

SRI SURGICAL EXPRESS INC  
Form DEF 14A  
April 04, 2008

**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))**

x Definitive Proxy Statement

" Definitive Additional Materials

" Soliciting Material Pursuant to §240.14a-12

**SRI/SURGICAL EXPRESS Inc.**

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

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

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

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

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(1) Amount Previously Paid:

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

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(3) Filing Party:

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(4) Date Filed:

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**SRI/SURGICAL EXPRESS, INC.**

**NOTICE OF ANNUAL MEETING OF SHAREHOLDERS**

**TO BE HELD ON MAY 22, 2008**

Dear Shareholder:

The Annual Meeting of Shareholders of SRI/Surgical Express, Inc. will be held on Thursday, May 22, 2008, at 10:00 a.m., local time, at our corporate headquarters located at 12425 Race Track Road, Tampa, Florida 33626, for the following purposes:

1. To elect three directors to serve until the 2011 Annual Meeting and to hold office until their successors are duly elected and qualified;
2. To ratify the appointment of Grant Thornton LLP as our independent auditors for the fiscal year ending on December 28, 2008; and
3. To transact other business that properly comes before the Annual Meeting or any adjournment of the meeting.

We more fully describe these items of business in the Proxy Statement accompanying this Notice.

All shareholders are cordially invited to attend the Annual Meeting in person. To ensure your representation at the Annual Meeting, we urge you to sign and return the enclosed proxy as promptly as possible in the postage-prepaid envelope enclosed for that purpose. Any shareholder attending the Annual Meeting may vote in person, even if he or she has returned a proxy.

For further information about the Annual Meeting, including directions to our corporate headquarters to attend the meeting and vote in person, please contact Iris Gantz at (813) 891-9550 or [igantz@srisurgical.com](mailto:igantz@srisurgical.com).

By Authorization of the Board of Directors,

Wallace D. Ruiz  
Secretary and Chief Financial Officer

Tampa, Florida

April 4, 2008

**Important: Whether or not you plan to attend the Annual Meeting, you are requested to complete and promptly return the enclosed proxy in the envelope provided.**

**SRI/SURGICAL EXPRESS, INC.**

**PROXY STATEMENT**

**FOR**

**2008 ANNUAL MEETING OF SHAREHOLDERS**

**GENERAL INFORMATION**

The enclosed proxy is solicited by the Board of Directors of SRI/Surgical Express, Inc. (the Board of Directors or the Board ) for use at the Annual Meeting of Shareholders to be held on Thursday, May 22, 2008, at 10:00 a.m., local time, and at any adjournment of the meeting, for the purposes set forth in this Proxy Statement and in the accompanying Notice of Annual Meeting of Shareholders. The Annual Meeting will be held at our corporate and principal executive offices located at 12425 Race Track Road, Tampa, Florida 33626. Our telephone number at our executive offices is (813) 891-9550.

These proxy solicitation materials, together with our 2007 Annual Report to Shareholders on Form 10-K filed with the Securities and Exchange Commission on March 26, 2008 (the Annual Report ), were first mailed on or about April 4, 2008, to all shareholders entitled to vote at the Annual Meeting. In this Proxy Statement, the terms SRI, the Company, we, us and our refer to SRI/Surgical Express, Inc.

**Record Date**

Only shareholders of record at the close of business on March 13, 2008 (the Record Date ) are entitled to notice of and to vote at the Annual Meeting. We have one class of outstanding voting securities, our common stock. As of the Record Date, 6,470,978 shares of our common stock were outstanding. For information regarding security ownership by management and by the beneficial owners of 5.0% or more of our common stock, see Security Ownership of Directors, Officers, and Principal Shareholders below.

**Revocability of Proxies**

You may revoke any proxy given pursuant to this solicitation at any time before its use at the Annual Meeting by delivering to the Secretary of the Company a written notice of revocation or a duly executed proxy bearing a later date or by attending the Annual Meeting and voting in person.

**Voting**

Each shareholder is entitled to one vote for each share of common stock on all matters presented at the Annual Meeting. The holders of common stock will vote together as one group in the election of directors and other matters presented at the Annual Meeting. Shareholders do not have the right to cumulate their votes in the election of directors.

**Solicitation**

We will bear the entire cost of solicitation, including the preparation, assembly, printing, and mailing of this Proxy Statement. In addition, we may reimburse brokerage firms and other persons representing beneficial owners of shares for their expenses in forwarding solicitation materials to beneficial owners. Certain of our directors, officers, and other employees, without additional compensation, may also solicit proxies personally or by telephone, telegram, letter or facsimile.

