under the pension plan are based upon both length of service and compensation and are determined under a formula based on an individual's earnings and years of credited service. Funding is determined on an actuarial basis. Effective December 31, 1996, participants in the pension plan ceased to accrue additional benefits; provided, however, that participants who had completed at least five years of service as of January 1, 1997 and whose age plus years of service equaled at least 65 continued to earn an accrued benefit until the earlier of (i) December 31, 2001 or (ii) retirement, death or termination of employment (with the exception of certain highly compensated employees if the pension plan did not meet certain coverage requirements of the Internal Revenue Code).

The following table shows estimated annual benefits payable under the pension plan at normal retirement age of 65 years based on the specified remuneration and years of service:

**Average Straight Life Annuity Benefits Based**

Average

On Years of Credited Service

Compensation(1)

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	15 yrs.	20 yrs.	25 yrs.	30 yrs.	35 yrs.
200,000	32,055	41,674	51,293	60,912	70,531
300,000	39,736	54,315	68,893	83,472	98,050
400,000	46,680	66,218	85,756	105,294	124,832
500,000	53,623	78,121	102,618	127,116	151,613
600,000	60,566	90,023	119,480	148,937	160,000
700,000	67,510	101,926	136,343	160,000	160,000
800,000	74,453	113,829	153,205	160,000	160,000
900,000	81,396	125,732	160,000	160,000	160,000
1,000,000	88,340	137,635	160,000	160,000	160,000
1,100,000	95,283	149,537	160,000	160,000	160,000
1,200,000	102,226	160,000	160,000	160,000	160,000
1,300,000	109,169	160,000	160,000	160,000	160,000
1,400,000	116,113	160,000	160,000	160,000	160,000

## **Table of Contents**

(1) Average compensation represents compensation based upon a benefit formula applied to an employee's career average earnings, which approximates the amount of salary set forth in the Summary Compensation Table. The maximum amount of covered compensation is \$170,000, or some other amount as may be determined by the Secretary of Treasury pursuant to Section 401(a)(17) of the Internal Revenue Code.

Benefits are computed on a straight-life annuity basis, and are not subject to offset for Social Security benefits or other amounts. The years of service credited for the Named Executive Officers under the pension plan are presently as follows: Mr. Minor, 36 years; Mr. Smith, 11 years; Mr. Berling, 33 years; Mr. Kaczka, not eligible; and Mr. Guzmán, not eligible.

**Supplemental Executive Retirement Plan.** The Company provides supplemental retirement benefits to certain employees selected by the Compensation & Benefits Committee under the Supplemental Executive Retirement Plan ( SERP ). The SERP entitles participants who meet its age and service requirements to receive a specified percentage (in the case of the Named Executive Officers, 65%) of the participant's average base monthly salary (plus bonus for certain participants, including the Named Executive Officers) during the five years preceding his or her retirement reduced by the benefit payable under the pension plan, Social Security and any defined benefit pension plan of a prior employer. The estimated annual benefits payable under the SERP upon retirement at normal retirement age for the Named Executive Officers are:

Mr. Minor \$645,624, Mr. Smith \$476,864, Mr. Berling \$270,887, Mr. Kaczka \$309,687, and Mr. Guzmán \$296,960.

## **SEVERANCE AGREEMENTS**

The Company has entered into severance agreements with certain officers (including the Named Executive Officers) in order to encourage key management personnel to remain with the Company and to avoid distractions regarding potential or actual changes in control of the Company.

The severance agreements provide for the payment of a severance benefit if the officer's employment with the Company is terminated for any reason (other than as a consequence of death, disability or normal retirement) within two years after a change in control. For the Named Executive Officers, the severance benefit is equal to 2.99 times the officer's annual base salary plus bonus.

Each severance agreement continues in effect through December 31, 2004, and unless notice is given to the contrary, the term is automatically extended for an additional year at the end of each year.

## **REPORT OF THE COMPENSATION & BENEFITS COMMITTEE**

The Compensation & Benefits Committee (the Compensation Committee) is comprised of seven independent directors who are not current or past employees of the Company. The Compensation Committee's primary functions are to:

oversee the design and competitiveness of the Company's executive compensation program,

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evaluate the performance of the Company's senior executives and approve related compensation actions, and administer the Company's compensation plans for officers.

The Compensation Committee met five times during 2003.

### **Executive Compensation Philosophy**

The Compensation Committee's philosophy is to:

establish and maintain programs and practices that promote achievement of the Company's strategic objectives,

## **Table of Contents**

provide rewards that reflect the Company's performance, and align executives' financial interests with those of shareholders.

To accomplish this, compensation for executives is based on measures of the Company's financial performance and strategic results that should translate to increased shareholder value.

The Compensation Committee also strives to maintain market competitive compensation levels. To meet this objective, the Compensation Committee evaluates executive compensation levels through comparisons to the peer companies included in the performance graph of this Proxy Statement, and other companies of similar size and operating characteristics. Base salaries are targeted at competitive market median for similarly experienced executives. Annual incentive compensation opportunities, when combined with base salaries, are intended to fully reach competitive median total cash compensation levels as warranted by the Company's and the individual officer's performance. Longer-term incentive compensation opportunities, such as stock options and restricted stock, link executive compensation with achievement of strategic objectives and shareholder value growth. This combination is intended to focus management on the annual and longer-term success of the Company.

The Compensation Committee recognizes that sometimes it is necessary to sacrifice short-term financial performance to obtain longer-term business success. The Compensation Committee regularly monitors the balance between annual and longer-term rewards and acts as needed to encourage meaningful levels of share ownership among executives. The Management Equity Ownership Program (MEOP) adopted in 1997 for the Company's officers (and discussed later in this report) further aligns the interests of executives and shareholders.