**Quorum; Abstentions; Broker Non-Votes**

A majority of the shares of our common stock entitled to vote on a matter, represented in person or by proxy, will constitute a quorum for action on a matter at the Annual Meeting. We count shares that reflect

withheld votes, abstentions or broker non-votes (i.e., shares held by a broker or nominee that are represented at the Annual Meeting, but with respect to which such broker or nominee is not empowered to vote on a particular proposal) as shares that are present for purposes of determining the presence of a quorum, but not in determining the number of shares voted for or against any nominee for election as a director or any other proposal. For Proposal No. 1, the three director nominees receiving the highest number of affirmative votes cast will be elected as directors. Proposal No. 2 requires that the number of votes cast in favor of the proposal exceed the number of votes cast against the proposal. Withheld votes, abstentions and broker non-votes will not be counted as votes cast for purposes of determining whether the proposal has received sufficient votes for approval, and therefore will have no effect on the outcome of the vote.

#### **Fiscal Year End**

The Company's fiscal year ends on the Sunday nearest December 31.

#### **Communications with Directors**

You may communicate with any of our directors or with all directors as a group by sending communications by regular mail to: SRI/Surgical Express, Inc., c/o Chairman of the Board of Directors, 12425 Race Track Road, Tampa, Florida 33626.

Communications are distributed to the Board of Directors, or to any individual director or directors as appropriate, depending on the content of the communication. Members of our Board of Directors have requested that certain items that are unrelated to their duties and responsibilities be excluded, such as spam, junk mail and mass mailings, product or service complaints, resumés and other forms of job inquiries, and business solicitations or advertisements. In addition, material that is unduly hostile, threatening, illegal or similarly unsuitable will be excluded, with the provision that any excluded communication will be made available to any outside director upon request. The procedures regarding distribution of shareholder communications to the Board of Directors have been approved by a majority of independent directors.

### **PROPOSAL NO. 1**

#### **ELECTION OF DIRECTORS**

Our Board of Directors has fixed the number of directors at seven pursuant to our bylaws. As described below, three directors are being renominated for new terms because their current terms expire on the date of the Annual Meeting and four directors will continue to serve after the Annual Meeting.

#### **Nominees for Election at the 2008 Annual Meeting**

Members of our Board of Directors serve staggered three-year terms expiring at the third Annual Meeting of Shareholders after their election. At the 2008 Annual Meeting, we will be electing three directors to serve a term of three years through our 2011 Annual Meeting. Our Board of Directors has authorized the nomination of the persons as candidates named in this Proxy Statement. Unless otherwise instructed, the proxy holders will vote the proxies received by them for the three nominees named below, all of whom are presently directors. In the event that any nominee is unable or declines to serve as a director at the time of the Annual Meeting, the proxies will be voted for any nominee who shall be designated by the current Board of Directors to fill the vacancy. We do not expect that any nominee will be unable or will decline to serve as a director. The term of office of each person elected as a director will continue until a successor has been elected and qualified.

James M. Emanuel and Charles W. Federico are being renominated for new terms as directors because their current terms expire on the date of the Annual Meeting. On December 31, 2007, the Board of Directors elected

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Gerald Woodard, our Chief Executive Officer, as a director to fill the vacancy resulting from the resignation in February 2007 of Christopher Carlton, whose term would have expired on the date of the Annual Meeting. As a result, Mr. Woodard's current term also expires on the date of the Annual Meeting. Certain information with respect to our nominees for election as director appears below:

<b>Name</b>	<b>Age</b>	<b>Principal Occupation</b>	<b>New Term Expires</b>
James M. Emanuel	59	Private Investor	2011
Charles W. Federico	59	Private Investor	2011
Gerald Woodard	61	Chief Executive Officer of SRI	2011

*James M. Emanuel* has been a director since May 2, 1996. Between January 1984 and June 1997, he served as the Chief Financial Officer of Lincare, Inc., a national provider of respiratory therapy services for patients with pulmonary disorders. He also served as the Chief Financial Officer and a director of Lincare Holdings, Inc. between November 1990 and June 1997. Mr. Emanuel also serves as a director of Anesthetix Holdings, LLC, a privately held company. Mr. Emanuel has engaged in consulting and private investment activities since his retirement from Lincare Holdings, Inc. in June 1997.

*Charles W. Federico* has been a director since June 27, 2006, when he was elected to fill a vacancy on the Board of Directors, and has been Chairman of the Board of Directors since May 24, 2007. Mr. Federico is a director of Orthofix N.V., and most recently served as its Group President and Chief Executive Officer. He served with Orthofix and its affiliates since 1996. Prior to joining Orthofix, Mr. Federico was with Smith & Nephew Endoscopy for 16 years, where he served most recently as its President. Mr. Federico also currently serves on the Board of Trustees of the Orthopaedic Research and Education Foundation, and previously was a Founding Trustee and board member of the American Sports Medicine Institute.

*Gerald Woodard* has been a director and our Chief Executive Officer since December 31, 2007. Mr. Woodard has served in executive and management positions with healthcare companies since 1986. Prior to joining SRI, Mr. Woodard served as the President of the Linvatec subsidiary of ConMed Corporation since 2000. ConMed Linvatec is a supplier of orthopedic and sports medicine products, endoscopic imaging systems, and various operating room and critical care products. From 1998 to 2000, Mr. Woodard was President of the Elekta Holdings subsidiary of Elekta AB, a manufacturer of stereotactic radiosurgery systems and radiation therapy systems. From 1994 to 1998, Mr. Woodard worked with Marquette Medical Systems, Inc., where he most recently was President of its Monitoring and Information Systems Division.

### **Required Vote**

The three nominees receiving the highest number of affirmative votes of the shares of common stock present or represented and entitled to be voted for them shall be elected as directors. Votes withheld from any director, abstentions and broker non-votes are counted for purposes of determining the presence or absence of a quorum for the transaction of business, but have no further legal effect under Florida law.

**THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS A VOTE FOR THE NOMINEES LISTED ABOVE.**

**Directors with Terms Continuing After the 2008 Annual Meeting**

The directors who will continue to serve after the Annual Meeting are set forth below:

<b>Name</b>	<b>Age</b>	<b>Principal Occupation</b>	<b>Term Expires</b>
<b>Directors</b>			
James T. Boosales	64	Private Investor	2009
Charles T. Orsatti	64	Managing Partner, Fairfield Capital Partners, Inc.	2009
Wayne R. Peterson	56	Private Investor	2010
N. John Simmons, Jr.	52	President, Quantum Capital Partners, Inc.	2010

*James T. Boosales* served as our Executive Vice President and Chief Financial Officer from 1994 until August 2002, and as our Executive Vice President until he retired on December 31, 2002. He has been a director since our inception in 1994, and served as a consultant to us from the date of his retirement through December 31, 2003. He served as President, International, of Fisher-Price, Inc., a \$200 million division of the toy and juvenile products company, from 1990 through 1993. Before joining Fisher-Price, Inc., Mr. Boosales served in several senior executive capacities with General Mills, Inc., including President, International, for Kenner Parker Toys, Inc./Tonka Corp. from 1985 to 1989, during and after its spin-off as a public company, and President of Foot-Joy, Inc. from 1982 to 1985. Mr. Boosales now engages in private investment activities.

*Charles T. Orsatti* has been a director since February 10, 2004. Mr. Orsatti also served as a director of djOrthopedics, Inc., an NYSE-listed orthopedic sports medicine company, until November 2007. Since 1995, Mr. Orsatti has been Chairman and Managing Partner of Fairfield Capital Partners, Inc., a private equity investment firm. Prior to 1995, Mr. Orsatti was Chairman and Chief Executive Officer of Fairfield Medical Products Corporation, a manufacturer of critical care products. From 1983 to 1986, he was Chief Executive Officer of Coloplast, Inc., a manufacturer of single use products and then served as Chief Operating Officer and President of two medical divisions of British Oxygen Corporation. Mr. Orsatti began his career with the medical products division of Air Products and Chemicals, Inc. and subsequently worked for the Critikon Division of Johnson & Johnson.

*Wayne R. Peterson* served as our Executive Vice President from 1994 and our Chief Operating Officer from May 2001, in each case until his retirement on December 31, 2002. Mr. Peterson has been a director since 1994 and served as a consultant to us from January 1, 2003 until December 31, 2003, and from March 2006 until the present. In 1991, Mr. Peterson co-founded our predecessor, Amsco Sterile Recoveries, Inc., and served as Vice President until we acquired Amsco Sterile Recoveries in 1994. Before joining Amsco Sterile Recoveries, Mr. Peterson was President of Agora Development, Inc., a real estate development company. He now engages in private investment activities.