### **Committee Process and Compensation Administration**

In deciding base salary levels, incentive payments and granting of stock options and restricted stock, the Compensation Committee looks to the Chief Executive Officer for recommendations on senior executives. The Compensation Committee meets privately, without the presence of management (including the Chief Executive Officer), to determine compensation actions for the Chief Executive Officer. To maintain the desired level of competitiveness and technically sound compensation and benefit programs, the Compensation Committee obtains input from the Company's Human Resources Department and periodically from outside advisors.

#### *Base Salary*

Consistent with the Compensation Committee's compensation philosophy, in 2003 base salary increases for the Named Executive Officers were determined based on individual performance and the competitiveness of their current salary. The Chief Executive Officer received an increase in base salary to \$735,420.

#### *Annual Incentive*

Each year the Compensation Committee meets to review key aspects of the upcoming year's business plan and establish Annual Incentive Plan goals for each corporate officer, including the Chief Executive Officer. Goals under this plan are weighted to reflect their importance and

contribution to Company performance and therefore shareholder experience.

The 2003 Annual Incentive Plan goals for the Chief Executive Officer included Company results measured by sales and earnings per share, subject to a minimum net income goal. For the other named executive officers, goals also included individual performance on leadership objectives. The Compensation Committee receives periodic updates during the year on business performance in relation to incentive plan goals.

At the close of each year, the Compensation Committee meets to discuss performance compared to Annual Incentive Plan goals and longer-term strategic business goals. These longer-term business goals center around the Company's strategic objectives to remain customer oriented in everything it does and to actively evolve its business consistent with the service needs of customers and the Company's markets.



## **Table of Contents**

For 2003 the Company reported a 7 percent increase in sales to \$4.24 billion from \$3.96 billion in 2002. Net income increased to \$53.6 million in 2003, compared to \$47.3 million in 2002. Net income per diluted common share was \$1.42, compared to \$1.27 (after unusual items) in 2002.

The target cash award payable under the Company's Annual Incentive Plan to the Chief Executive Officer for meeting targeted Company financial and individual leadership goals was 60% of his base salary. Based on these performance measures and strong Company performance in 2003, the Chief Executive Officer earned an annual incentive award of \$500,000. The named executive officers also received bonuses for 2003 performance.

Under the Company's Annual Incentive Plan, executives are also eligible to receive a bonus of Common Stock equivalent to an additional 25% of the cash incentive payment. The shares are restricted and vest provided the officer remains an employee of the Company for the following three years. The restricted stock bonus for Named Executive Officers is dependent on performance against the same goals as for the Annual Incentive Plan. A restricted stock award was made to the Chief Executive Officer in the amount of 6,004 shares. The other Named Executive Officers also received restricted stock awards.

### *Long-Term Incentive*

Each year the Compensation Committee considers granting awards under the Company's stock option plan. The plan provides for the use of non-qualified stock options, incentive stock options, restricted and performance-based awards, and stock appreciation rights. The Compensation Committee's decision to grant stock options is discretionary and largely determined by financial performance and strategic accomplishments, although there are no specific performance targets for this purpose. Option grant decisions may also be based upon outstanding individual performance, job promotions and greater responsibility within the Company.

Stock options are a key component of a competitive total compensation program. The Compensation Committee believes stock option grants have historically been effective in focusing executives on enhancing long-term profitability and shareholder value. The Compensation Committee granted 50,000 stock options to the Chief Executive Officer in 2003 to encourage future growth in shareholder returns. Grants were also provided to the other Named Executive Officers. The Compensation Committee does not specifically consider the number of options currently held by an officer in determining current option grant levels.

### **Management Equity Ownership Program**

As stated earlier, in 1997 the Compensation Committee approved the Management Equity Ownership Program (MEOP) for members of the management team, including each of the Named Executive Officers. This program is intended to strengthen the alignment of management and shareholder interests by creating meaningful levels of stock ownership by management. An ownership target has been determined for each level of the management team. These targets range from four times salary for the Chief Executive Officer to one times salary for Vice Presidents. Eligible holdings in meeting these targets include direct holdings, indirect holdings, shares held through Company plans such as the 401(k) Plan and Stock Purchase Plan and restricted stock holdings. To encourage ownership and help senior management meet their equity investment targets, participants may elect to receive a portion of their annual cash incentive award in restricted stock.

Participants are given a five-year period to reach the full target ownership amount with interim ownership targets to meet each year. As of December 31, 2003, the value of the stock owned by participants, in aggregate, well exceeded the aggregate full target ownership amount. The

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Named Executive Officers as a group have beneficial ownership levels (excluding stock options held) of 2.5% of common shares outstanding. This is above the peer group median ownership level of 0.9% of common shares outstanding.

If a participant meets his or her target level of ownership, a 10% annual equity ownership dividend (the dividend is reduced to 5% for the years subsequent to a participant reaching his or her full target ownership)

## **Table of Contents**

amount) is paid on all Common Stock owned up to the participant's full target level. The dividend is paid in the form of restricted stock that will vest five years after grant if the desired ownership level is maintained. If a participant's ownership falls below the desired level, a portion of his or her annual bonus and/or salary increase, if earned, will be paid in the form of restricted stock and dividend shares will be forfeited until the target ownership level is met. During 2003, the Chief Executive Officer was granted an annual dividend of 6,658 shares of restricted stock.

## **Corporate Tax Considerations**

Section 162(m) of the Internal Revenue Code disallows corporate tax deductions for executive compensation in excess of \$1 million paid annually to named executive officers. This law does allow for certain exemptions to the deduction cap, including performance-based compensation as defined in the rules adopted under Section 162(m).

The Compensation Committee intends that the Company's pay plans generally be performance-based and therefore eligible for compensation expense deductions. The Compensation Committee, however, exercises discretion to award compensation that is not tax deductible when it determines that doing so will better support the long-term goals of the Company and the interests of shareholders.

## THE COMPENSATION & BENEFITS COMMITTEE

James E. Rogers, Chairperson

John T. Crotty

Richard E. Fogg

Vernard W. Henley

Peter S. Redding

James E. Ukrop

Anne Marie Whittemore

**Table of Contents**

**COMPARISON OF FIVE-YEAR CUMULATIVE TOTAL RETURN**

The following performance graph compares the performance of the Company's Common Stock to the S&P 500 Index and a Peer Group (which includes the Company and the companies listed below) for the last five years.