*N. John Simmons, Jr.* has been a director since February 2001 and served as Chairman of the Board of Directors from August 2002 through May 2007. Since July 2005, Mr. Simmons has been a director and Audit Committee Chair for Medquist, Inc., a publicly traded medical transcription company. From November 2004 until April 2006, Mr. Simmons was the President of New Homes Realty, a Florida-based residential real estate company operating in 35 states. Since December 1998, Mr. Simmons has been President of Quantum Capital Partners, a privately held venture capital firm. From 1995 to 1998, he was Vice President and Controller for Eckerd Corporation. From 1993 to 1995, he served as Chief Financial Officer of Checkers Drive-In Restaurants. Between 1985 and 1993, Mr. Simmons was a partner with KPMG Peat Marwick, serving a number of privately and publicly held companies in the Tampa Bay area.



**Executive Officers**

Name	Age	Principal Position(s)
<b>Executive Officers</b>		
Gerald Woodard	61	Chief Executive Officer
Wallace D. Ruiz	56	Senior Vice President, Chief Financial Officer and Secretary
David J. McGuire	42	Senior Vice President of Sales

*Gerald Woodard* has been a director and our Chief Executive Officer since December 31, 2007. His business experience is described above see Nominees for Election at the 2008 Annual Meeting .

*Wallace D. Ruiz* joined us in July 2005 as Senior Vice President, Chief Financial Officer and Secretary. Before joining us, Mr. Ruiz was the Vice President, Chief Financial Officer and Treasurer of Novadigm, Inc., a developer and worldwide marketer of enterprise software, which he joined in 1995. Mr. Ruiz is a certified public accountant.

*David J. McGuire* has been an employee of SRI since its incorporation in September 1994. He served as our Senior Vice President of Strategic Sourcing from January 2006 until March 2008. Prior to January 2006, Mr. McGuire served in various sales and operational positions at SRI, including as the general manager of our largest reprocessing facility.

**CORPORATE GOVERNANCE**

**General Information About the Board of Directors and Corporate Governance**

Our policies and practices comply with existing listing standards of The NASDAQ Stock Market LLC ( NASDAQ ) and the corporate governance requirements of the Sarbanes-Oxley Act of 2002, including:

Our Board of Directors has determined that five of our seven directors are independent under the listing standards of NASDAQ as of the date of this Proxy Statement, and six of seven of our directors are non-employee directors;

The non-employee members of our Board of Directors meet regularly without the presence of management;

Our Board of Directors has a standing Compensation Committee, Audit Committee, and Nominating and Governance Committee;

Our Board of Directors has determined that each member of the Compensation Committee, the Audit Committee and the Nominating and Governance Committee is independent under the listing standards of NASDAQ;

The Audit Committee meets with management and the auditors to receive information concerning the design and operation of internal controls;

Grant Thornton LLP, our independent accounting firm, reports directly to the Audit Committee; and

On the recommendation of the Audit Committee, our Board of Directors has adopted an Amended and Restated Code of Business Conduct and Ethics for our directors, officers and employees, and a compliance policy to allow for confidential and anonymous reporting of suspected or known violations of these policies.

Our Board of Directors has adopted written charters for its Audit Committee, Compensation Committee, and Nominating and Governance Committee that clearly establish their respective roles and responsibilities. Each charter provides that the respective committee is authorized to obtain advice and independently seek assistance from outside advisors.



We maintain a corporate governance page on our website, which includes key information about our corporate governance practices, including the charters for the Audit Committee, Compensation Committee, and Nominating and Governance Committee, as well as our Amended and Restated Code of Business Conduct and Ethics. The corporate governance page can be found at <http://www.srisurgical.com> by clicking on About Us, Investors then Corporate Governance.

### **Board Independence**

Our Board of Directors has determined that Messrs. Boosales, Emanuel, Federico, Orsatti and Simmons are independent under the listing standards of NASDAQ. The Audit Committee, Compensation Committee and Nominating and Governance Committee are each comprised solely of our independent directors. Mr. Peterson is not independent based on his service as a consultant to the Company. Mr. Woodard is not independent based on his service as our Chief Executive Officer. In making its independence determinations, our Board of Directors reviewed transactions and relationships between the director or any member of his immediate family and us or one of our subsidiaries or affiliates based on information provided by the director, Company records and publicly available information. In addition, our Board of Directors considered the following types of relationships and transactions: (i) principal employment positions and other public company directorships held by each director; (ii) contracts or arrangements that are ongoing or which existed during any of the past three fiscal years between us and/or our affiliates and any entity for which the non-employee director or his or her immediate family member is an executive officer or ten percent or more shareholder; and (iii) contracts or arrangements that are ongoing or which existed during any of the past three fiscal years between us and/or our affiliates and any other public company for which the director serves as a director.

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

Our Board of Directors held six meetings, including regularly scheduled and special meetings, during 2007. During 2007, no director attended fewer than 75% of the meetings of the Board of Directors or fewer than 75% of the meetings of any committee of the Board of which he was a member. We invite our Board of Directors to our Annual Meeting of Shareholders, but do not require them to attend. Last year, all of the directors except Charles W. Federico, attended our 2007 Annual Meeting. Our Board of Directors has a standing Audit Committee, Compensation Committee, and Nominating and Governance Committee.

*Compensation Committee.* The Compensation Committee, which currently consists of Messrs. Boosales (chair), Federico, and Orsatti, assists our Board of Directors in making decisions regarding specific compensation plans, salaries, bonuses, and other benefits payable to our executive officers. The Board of Directors has determined that each member of the Compensation Committee is independent under the listing standards of NASDAQ. The Compensation Committee held four meetings during 2007.

The processes and procedures for the consideration and determination of executive compensation are as follows:

The Compensation Committee determines cash compensation for our executive officers with the benefit of a review by our Board of Directors and input from the Chief Executive Officer regarding compensation of other executive officers.

Our Board of Directors approves equity awards for our executive officers with the benefit of recommendations from the Compensation Committee.

Historically, our Board of Directors has not retained compensation consultants. In establishing compensation for newly engaged executives, our Board of Directors considers recommendations of the Compensation Committee and the executive search firms that assist in recruiting our executives. In the future, the Compensation Committee expects to gather and analyze publicly available compensation-related data of similarly situated companies in making its recommendations to our Board of Directors.

Our Board of Directors has approved a written charter for the Compensation Committee, which the committee reviews annually and updates as appropriate.

*Audit Committee.* The Audit Committee currently consists of Messrs. Emanuel (chair), Boosales, and Simmons. Our Board of Directors has determined that each member of the Audit Committee is independent under the listing standards of NASDAQ, and Messrs. Emanuel and Simmons of the Audit Committee are audit committee financial experts, as that term is defined by the Securities and Exchange Commission (the SEC).

Among other things, the Audit Committee selects and retains (subject to our shareholders' approval) the independent auditors, sets the independent auditors' compensation, reviews and evaluates the results and scope of the audit and other services provided by our independent auditors, reviews reports from management, legal counsel, and third parties relating to legal compliance, and establishes procedures for receipt and treatment of confidential, anonymous submissions by our employees of concerns regarding accounting, auditing, and internal controls matters.

Our Board of Directors has approved a written charter for the Audit Committee, which the committee reviews annually and updates as appropriate. During 2007, the Audit Committee held five meetings.

*Nominating and Governance Committee.* Our Nominating and Governance Committee, which consists of Messrs. Orsatti (chair), Emanuel, and Federico, provides assistance to the Board of Directors in (i) identifying and recommending qualified director nominees; (ii) evaluating the performance and effectiveness of the Board of Directors and its committees; (iii) evaluating and recommending corporate governance guidelines and practices; and (iv) administering our Related Party Transaction Policies and Procedures. The Nominating and Governance Committee may, in its sole discretion, engage director search firms and may consult with outside advisors to assist it in carrying out its duties to the Company. The Nominating and Governance Committee has the sole authority to approve the fees and other retention terms with respect to any such firms. The Board of Directors has determined that each member of the Nominating and Governance Committee is independent under the listing standards of NASDAQ. The Nominating and Governance Committee held five meetings during 2007.

To fulfill its responsibility to recruit and recommend to the full Board of Directors nominees for election as directors, the Nominating and Governance Committee reviews the composition of the full Board of Directors to determine the qualifications and areas of expertise needed to further enhance the composition of the Board of Directors and works with management in attracting candidates with those qualifications. Appropriate criteria for Board membership include the following:

Directors should be individuals of high integrity and independence and substantial accomplishments;

Directors should have demonstrated leadership ability and the ability to exercise sound business judgment; and

The background and experience of directors should be in areas important to our company, such as business, finance, operations, and healthcare industry experience.

The Nominating and Governance Committee considers candidates for directors suggested by our shareholders, provided that the recommendations are made in accordance with the procedures required under applicable law and described in this Proxy Statement under the heading Requirements to Submit Proxy Proposals and Director Nominations. Shareholder nominations that comply with these procedures and that meet the criteria outlined above receive the same consideration that the Nominating and Governance Committee's nominees receive.