**5-YEAR TOTAL SHAREHOLDER RETURN**

This graph assumes that the value of the investment in the Common Stock and each index was \$100 on December 31, 1998 and that all dividends were reinvested.

[Graph prepared by William M. Mercer, Incorporated]

(1) The Industry Peer Group selected for purposes of the performance graphs consists of companies engaged in the business of healthcare product distribution and includes Owens & Minor, Inc., Amerisource Bergen Corporation, Cardinal Health, Inc., Henry Schein Inc., McKesson HBOC, Inc., Moore Medical Corp. and PSS World Medical, Inc.

**CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS**

During 2003, the Company retained the law firm of McGuireWoods LLP to provide advice on two matters for aggregate fees of approximately \$35,000. Ms. Whittemore, a director of the Company, is a partner of McGuireWoods LLP.

In 2003, the Company hired Mark Van Sumeren as its Senior Vice President of OMSolutions. In connection with his relocation from Wisconsin to Virginia and pursuant to the Company's relocation policy, the Company purchased for resale Mr. Van Sumeren's Wisconsin home for \$912,500.

## Table of Contents

### **SHAREHOLDER PROPOSALS**

Under regulations of the SEC, any shareholder desiring to make a proposal to be acted upon at the 2005 annual meeting of shareholders must present such proposal to the Company's Corporate Secretary at the Company's principal office at 4800 Cox Road, Glen Allen, Virginia 23060 not later than November 12, 2004, in order for the proposal to be considered for inclusion in the Company's proxy statement. All shareholder proposals and director nominations must be submitted in accordance with and contain the information required by the Company's bylaws, a copy of which may be obtained by contacting the Corporate Secretary at the address indicated above. The Company will determine whether to include properly submitted proposals in the proxy statement in accordance with regulations governing the solicitation of proxies.

The Company's bylaws provide that a shareholder of the Company entitled to vote for the election of directors may nominate persons for election as directors only at an annual meeting and if written notice of such shareholder's intent to make such nomination or nominations has been given to the Corporate Secretary of the Company not later than 90 days before the anniversary of the date of the first mailing of the Company's proxy statement for the immediately preceding year's annual meeting. The Corporate Secretary must receive written notice of a shareholder nomination to be acted upon at the 2005 annual meeting not later than the close of business on December 12, 2004. The shareholder's notice must include the information required by the Company bylaws, including:

- the name and address of record of the shareholder intending to make the nomination, the beneficial owner, if any, on whose behalf the nomination is made and of the person or persons to be nominated;
- a representation that such shareholder is a shareholder of record and intends to appear in person or by proxy at such meeting to nominate the director candidate;
- the class and number of shares of Common Stock that are owned by such shareholder and such beneficial owners;
- a description of all arrangements, understandings or relationships between such shareholder and each director nominee and any other person(s) (naming such person(s)) pursuant to which the nomination is to be made by such shareholder;
- such other information regarding each nominee proposed by such shareholder as would be required to be disclosed in solicitations of proxies for election of directors in an election contest, or is otherwise required to be disclosed, pursuant to the proxy rules of the SEC, had the nominee been nominated, or intended to be nominated, by the Board of Directors; and
- the written consent of the nominee to serve as a director if elected.

In order for a shareholder to bring other business before a shareholder meeting, timely notice must be received by the Company within the time limits described in the immediately preceding paragraph. The Corporate Secretary must receive written notice of a shareholder proposal to be acted upon at the 2005 annual meeting not later than the close of business on December 12, 2004. The shareholder's notice must contain the information required by the Company's bylaws, including:

- the information described above with respect to the shareholder proposing such business;
- a brief description of the business desired to be brought before the meeting, including the complete text of any resolutions to be presented at the annual meeting and the reasons for conducting such business at the annual meeting; and
- any material interest of such shareholder and such beneficial owner in such business.

The requirements found in the Company's bylaws are separate from the requirements a shareholder must meet to have a proposal included in the Company's proxy statement under the proxy rules.

**Table of Contents**

**OTHER MATTERS**

The Board of Directors is not aware of any matters to be presented for action at the Annual meeting other than as set forth in this Proxy Statement. However, if any other matters properly come before the Annual Meeting, or any adjournment or postponement thereof, the person or persons voting the proxies will vote them in accordance with their best judgment.

March 12, 2004

BY ORDER OF THE BOARD OF DIRECTORS

GRACE R. DEN HARTOG

Senior Vice President, General Counsel

& Corporate Secretary

**Table of Contents**

**ANNEX A**

**OWENS & MINOR, INC.**

**CORPORATE GOVERNANCE GUIDELINES**

The following shall constitute the Corporate Governance Guidelines (the "Corporate Governance Guidelines") of the Board of Directors of Owens & Minor, Inc. (the "Corporation"):

**I. DIRECTOR QUALIFICATIONS**

The Board of Directors of the Corporation (the "Board") will satisfy any independence requirement of the New York Stock Exchange as then in effect. The Governance & Nominating Committee is responsible for reviewing with the Board, on an annual basis, the requisite skills and characteristics of Board members as well as the composition of the Board as a whole. This assessment will include members' qualifications as independent (Directors shall inform the Chairman of that Committee of any matter bearing on the director's independence), as well as consideration of diversity, age, skills and experience in the context of the Board's needs as well as the members of the Board. Nominees for directorship will be selected by the Governance & Nominating Committee in accordance with the policies and principles in its charter. The invitation to join the Board will be extended by the Board through the Chairman of the Governance & Nominating Committee and the Chairman of the Board.