## Indemnification

We have entered into indemnification agreements with our executive officers and directors. The indemnification agreements provide, among other things, that we will indemnify such officer or director, under the circumstances and to the extent provided for in the agreements, for expenses, damages, judgments, fines and settlements he or she may be required to pay in actions or proceedings which he or she is or may be made a party to by reason of his or her position as a director, officer or other agent of the Company, and otherwise to the fullest extent permitted under applicable law and our bylaws.

## Related Party Transactions Policies and Procedures

On July 31, 2007, our Board of Directors adopted written related party transaction policies and procedures (the Policy). For purposes of the Policy, related party transactions include transactions that involve more than \$50,000 in any calendar year in which the Company is a participant and any related party has a direct or indirect interest, and related party includes our officers, directors or 5 percent shareholders and their immediate family members.

Except as described below, the Nominating and Governance Committee (excluding any interested director) (the Committee) will review the material facts of all related party transactions. The Committee will either approve or disapprove of the entry into the related party transaction after taking into account, among other factors it deems appropriate, whether the related party transaction is on terms no less favorable than terms generally available to an unaffiliated third-party under the same or similar circumstances and the extent of the related party's interest in the transaction. If advance Committee approval of a related party transaction is not feasible, the Committee will consider, and if it deems appropriate, ratify the transaction at the Committee's next regularly scheduled meeting.

The following related party transactions are deemed to be pre-approved or ratified by the Committee (subject to the specific requirements and limitations set forth in the Policy):

employment arrangements with our executive officers;

compensation arrangements with our directors;

transactions with companies affiliated with related parties if the amount involved does not exceed the greater of \$50,000 or 2 percent of the company's total annual revenues;

charitable contributions that do not exceed the lesser of \$50,000 or 2 percent of the charitable organization's total annual receipts;

transactions pursuant to which all of our shareholders receive proportional benefits;

transactions involving competitive bids;

regulated transactions; and

banking transactions.

Under the Policy, the Committee may establish guidelines for our management to follow in its ongoing dealings with related parties. The Committee will review and assess, at least annually, the appropriateness of ongoing related party relationships and will confirm compliance with any guidelines.



**DIRECTOR COMPENSATION**

Directors who are not our current employees receive \$1,000 to attend each meeting of the Board of Directors and each of its committees, and a quarterly retainer of \$6,000 under our Non-Employee Directors Compensation Plan. Directors who chair the Board of Directors or the following committees receive the following amounts for that service:

<b>Chair of:</b>	<b>Annual Fee</b>
Board of Directors	\$ 5,000
Audit Committee	\$ 4,000
Compensation Committee	\$ 3,000
Nominating and Governance Committee	\$ 3,000

Each non-employee director is granted annually options to purchase 7,500 shares of our common stock as of the date of our Annual Meeting. All options vest ratably over a term of three years, have an exercise price equal to the fair market value of the common stock on the date of grant, and expire ten years after the date of grant.

The following table shows the compensation information for fiscal year 2007 for our non-employee directors:

**2007 DIRECTOR COMPENSATION TABLE**

<b>Name</b> <b>(a)</b>	<b>Fees Earned</b> <b>or Paid</b>	<b>Option</b>	<b>All Other</b>	<b>Total (\$)</b> <b>(h)</b>
	<b>in Cash (\$)</b> <b>(b)</b>	<b>Awards(\$)<sup>(1)</sup></b> <b>(d)</b>	<b>Compensation (\$)</b> <b>(g)</b>	
James T. Boosales	\$ 54,000	\$ 28,103	\$ 4,625(2)	\$ 86,728
James M. Emanuel	\$ 50,000	\$ 28,103	\$ 6,628(2)	\$ 84,731
Charles W. Federico	\$ 47,917	\$ 28,103		\$ 76,020
Charles T. Orsatti	\$ 48,000	\$ 28,103		\$ 76,103
Wayne R. Peterson	\$ 21,000	\$ 28,103	\$ 248,925(3)	\$ 298,028
N. John Simmons, Jr.	\$ 55,083	\$ 28,103		\$ 83,186

- (1) The amounts in column (d) represent the dollar amount recognized for financial statement reporting purposes for fiscal year 2007, in accordance with FAS 123(R). The aggregate number of outstanding option awards held by each non-employee director as of December 31, 2007 is set forth below:

James T. Boosales	27,000 shares
James M. Emanuel	61,000 shares
Charles W. Federico	27,500 shares
Charles T. Orsatti	27,000 shares
Wayne R. Peterson	27,000 shares
N. John Simmons, Jr.	53,000 shares

- (2) This amount represents the dollar value of insurance premiums paid by the Company with respect to health insurance.  
(3) This amount includes (i) consulting fees of \$243,000 and (ii) \$5,925 representing the dollar value of insurance premiums paid by the Company with respect to health insurance.