A majority of the Directors shall be independent. In order for a Director to be considered independent by the Board, he or she must (i) be free of any relationship that, applying the rules of the New York Stock Exchange, would preclude a finding of independence and (ii) not have a material relationship (either directly or as a partner, shareholder or officer of an organization) with the Company or any of its affiliates or any executive officer of the Company or any of its affiliates. In evaluating the materiality of any such relationship, the Board of Directors shall take into consideration whether disclosure of the relationship would be required by the proxy rules under the Securities Exchange Act of 1934, as amended. If such disclosure is required, the Board of Directors must make a determination that the relationship is not material as a prerequisite to finding that the Director is independent.

It is the sense of the Board that individual directors who change the responsibility they held when they were elected to the Board should volunteer to resign from the Board. Such a step provides an opportunity for the Board, through the Governance & Nominating Committee, to review the continued appropriateness of Board membership under the circumstances.

Directors should advise the Chairman of the Board and the Chairman of the Governance & Nominating Committee in advance of accepting an invitation to serve on another public company board.

The Governance & Nominating Committee will review each director's continuation on the Board every three years. This will allow each director the opportunity to conveniently confirm his or her desire to continue as a member of the Board. The Board does not believe it should establish

term limits. While term limits could help insure that there are fresh ideas and viewpoints available to the Board, they have the significant disadvantage of losing the contribution of directors who have been able to develop, over a period of time, increasing insight into the Corporation and its operations and, therefore, provide an increasing contribution to the Board as a whole.

## **II. DIRECTOR RESPONSIBILITIES**

The director's basic responsibility is to exercise his or her good faith business judgment of the best interests of the Corporation. In discharging that obligation, each director should be entitled to rely on the honesty and integrity of the Corporation's senior executives and its outside advisors and auditors absent evidence that makes such reliance unwarranted.



## **Table of Contents**

Directors are expected to attend Board meetings and meetings of committees on which they serve, to spend the time needed and meet as frequently as necessary to discharge properly their responsibilities. Information and data that are important to the Board's understanding of the business to be conducted at a Board or committee meeting should generally be distributed in writing to the directors before the meeting. Directors should review these materials in advance of the meeting.

The directors shall also be entitled (1) to have the Corporation purchase reasonable levels of directors' and officers' liability insurance on their behalf; (2) to the benefits of indemnification to the fullest extent permitted by law and the Corporation's charter, by-laws and any indemnification agreements; and (3) to exculpation as provided by state law and the Corporation's charter.

The Board has no policy with respect to the separation of the offices of Chairman and the Chief Executive Officer. The Board believes that this issue is part of the succession planning process and that it is in the best interests of the Corporation for the Board to make a determination when it elects a new chief executive officer.

The Governance & Nominating Committee shall recommend for Board approval a non-management director to serve as Lead Director. The Lead Director shall be elected annually following the election of directors at the annual meeting of the shareholders. The Lead Director shall preside at Board meetings in the absence of the Chairman; preside at meetings of the independent directors; serve as principal liaison on behalf of the independent directors; advise the Chairman and the Committee Chairmen with respect to agendas and information needs relating to Board and Committee meetings; be authorized to call meetings of the Board and meetings of the independent directors, set agenda items for such meetings and perform such other duties as the Board may from time to time delegate to assist the Board in the fulfillment of its responsibilities. The identity of the Lead Director shall be disclosed in the annual proxy statement, together with a method for interested parties to communicate directly with the Lead Director.

The Chairman will establish the agenda for each Board meeting in consultation with the Lead Director. At the beginning of the year the Chairman will establish a schedule of significant agenda subjects to be discussed during the year (to the degree this can be foreseen). Each Board member is encouraged to suggest the inclusion of items on the agenda. Each Board member is free to raise at any Board meeting subjects that are not on the agenda for that meeting. The Board will review the Corporation's long-term strategic plans and the principal issues that the Corporation will face in the future during at least one Board meeting each year.

The independent directors will meet following each regularly scheduled Board meeting and at such other times as they may determine. The Lead Director shall preside at these meetings. The Board believes that the management speaks for the Corporation. Individual Board members may, from time to time, meet or otherwise communicate with various constituencies that are involved with the Corporation. It is expected that Board members would do this with the knowledge of the management and, absent unusual circumstances or as contemplated by the committee charters, only at the request of management.

### **III. BOARD COMMITTEES**

The Board will have at all times an Audit Committee, a Compensation & Benefits Committee and a Governance & Nominating Committee. The members of these committees will comply with any requirements of the New York Stock Exchange as then in effect. Committee members will be appointed by the Board upon recommendation of the Governance & Nominating Committee with consideration of the desires of individual directors. It is the sense of the Board that consideration should be given to rotating committee members periodically, but the Board does not feel that rotation should be mandated as a policy.

Each committee will have its own charter. The charters will set forth the purposes, goals and responsibilities of the committees as well as qualifications for committee membership, procedures for committee member appointment and removal, committee structure and operations and committee reporting to the Board. The charters will also provide that each committee will annually evaluate its performance.

A-2

## **Table of Contents**

The Chairman of each committee, in consultation with the committee members, will determine the frequency and length of the committee meetings consistent with any requirements set forth in the committee's charter. The Chairman of each committee, in consultation with the appropriate members of the committee and management, will develop the committee's agenda. At the beginning of the year each committee will establish a schedule of the principal agenda subjects to be discussed during the year (to the degree these can be foreseen). The schedule for each committee will be furnished to all directors.

The Board may, from time to time, establish or maintain additional committees as necessary or appropriate.

## **IV. DIRECTOR ACCESS TO OFFICERS AND TEAMMATES**

Directors have full and free access to officers and teammates of the Corporation and, as necessary and appropriate, to the Corporation's independent advisors. Any meetings or contacts that a director wishes to initiate may be arranged through the CEO or the Secretary or directly by the director. The directors will use their judgment to ensure that any such contact is not disruptive to the business operations of the Corporation and will, to the extent not inappropriate, copy the CEO on any written communications between a director and an officer or teammate of the Corporation, or advise the CEO of any such oral communications.