### SECURITY OWNERSHIP OF DIRECTORS, OFFICERS, AND PRINCIPAL SHAREHOLDERS

The following table sets forth certain information regarding the beneficial ownership of common stock as of February 29, 2008 (the Specified Date), with respect to: (i) each of our directors, nominees and the executive officers named in the Summary Compensation Table below, (ii) all of our directors and executive officers, as a group, as defined in the Securities and Exchange Act of 1934 (the Exchange Act), and (iii) each person known by us to own beneficially more than 5% of our common stock.

The number and percentage of shares beneficially owned is determined under rules of the SEC, and the information does not necessarily indicate beneficial ownership for any other purpose. Under these rules, beneficial ownership includes any shares for which the individual has sole or shared voting power or investment power and also any shares that the individual has the right to acquire by the Specified Date through the exercise of any stock option or other right. Unless otherwise indicated, we believe all persons listed below have sole voting and investment power with respect to all shares beneficially owned by them. A total of 6,470,978 shares of our common stock were issued and outstanding as of the Specified Date.

Beneficial Owner <sup>(1)</sup>	Class of Stock	Shares Beneficially Owned	Percentage of Class Beneficially Owned
James T. Boosales <sup>(2)</sup>	Common	803,000	12.4 %
Wayne R. Peterson <sup>(3)</sup>	Common	776,061	12.0 %
Estate of Lee R. Kemberling	Common	536,012	8.3 %
David J. McGuire <sup>(4)</sup>	Common	105,000	1.6 %
Wallace D. Ruiz <sup>(5)</sup>	Common	55,000	*
James M. Emanuel <sup>(6)</sup>	Common	54,500	*
N. John Simmons, Jr. <sup>(7)</sup>	Common	40,500	*
Gerald Woodard <sup>(8)</sup>	Common	25,000	*
Charles T. Orsatti <sup>(9)</sup>	Common	14,500	*
Charles W. Federico <sup>(10)</sup>	Common	9,166	*
Christopher S. Carlton <sup>(11)</sup>			*
Heartland Advisors, Inc.	Common	831,500	12.8 %
T. Rowe Price Associates, Inc. <sup>(12)</sup>	Common	527,349	8.1 %
MicroCapital LLC	Common	463,819	7.2 %
Dimensional Fund Advisors LP	Common	395,284	6.1 %
Standard Textile Co., Inc.	Common	349,667	5.4 %
All directors and executive officers as a group (10 persons) <sup>(13)</sup>	Common	1,882,727	29.1 %

\* Less than 1%

(1) The business address for James T. Boosales, Wayne R. Peterson, David J. McGuire, Wallace D. Ruiz, James M. Emanuel, N. John Simmons, Jr., Gerald Woodard, Charles T. Orsatti and Charles W. Federico is 12425 Race Track Road, Tampa, Florida 33626. The business address for the Estate of Lee R. Kemberling is 11500 47<sup>th</sup> Street North, Clearwater, Florida 34622. The business address for Christopher S. Carlton is 9241 Silverthorn Road, Largo, Florida 33777. The business address for Heartland Advisors, Inc. is 790 N. Water Street, Milwaukee, Wisconsin 53202. The business address for T. Rowe Price Associates, Inc. is 100 E. Pratt Street, Baltimore, Maryland 21202. The business address for MicroCapital LLC is 623 Fifth Avenue, New York, New York 10022. The business address for Dimensional Fund Advisors LP is 1299 Ocean Avenue, Santa Monica, California 90401. The business address for Standard Textile Co., Inc. is One Knollcrest Drive, Cincinnati, Ohio 45237.

(2) This amount includes 776,000 shares of common stock owned by the Boosales Family Limited Partnership, a Colorado limited partnership, of which Mr. Boosales and Bonny Boosales, Mr. Boosales' wife, as tenants by the entirety, act as the general partner. This amount also includes 14,500 shares of common stock issuable on exercise of stock options that are held by Mr. Boosales and currently