The Board welcomes regular attendance at each Board meeting of the Corporation's senior officers. If the CEO wishes to have additional Corporation personnel attend on a regular basis, this suggestion should be brought to the Board for approval.

## **V. DIRECTOR COMPENSATION**

The form and amount of director compensation will be determined by the Board based on a recommendation of the Governance & Nominating Committee in accordance with the policies and principles set forth in its charter. The Governance & Nominating Committee will conduct an annual review of director compensation. The Governance & Nominating Committee will consider that directors' independence may be jeopardized if director compensation and perquisites exceed customary levels, if the Corporation makes substantial charitable contributions to organizations with which a director is affiliated, or if the Corporation enters into consulting contracts with (or provides other indirect forms of compensation to) a director or an organization with which the director is affiliated.

## **VI. DIRECTOR ORIENTATION AND CONTINUING EDUCATION**

All new directors must participate in the Corporation's Orientation Program, which should be conducted within two months of the annual meeting at which new directors are elected. This orientation will include presentations by senior management to familiarize new directors with the Corporation's strategic plans, its significant financial, accounting and risk management issues, its compliance programs, these Guidelines, its Standards of Conduct, its principal officers and its internal and independent auditors. In addition, the Orientation Program will include visits to Corporation headquarters and, to the extent practical, certain of the Corporation's significant facilities. All other directors are also invited to attend the Orientation Program.

All directors are encouraged to attend programs and seminars dealing with the role and responsibility of publicly owned company directors.

## **VII. CEO EVALUATION AND MANAGEMENT SUCCESSION**

The Compensation & Benefits Committee and Governance & Nominating Committee will conduct annual reviews of the CEO's performance, as set forth in their charters. The Board of Directors will review the Committee reports in order to ensure that the CEO is providing the best leadership for the Corporation in the long- and short-term.

A-3

**Table of Contents**

The Governance & Nominating Committee should make an annual report to the Board on succession planning. The Board will work with the Governance & Nominating Committee to nominate and evaluate potential successors to the CEO. The CEO should at all times make available his or her recommendations and evaluations of potential successors, along with a review of any development plans recommended for such individuals.

**VIII. ANNUAL PERFORMANCE EVALUATION**

The Board of Directors will conduct an annual self-evaluation to determine whether it and its committees are functioning effectively. The Governance & Nominating Committee will receive comments from all directors and report annually to the Board with an assessment of the Board's performance. The assessment will focus on the Board's contribution to the Corporation and specifically focus on areas in which the Board or management believes that the Board can improve.

**IX. CONSISTENCY WITH ARTICLES**

To the extent that any provision or section of the Corporate Governance Guidelines may be inconsistent with any article, provision or section of the Articles of Incorporation or the Bylaws of the Corporation, the Articles of Incorporation or the Bylaws, as appropriate, shall fully control.

**X. AMENDMENT**

These Corporate Governance Guidelines may be amended or altered at any meeting of the Board of Directors by affirmative vote of a majority of the number of Directors fixed by the Bylaws.

**XI. CERTIFICATION**

This Corporate Governance Guidelines, as amended, was duly approved and adopted by the Board of the Corporation on the 3rd day of February, 2004.

/s/ GRACE R. DEN HARTOG

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Corporate Secretary

**Table of Contents**

**ANNEX B**

**OWENS & MINOR, INC.**

**AUDIT COMMITTEE**

**CHARTER**

The following shall constitute the Audit Committee Charter (the Charter) of the Board of Directors of Owens & Minor, Inc. (the Corporation):

**I. ORGANIZATION**

There shall be constituted a standing committee of the board of directors of the Corporation (the Board) to be known as the audit committee (the Audit Committee).

**II. COMPOSITION AND SELECTION**

The Audit Committee shall be comprised of three or more directors. The members of the Audit Committee shall meet the independence and experience requirements of the New York Stock Exchange as then in effect.

All members of the Audit Committee shall have a requisite working familiarity with basic finance and accounting practices in compliance with the rules of the New York Stock Exchange. At least one member of the Committee shall be an audit committee financial expert, as such term is defined by the Securities and Exchange Commission. If an audit committee member simultaneously serves on the audit committee of three public companies, the Board must determine that such simultaneous service would not impair the ability of such member to effectively serve on the Corporation's Audit Committee and disclose such determination in the annual proxy statement.

The members of the Audit Committee shall be appointed by the Board, at the Board's annual meeting, on the recommendation of the Governance & Nominating Committee, and may be removed by the Board. The members of the Audit Committee shall serve for one year or until their successors are duly elected and qualified. Unless a Chairman is elected by the full Board, the members of the Audit Committee shall designate a Chairman by majority vote of the full Audit Committee membership.

The duties and responsibilities of Audit Committee members contained herein shall be in addition to those duties otherwise required for members of the Board.

**III. STATEMENT OF PURPOSE**

The primary function of the Audit Committee shall be to assist the Board in discharging its oversight responsibilities relating to the accounting, reporting, and financial practices of the Corporation and its subsidiaries by monitoring (1) these practices, generally; 2) the integrity of the financial statements and other financial information provided by the Corporation to any governmental body or the public; (3) the Corporation's compliance with legal and regulatory requirements; (4) the independent auditor's qualifications and independence; (5) the performance of the Corporation's independent auditors and internal audit functions; and (6) issues involving the Corporation's ethical and legal compliance responsibilities.

The Audit Committee shall prepare the report of the Committee required by the rules of the Securities and Exchange Commission to be included in the Corporation's annual proxy statement.

#### **IV. COMMITTEE OBJECTIVES**

The Audit Committee's primary objectives include providing an independent, direct and open avenue of communication among the Corporation's independent accountants, management, internal auditing department, and the Board; serving as an independent and objective party to review the Corporation's financial reporting

## **Table of Contents**

processes and internal control systems; overseeing with management the reliability and integrity of the Corporation's accounting policies and financial reporting and disclosure practices; reviewing and considering the work of the Corporation's independent accountants and internal auditing department; reviewing the adequacy of the internal audit department's staffing and the qualifications of its personnel; and reviewing whether available technology is being used to maximize the efficiency and effectiveness of the internal audit function.

## **V. COMMITTEE AUTHORITY AND RESPONSIBILITIES**

The Audit Committee shall have the sole authority to appoint, retain, compensate, evaluate and terminate the independent auditor (subject, if applicable, to shareholder ratification) and shall approve all audit and permissible non-audit engagements, including fees and terms, with the independent auditor. The independent auditor shall be accountable to the Board through the Audit Committee. The Audit Committee shall consult with management but shall not delegate these responsibilities.

The Audit Committee may form subcommittees and delegate authority to subcommittees when appropriate.

The Audit Committee shall have the authority, to the extent it deems necessary or appropriate, to retain special legal, accounting, financial or other consultants to advise the Committee. The Audit Committee shall have the authority to retain and compensate such advisors without seeking further approval and shall receive appropriate funding, as determined by the Audit Committee, from the Corporation to compensate such advisors. The Audit Committee shall have the authority to conduct or authorize investigations into any matters within its scope of responsibilities and shall have the authority to retain outside advisors to assist the Committee in the conduct of any investigation.

The Audit Committee shall make regular reports to the Board, and shall review with the Board any issues that arise with respect to the quality or integrity of the Corporation's financial statements, the Corporation's compliance with legal or regulatory requirements, the performance and independence of the Corporation's independent auditors, or the performance of the internal audit function. The Audit Committee shall review and reassess the adequacy of this Charter, at least annually, and shall recommend any proposed changes to the Board for approval. The Audit Committee shall annually review its own performance.

The Audit Committee shall:

### **Financial Statement and Disclosure Matters**

1. Review and discuss with management and the independent auditor accounting policies and financial reporting issues and judgments that may be viewed as critical; review and discuss analyses prepared by management and/or the independent auditor setting forth significant financial reporting issues and judgments made in connection with the preparation of financial statements, including analyses of the effects of alternative GAAP methods on the financial statements; consider and approve, when appropriate, any significant changes in the corporation's accounting and auditing policies; review and discuss any accounting and financial reporting proposals that may have a significant impact on the corporation's financial reports; review and discuss major issues as to the adequacy of the corporation's internal controls and any special audit steps adopted in light of material control deficiencies;



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2. Review and discuss with management and the independent auditor the annual audited financial statements, including disclosures under management's discussion and analysis of financial condition and results of operations, and recommend to the board whether the audited financial statements should be included in the corporation's annual report on Form 10-K;
3. Review and discuss with management and the independent auditor the corporation's quarterly financial statements and press releases, including the results of the independent auditor's reviews of the quarterly financial statements, prior to the filing of its Form 10-K;

B-2

**Table of Contents**

4. Review and discuss with management and the independent auditor: a) any material financial or non-financial arrangements of the corporation which do not appear on the financial statements of the corporation; and b) any transactions or courses of dealing with parties related to the corporation which transactions are significant in size or involve terms or other aspects that differ from those that would likely be negotiated with independent parties and which are relevant to an understanding of the corporation's financial statements;
5. Review and discuss with management its policies and practices regarding earnings press releases, as well as financial information and earnings guidance given to analysts and ratings agencies, giving attention to any use of pro forma or adjusted non-GAAP information;
6. Discuss with management the corporation's major financial risk exposures and the steps management has taken to monitor and control such exposures, including the corporation's risk assessment and risk management policies;
7. Discuss with management and the independent auditor the effect of regulatory and accounting initiatives, as well as off-balance sheet structures on the corporation's financial statements;
8. Review and update on an annual basis the corporation's standards of conduct including its system of enforcement.

**Oversight of the Company's Relationship with the Independent Auditor**

9. Obtain and review a formal written report by the independent auditor, at least annually, which report shall include descriptions of: a) the independent auditor's internal quality-control procedures; b) any material issues raised by the most recent internal quality control review, or peer review, or by any inquiry or investigation by governmental or professional authorities in the preceding five years respecting one or more independent audits carried out by the firm; c) any steps taken to deal with such issues; d) all relationships between the independent auditor and the corporation; and e) any other relationships that may adversely affect the independence of the auditor. The audit committee should assess the independence of the independent auditor, including that of the independent auditor's lead partner, based on a review of the written report and recommend to the board that it take appropriate action in response to the report to satisfy the independence requirements.
10. Evaluate the qualifications, experience, performance and independence of the senior members of the independent auditor team, including that of the independent auditor's lead and concurring partners, taking into consideration the opinions of management and the internal auditors; present its conclusions with respect to such evaluations to the full board;
11. Set hiring policies for employees or former employees of the independent auditors.
12. Discuss with the independent auditor its ultimate accountability to the board through the audit committee;
13. Establish policies and procedures for the engagement of the independent auditor to provide permissible non-audit services; consider whether the independent auditor's performance of permissible non-audit services is compatible with the auditor's independence;
14. Assure the regular rotation of the lead and concurring audit partners as required by law, and consider whether there should be regular rotation of the independent auditing firm itself, in order to assure continuing independence of the independent auditor;

## Table of Contents

### Process Improvement

15. Establish regular and separate systems of reporting to the audit committee by the corporation's management, the independent auditor and the internal auditors regarding any significant judgments made in management's preparation of the financial statements, and the view of each as to the appropriateness of such judgments;
16. Review and discuss with the independent auditor the audit planning and procedures, including the scope, fees, staffing and timing of the audit; review and discuss the results of the audit exam and management letters, and any reports of the independent auditor with respect to any interim period;
17. Review with the corporation's internal auditors and the independent auditor the coordination of their audit efforts to assure completeness of coverage, reduction of redundant efforts and effective use of audit resources;
18. Review separately with the corporation's management, the independent auditor and the internal auditing department, following completion of the corporation's annual audit, any significant difficulties encountered during the course of the audit, including: a) difficulties with management's response; b) any restrictions on the scope of work or access to required information; and (c) the nature and extent of any significant changes in accounting principles or the application therein;
19. Review any significant disagreement among the corporation's management and its independent auditor or the internal auditing department in connection with the preparation of the corporation's financial statements;
20. Review with the independent auditor any audit problems or difficulties and management's response, including any accounting adjustments that were noted or proposed by the auditor but were passed (as immaterial or otherwise); review any management or internal control letters issued, or proposed to be issued, by the audit firm to the corporation and any discussions with the independent auditor's national office respecting auditing or accounting issues presented by the engagement;
21. Review with the corporation's independent auditor, the internal auditing department and management the extent to which changes or improvements in financial or accounting practices and standards, as approved by the audit committee, have been implemented, with such review to be conducted at an appropriate amount of time subsequent to implementation of any changes or improvements thereto, as decided by the audit committee in its discretion;

### Oversight of the Corporation's Internal Audit Function

22. Review the appointment, replacement, reassignment or dismissal of the members of the corporation's internal auditing department, including the appointment and replacement of the senior internal auditing executive;
23. Review the regular internal reports to management prepared by the internal auditing department and management's responses;
24. Discuss with the independent auditor the internal audit department's responsibilities, budget and staffing, and any recommended changes in the planned scope of the internal audit;

### Oversight of Legal and Ethical Compliance Issues

25. Obtain from the independent auditor assurance that section 10A of the Securities Exchange Act of 1934 has not been implicated;

B-4

## **Table of Contents**

26. Obtain reports from management, the corporation's senior internal auditing executive and the independent auditor that the corporation and its subsidiary/foreign affiliated entities are in conformity with applicable legal requirements and the corporation's standards of conduct; review reports and disclosures of insider and affiliated party transactions; advise the board with respect to the corporation's policies and procedures regarding compliance with applicable laws and regulations and with the corporation's standards of conduct;
27. Discuss with management and the independent auditor any correspondence with regulators or governmental agencies and any employee complaints or published reports which raise material issues regarding the corporation's financial statements or accounting policies;
28. Review any material pending legal proceedings involving the corporation and other contingent liabilities; discuss with the corporation's general counsel legal matters that may have a material impact on the financial statements or the corporation's compliance policies;
29. Establish procedures for (a) the receipt, retention, and investigation of complaints received by the corporation regarding accounting, internal accounting controls, or auditing matters; and (b) the confidential, anonymous submission by employees of the corporation of concerns regarding questionable accounting or auditing matters;
30. Assume oversight responsibility for the evaluation and investigation of any complaints received by the Corporation regarding accounting, internal accounting, controls or audit matters, which responsibility includes the authority to retain outside counsel and/or outside experts or consultants as may be appropriate to the evaluation or investigation.
31. Review legal compliance matters, including corporate securities trading policies with the corporation's counsel;
32. Review the procedures established by the corporation that monitor the corporation's compliance with its loan and indenture covenants and restrictions; and
33. Perform any other activities consistent with this charter, the corporation's by-laws and governing law, as the audit committee or the board deems necessary or appropriate.

## **VII. MEETINGS**

The Audit Committee shall meet separately, as often as may be deemed necessary or appropriate in its judgment, but at least quarterly, with the Corporation's management, internal auditors and independent auditors. Following each meeting, the Audit Committee shall report to the Board at the next regularly scheduled Board meeting, or sooner, as circumstances may dictate.

In addition, the Chairman of the Audit Committee shall meet in person or by telephone with the Corporation's independent accountants and the Corporation's chief financial officer quarterly to review the Corporation's financial statements.

## **VIII. LIMITATION OF AUDIT COMMITTEE'S ROLE**

While the Audit Committee has the responsibilities and powers set forth in this Charter, it is not the duty of the Audit Committee to plan or conduct audits, to certify the Corporation's financial statements or to guarantee the auditor's report. These are the responsibilities of management

and the independent auditor.

B-5

**Table of Contents**

**IX. CONSISTENCY WITH ARTICLES**

To the extent that any provision or section of this Charter may be inconsistent with any article, provision or section of the Articles of Incorporation or the Bylaws of the Corporation, the Articles of Incorporation or the Bylaws, as appropriate, shall fully control.

**X. AMENDMENT**

This Charter may be amended or altered at any meeting of the Board of Directors by affirmative vote of a majority of the number of Directors fixed by the Bylaws.

**XI. CERTIFICATION**

This Audit Committee Charter as amended, was duly approved and adopted by the Board of the Corporation on the 20th day of October, 2003.

*/s/* GRACE R. DEN HARTOG

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Corporate Secretary

**Table of Contents**

**Audit Committee Pre-Approval Policies and Procedures  
for Services by Independent Auditors**

**Services subject to Audit Committee Approval**

The Audit Committee must approve in advance all engagements to provide audit review and attest reports required under the securities laws.

Any other engagements must either be:

1. approved in advance by the Audit Committee or
2. entered into pursuant to these pre-approval policies and procedures, provided the Audit Committee is informed of each service.

The Company may not engage its independent auditors to perform any services as may, from time to time, be prohibited by the rules and regulations of the Securities and Exchange Commission, any securities exchange on which the Company's securities are traded or listed, the Public Company Accounting Oversight Board, or any other regulatory bodies.

The Company may engage its independent auditors to perform services that are directly related to the independent audit function. These include:

1. audits of employee benefit plans,
2. consultation on accounting matters, including reviews of significant contracts,
3. assistance with inquiries from the Securities and Exchange Commission and other regulatory bodies,
4. assistance with debt, equity and other financing transactions, including issuing comfort letters, and
5. accounting and auditing assistance in connection with merger and acquisition activity

**Approval process:**

The Audit Committee, at its regular meetings, will approve engagement of the independent auditors for audits of employee benefit plans.



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Each year, the Audit Committee will approve a total annual dollar budget for services for routine accounting consultation and related matters. A report on the nature of and amount of billings for such services will be presented to the Audit Committee at each quarterly meeting.

The Audit Committee will approve engagement of the independent auditors for assistance with debt, equity and other financing transactions, as well as merger and acquisition activity, and other permitted services, in advance. The Audit Committee will be provided a description of the services expected to be rendered, together with an estimate of cost. A report on the amount of billings for such services will be presented to the Audit Committee each quarter.

For services not addressed above, and not otherwise prohibited, the Audit Committee must approve engagement of the Independent Auditors in advance. Total fees for such services will be limited to no more than 10 percent of total audit fees for the year.

The pre-approval requirement is waived with respect to non-audit services provided:

1. the aggregate amount of such services constitutes no more than five percent of the total amount of revenues paid by the Company to the accountant during the fiscal year in which the services are provided;
2. such services were not recognized by the Company at the time of the engagement to be non-audit services; and
3. such services are promptly brought to the attention of the Audit Committee and approved prior to the completion of the audit by the Audit Committee or the chairman of the Audit Committee (to whom authority to grant such approvals is hereby expressly delegated).

**Table of Contents**

Directions to  
Owens & Minor, Inc. Annual Meeting of Shareholders

Thursday, April 29, 2004 10:00 a.m.

at

Lewis Ginter Botanical Garden

1800 Lakeside Avenue

Richmond, Virginia

The Annual Meeting will be held in the Joan Massey Conference Center.

**From I-95 North**

From I-95 North, take the Lakeside Avenue exit (Exit 80). Keep to the right and turn right at the first stoplight onto Lakeside Avenue. Follow Lakeside Avenue to the Garden entrance just after you cross the intersection at Lakeside Avenue and Hilliard Road.

**From I-95 South**

From I-95 South, take the Parham Road West exit (Exit 83B). On Parham Road, quickly get into the far left lane. At the second stoplight, take a left onto Brook Road (also known as Route 1 South). At the third stoplight, take a right onto Lakeside Avenue. The Garden entrance will be on your right as you go down Lakeside Avenue.

**From I-64 East**

From I-64 East, get onto I-95 North to Washington, D.C. and follow directions above from I-95 North.

**From I-64 West**

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From I-64 West, get onto I-95 North to Richmond and follow directions above from I-95 North.

**Table of Contents**

Owens & Minor, Inc.

**YOUR VOTE IS IMPORTANT**

**VOTE BY INTERNET / TELEPHONE**

**24 HOURS A DAY, 7 DAYS A WEEK**

**INTERNET**

**TELEPHONE**

**MAIL**

<https://www.proxyvotepnow.com/omi>

**1-866-756-9927**

Go to the website address listed above.  
Have your proxy card ready.  
Follow the simple instructions that  
appear on your computer screen.

**OR**

Use any touch-tone telephone.  
Have your proxy card ready.  
Follow the simple recorded  
instructions.

**OR**

Mark, sign and date your proxy card.  
Detach your proxy card.  
Return your proxy card in the  
postage-paid envelope provided.

Ú DETACH PROXY CARD HERE IF YOU ARE NOT VOTING BY TELEPHONE OR INTERNET Ú

..

x

**(Please sign, date and return this proxy in the enclosed postage prepaid envelope.)** **Votes must be indicated (x) in Black or Blue ink.**

The Board of Directors recommends a vote FOR Proposals 1 and 2.

1. Election of Directors for a term of three years:

**FOR** all nominees    **WITHHOLD AUTHORITY** to vote for all nominees    **FOR ALL EXCEPT** nominee(s) marked in space below

2. Ratification of appointment of KPMG LLP as independent auditors.    **FOR**    **AGAINST**    **ABSTAIN**

3. In their discretion, the proxies are authorized to vote upon such other matters as may properly come before the meeting.

Nominees: 01 - A. Marshall Acuff, Jr., 02 - Henry A. Berling; 03 - James B. Farinholt, Jr., 04 - Anne Marie Whittemore

To change your address, please mark this box.

**(INSTRUCTIONS: To withhold authority to vote for any individual nominee(s), mark the FOR ALL EXCEPT box and write the nominee s(s ) name(s) in the space provided below. Your shares will be voted for the remaining nominee(s).)**

SCAN LINE

**Please sign exactly as your name appears herein. Attorneys-in-fact, executors, administrators, trustees and guardians should give full title as such. If a**

corporation, please sign in full corporate name by President or other authorized officer. If a partnership, please sign in partnership name by authorized person. Shareholders who are present at the meeting may withdraw their proxy and vote in person if they so desire.

Date	Share Owner sign here	Co-Owner sign here
_____	_____	_____
_____	_____	_____

**Table of Contents**

**OWENS & MINOR, INC.**

**PROXY**

**Solicited by the Board of Directors for the Annual Meeting of Shareholders**

The undersigned hereby appoints John T. Crotty, Richard E. Fogg, James E. Rogers and James E. Ukrop (and if the undersigned is a proxy, the substitute proxy) and each of them with power of substitution, the proxies of the undersigned to vote all shares held of record on March 3, 2004 by the undersigned as directed on the reverse side and in their discretion on all other matters which may properly come before the Annual Meeting of Shareholders of Owens & Minor, Inc., to be held on April 29, 2004 at 10:00 A.M. at Lewis Ginter Botanical Garden, 1800 Lakeside Avenue, Richmond, Virginia, and any adjournments or postponements thereof.

**The undersigned directs said proxies to vote as specified upon the items shown herein which are referred to in the Notice of Annual Meeting and as set forth in the Proxy Statement.**

**This Proxy, when properly executed, will be voted in the manner directed by the undersigned shareholder(s). If no direction is made, this Proxy will be voted FOR Proposals 1 and 2.**

(Continued and to be dated and signed on the reverse side.)

To include any comments, please mark this box.      ..

OWENS & MINOR, INC.

P.O. BOX 11421

NEW YORK, N.Y. 10203-0421