- exercisable. Mr. Boosales has shared voting and investment power with respect to 776,000 shares of common stock held by the Boosales Limited Partnership.
- (3) This amount includes 42,608 shares of common stock owned by the Wayne R. Peterson Grantor Retained Annuity Trust, of which Mr. Peterson is trustee, 42,609 shares of common stock owned by the Theresa A. Peterson Grantor Retained Annuity Trust, of which Mrs. Peterson, Mr. Peterson's wife, is trustee, 31,044 shares of common stock owned by Mr. and Mrs. Peterson as tenants by the entirety, and 645,300 shares of common stock owned by Peterson Partners, Ltd., a Colorado limited partnership, of which Peterson Holdings, Inc., a Colorado corporation, is the general partner. Mr. and Mrs. Peterson jointly own all of the issued and outstanding voting stock of Peterson Holdings, Inc. This amount also includes 14,500 shares of common stock issuable on exercise stock options that are held by Mr. Peterson and currently exercisable. Mr. Peterson has shared voting and investment power with respect to the following shares of common stock: 42,609 shares owned by the Theresa A. Peterson Grantor Retained Annuity Trust, 31,044 shares owned by Mr. and Mrs. Peterson as tenants by the entirety, and 645,300 shares owned by Peterson Partners, Ltd. All of the shares of common stock beneficially owned by Mr. Peterson have been pledged as security for a margin account maintained with a brokerage firm.
- (4) Includes 85,000 shares of common stock issuable on exercise of stock options that are currently exercisable or will become exercisable within 60 days and 12,000 shares of restricted stock. Mr. McGuire has the right to vote, but not the right to dispose of, these shares of restricted stock.
- (5) Includes 30,000 shares of common stock issuable on exercise of stock options that are currently exercisable or will become exercisable within 60 days and 15,000 shares of restricted stock. Mr. Ruiz has the right to vote, but not the right to dispose of, these shares of restricted stock.
- (6) Includes 44,500 shares of common stock issuable on exercise of stock options that are currently exercisable or will become exercisable within 60 days.
- (7) Includes 40,500 shares of common stock issuable on exercise of stock options that are currently exercisable or will become exercisable within 60 days.
- (8) Mr. Woodard became our Chief Executive Officer on December 31, 2007. This amount represents 25,000 shares of restricted stock. Mr. Woodard has the right to vote, but not the right to dispose of, these shares of restricted stock.
- (9) Includes 14,500 shares of common stock issuable on exercise of stock options that are currently exercisable or will become exercisable within 60 days.
- (10) Includes 9,166 shares of common stock issuable on exercise of stock options that are currently exercisable or will become exercisable within 60 days.
- (11) Mr. Carlton resigned as our President and Chief Executive Officer as of February 5, 2007.
- (12) These securities are owned by various individuals and institutional investors including the T. Rowe Price Small Cap Value Fund (which owns 479,349 shares, representing 7.4% of the shares outstanding), which T. Rowe Price Associates, Inc. (Price Associates) serves as investment adviser with power to direct investments and/or sole power to vote the securities. For purposes of the reporting requirements of the Securities and Exchange Act of 1934, Price Associates is deemed to beneficially own these securities, although Price Associates disclaims that it beneficially owns those securities.
- (13) Includes shares beneficially owned by Messrs. Boosales, Peterson, McGuire, Ruiz, Emanuel, Simmons, Woodard, Orsatti, Federico and Carlton.

#### **Section 16(a) Beneficial Ownership Reporting Compliance**

Section 16(a) of the Exchange Act requires our officers and directors and persons who own ten percent or more of a registered class of our equity securities to file reports of ownership on Form 3 and changes in ownership on Form 4 or Form 5 with the SEC. Those officers, directors and ten percent or more shareholders are also required by SEC rules to furnish us with copies of all such forms that they file.

Based solely on our review of the copies of such forms received by us, we believe that during 2007, all Section 16(a) filing requirements applicable to our officers, directors, and ten percent or more shareholders were satisfied.

**Compensation Committee Interlocks and Insider Participation**

Our Compensation Committee is currently composed of Messrs. Boosales (chair), Federico, and Orsatti. A member of the Compensation Committee, James T. Boosales, was formerly an officer and an employee of the Company. No interlocking relationship exists between our Board of Directors or Compensation Committee and the board of directors or compensation committee of any other company, nor has any such interlocking relationship existed in the past.

**PROPOSAL NO. 2**

**RATIFICATION OF APPOINTMENT OF INDEPENDENT AUDITORS**

The Audit Committee appointed the firm of Grant Thornton LLP ( Grant Thornton ) to audit our financial statements for the fiscal year ending December 28, 2008. A representative of Grant Thornton will be present at the Annual Meeting, have the opportunity to make a statement, and be available to respond to appropriate questions.

**Fees Paid to Independent Auditors**

The following table shows fees for services provided by Grant Thornton for fiscal years 2007 and 2006: