ASTRO MED INC /NEW/
Form DEF 14A
April 13, 2012

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a)

of the Securities Exchange Act of 1934

(Amendment No.)

Filed by the Registrant x

Filed by a Party other than the Registrant ¨

Check the appropriate box:

¨ Preliminary Proxy Statement
x Definitive Proxy Statement
¨ Definitive Additional Materials
¨ Soliciting Material Pursuant to §240.14a-12

¨ **Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**

Astro-Med, Inc.

(Name of Registrant as Specified In Its Charter)

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

Payment of Filing Fee (Check the appropriate box):

x No fee required.

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

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

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

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

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¨ Fee paid previously with preliminary materials.

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(1) Amount Previously Paid:

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

(3) Filing Party:

(4) Date Filed:

Astro-Med, Inc.

600 East Greenwich Avenue

West Warwick, Rhode Island 02893

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

May 15, 2012

To the Shareholders of Astro-Med, Inc.:

Notice is hereby given that the 2012 Annual Meeting of Shareholders of Astro-Med, Inc. (the Company) will be held at the offices of the Company, 600 East Greenwich Avenue, West Warwick, Rhode Island on Tuesday May 15, 2012, beginning at 10:00 a.m., for the purpose of considering and acting upon the following:

(1) Electing five directors to serve until the next annual meeting of shareholders or until their successors are elected and have qualified.

(2) Transacting such other business as may properly come before the meeting.

The close of business on March 23, 2012 has been fixed as the record date for determining shareholders entitled to vote at the Annual Meeting or any adjournment thereof.

By Order of the Board of Directors

Margaret D. Farrell

Secretary

April 13, 2012

Kindly fill in, date and sign the enclosed proxy and promptly return it in the enclosed addressed envelope, which requires no postage if mailed in the United States. If you are personally present at the meeting, your proxy will be returned to you if you desire to vote in person.

IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR THE ANNUAL MEETING OF SHAREHOLDERS TO BE HELD ON MAY 15, 2012.

The Company s Proxy Statement, sample proxy card and Annual Report are available at:

http://www.proxyvote.com.

Astro-Med, Inc.

PROXY STATEMENT

ANNUAL MEETING OF SHAREHOLDERS

May 15, 2012

Solicitation and Revocation of Proxies

The accompanying proxy is solicited by the Board of Directors of Astro-Med, Inc. (herein called the Company) in connection with the annual meeting of the shareholders to be held May 15, 2012. The Company will bear the cost of such solicitation. It is expected that the solicitation of proxies will be primarily by mail. Proxies may also be solicited personally by regular employees of the Company at nominal cost. The Company may reimburse brokerage houses and other custodians, nominees and fiduciaries holding stock for others in their names, or in those of their nominees, for their reasonable out-of-pocket expenses in sending proxy material to their principals or beneficial owners and obtaining their proxies. Any shareholder giving a proxy has the power to revoke it at any time prior to its exercise, but the revocation of a proxy will not be effective until notice thereof has been given to the Secretary of the Company. Every properly signed proxy will be voted in accordance with the specification made thereon. This proxy statement and the accompanying proxy are expected to be first sent to shareholders on or about April 13, 2012.

Voting at Meeting

Only shareholders of record at the close of business on March 23, 2012 will be entitled to vote at the meeting. On the record date, there were 7,427,224 shares of common stock of the Company outstanding. There was no other outstanding class of voting securities. Each shareholder has one vote for every share owned.

Votes Required to Transact Business At the Meeting

The holders of a majority of the shares entitled to vote, present in person or represented by proxy, will constitute a quorum for the transaction of business at the meeting. **Please note that brokers may no longer vote your shares on the election of directors in the absence of your specific instructions as to how to vote.** Also, since there are no discretionary matters to be acted on at the meeting on which brokers would be able to vote without specific instructions from the beneficial owners, in order to establish a quorum at the meeting, you will need to provide your broker with instructions on how to vote your shares.

PROPOSAL NO. 1

ELECTION OF DIRECTORS

At the annual meeting, five directors are to be elected to hold office until the next annual meeting or until their respective successors are elected and qualified. The persons named in the accompanying proxy, who have been designated by the Board of Directors, intend to vote, unless otherwise instructed, for the election to the Board of Directors of the persons named below. The biographies below contain information regarding the person s service as director, business experience, director positions held currently or at any time during the last five years, and the experiences, qualifications, attributes or skills that caused the Nominating Committee and the Board of Directors to determine that the person should serve as a director.

Everett V. Pizzuti, 75, has been Chief Executive Officer of the Company since 2011 and was formerly President and Chief Operating Officer of the Company since 1971. Mr. Pizzuti has also been a director of the Company since 1985. Prior to 1971, he served as General Sales Manager of the Recorder Division of Gulton Industries. Through his long service as the Chief Operating Officer of the Company and now Chief Executive Officer, Mr. Pizzuti has an intimate knowledge of the Company s products and markets and is able to provide our Board of Directors with insight and advice related to the Board s decisions. Based on this experience, we believe that Mr. Pizzuti is qualified to serve on our Board of Directors.

Graeme MacLetchie, 74, is a private investor and was a director of Deutsche Bank Alex Brown (Private Client Division), an investment banking and brokerage services company for private wealth and asset management, from November 1995 to March 2010. Prior to this, Mr. MacLetchie was Senior Vice President of C. J. Lawrence Deutsche Bank Securities Corporation from 1970 to 1995. He has been a director of the Company since 2002 and also served as a Director of E-Sync Networks Inc., a provider of managed enterprise services and solutions to medium and large businesses, from 1994 to 1999. We believe that Mr. MacLetchie s substantial experience in the financial sector and knowledge of the financial, regulatory, corporate governance and other matters affecting public companies qualify him to serve on our Board of Directors.

Mitchell I. Quain, 60, was appointed a director of the Company on August 22, 2011. Mr. Quain is a Senior Advisor at Carlyle Group, a private equity firm. From 2010 through 2011, Mr. Quain was a Partner at One Equity Partners, a private investment firm. From 2006 through 2009, he was a Senior Director of ACI Capital Corp. From 2002 through 2005, Mr. Quain served as Chairman of Register.Com, Inc., an internet services provider, and from 1997 to 2001 he was employed with ABN AMRO and its predecessors in several capacities, including Vice Chairman. Mr. Quain also serves as Chairman of the Board of Directors of MagneTek, Inc., a manufacturer of digital power and motion control systems and a director of Handy & Harman Ltd., a diversified global industrial company, Hardinge Inc., a global designer, manufacturer and distributor of machine tools, RBC Bearings, Inc., an international manufacturer and marketer of highly engineered precision plain, roller and ball bearings, and Titan International, Inc., a supplier of wheel and tire assemblies. Mr. Quain previously served as a director of DeCrane Aircraft Holdings, Inc., HEICO Corporation and Mechanical Dynamics, Inc. We believe that Mr. Quain s extensive experience in the private equity sector and public company experience qualify him to serve on our Board of Directors.

Harold Schofield, 70, is the owner and manager of Schofield Imaging Association, LLC, in Narragansett, Rhode Island since 2004. Prior to this Mr. Schofield was Founder, President and CEO of Atlantek Incorporated, a leading company in the field of thermal printing and retired as Vice President and General Manger of Zebra-Atlantek following the acquisition of Atlantek Incorporated by Zebra Technologies in 2003. Prior to founding Atlantek Incorporated, Mr. Schofield was Design Engineering Manager at Gulton Industries where he was responsible for design and development of thermal printers, plotters and chart recorders. Mr. Schofield is an internationally recognized authority in the electronic printing field. We believe that Mr. Schofield s long history and expertise in the printing and imaging field qualify him to serve on our Board of Directors.

Hermann Viets, Ph.D., 69, has been President and Chief Executive Officer of the Milwaukee School of Engineering, a University located in Milwaukee, Wisconsin focused primarily on engineering education, since 1991. Dr. Viets served as a Director of Gehl Co. from 1999 to 2008. He serves as a Director of Public Policy Forum for southeastern Wisconsin, an independent reviewer of public policy issues. Dr. Viets also serves as a Director of Competitive Wisconsin Inc., an association of business, education and labor leaders promoting the State of Wisconsin and serves as a Member of the Greater Milwaukee Committee, an organization of civic leaders promoting the economic development and social improvement of the City of Milwaukee. Dr. Viets was also a Trustee of Polytechnic University (a private engineering school located in Brooklyn, NY) until 2009. Dr. Viets has been a director of the Company since 1988 and serves as Chairman of Compensation and Nominating Committees. We believe that Dr. Viets executive experience as president of a university, his service on other public company boards and his understanding of the Company s products as well as corporate governance matters qualify him to serve on our Board of Directors.

Jacques V. Hopkins, the current Chairman of the Board of Directors, has decided not to stand for re-election at the 2012 annual shareholders meeting. The Board of Directors has determined that all of the directors of the Company, including each of the nominees standing for election at the 2012 annual shareholders meeting and any director who served during the 2012 fiscal year, other than Albert W. Ondis and Everett V. Pizzuti, are independent of the Company in that such nominees have no material relationship with the Company either directly, or as a partner, shareholder or affiliate of an organization that has a relationship with the Company. The Board of Directors has made this determination in accordance with applicable Securities and Exchange Commission (SEC) rules and NASDAQ listing standards.

Security Ownership of Certain Beneficial Owners and Management

The following table sets forth as of March 23, 2012 (except as noted) the record and beneficial ownership of the Company s outstanding shares of common stock by each person who is known to the Company to own of record or beneficially more than five percent of such stock, by each director of the Company, by each executive officer named in the Summary Compensation Table and by all directors and executive officers of the Company as a group:

Name of Beneficial Owner	Number of Shares Beneficially Owned(a)	Percent of Class
Albert W. Ondis 600 East Greenwich Avenue West Warwick, Rhode Island	1,492,729(b)	20.1%
Albert W. Ondis III 600 East Greenwich Avenue West Warwick, RI 02893	1,618,963(c)(d)	21.8%
Alexis Ondis 600 East Greenwich Avenue West Warwick, Rhode Island	1,620,439(c)	21.8%
April Ondis 600 East Greenwich Avenue West Warwick, RI 02893	1,627,747(c)(e)	21.9%
Everett V. Pizzuti 600 East Greenwich Avenue West Warwick, Rhode Island	314,076(f)	4.2%
Rutabaga Capital Management, LLC 64 Broad Street, 3rd Floor Boston, MA 02109	722,224(g)	9.7%
Perritt Capital Management, Inc. 300 South Wacker Drive, Suite 2880 Chicago, IL 60606	380,500(h)	5.1%
Hermann Viets	211,325(i)	2.8%
Joseph P. O Connell	161,472(j)	2.2%
Elias G. Deeb	97,660(k)	1.3%
Jacques V. Hopkins	43,906(l)	*
Graeme MacLetchie	109,969(m)	1.5%
Michael Morawetz	14,661(n)	*
Mitchell I. Quain	6,136(o)	*
Michael J. Sullivan	70,765(p)	*
All directors and executive officers of the Company as a group (15)	1,142,713(q)	14.5%

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* Indicates less than 1.0%.

(a) If applicable, beneficially owned shares include shares owned by the spouse, minor children and certain other relatives of the director or executive officer, as well as shares held by trusts of which the person is a trustee or in which he or she has a beneficial interest, and shares acquirable pursuant to options which are presently or will become exercisable within 60 days of March 23, 2012. All information is based upon ownership of record as reflected on the stock transfer books of the Company or as reported on Schedule 13G or Schedule 13D filed under Rule 13d-1 under the Securities Exchange Act of 1934 or has been furnished by the respective directors and executive officers of the Company.

(b) Indicates shares held by the estate of Mr. Ondis and includes 8,456 shares deemed to be beneficially owned because of exercisable options to acquire shares and 3,731 shares allocated to Mr. Ondis account under the Company s Employee Stock Ownership Plan.

(c) Includes 1,492,729 shares held by the reporting person as co-executor of the Albert W. Ondis estate

(d) Includes 2,225 shares deemed to be beneficially owned because of exercisable options to acquire shares and 254 shares allocated to his account under the Company s Employee Stock Ownership Plan.

(e) Includes 11,000 shares deemed to be beneficially owned because of exercisable options to acquire shares and 574 shares allocated to his account under the Company s Employee Stock Ownership Plan.

(f) Includes 89,025 shares deemed to be beneficially owned because of exercisable options to acquire shares and 4,646 shares allocated to his account under the Company s Employee Stock Ownership Plan.

(g) Rutabaga Capital Management, LLC, a Massachusetts limited liability company, an investment adviser registered under the Investment Advisers Act of 1940, is deemed to have beneficial ownership of the number of shares shown as of December 31, 2011.

(h) Perritt Capital Management, Inc., an Illinois corporation and investment adviser registered under the Investment Advisers Act of 1940, is deemed to have beneficial ownership of the number of shares shown as of December 31, 2011.

(i) Includes 27,750 shares deemed to be beneficially owned because of exercisable options to acquire shares.

(j) Includes 79,187 shares deemed to be beneficially owned because of exercisable options to acquire shares and 1,932 shares allocated to his account under the Company s Employee Stock Ownership Plan.

(k) Includes 42,531 shares deemed to be beneficially owned because of exercisable options to acquire shares and 4,394 shares allocated to his account under the Company s Employee Stock Ownership Plan.

(l) Includes 27,750 shares deemed to be beneficially owned because of exercisable options to acquire shares.

(m) Includes 29,125 shares deemed to be beneficially owned because of exercisable options to acquire shares.

(n) Includes 14,661 shares deemed to be beneficially owned because of exercisable options to acquire shares.

(o) Includes 5,000 shares deemed to be beneficially owned because of exercisable options to acquire shares.

(p) Includes 43,350 shares deemed to be beneficially owned because of exercisable options to acquire shares and 4,200 shares allocated to his account under the Company s Employee Stock Ownership Plan.

(q) Includes 455,878 shares deemed to be beneficially owned because of exercisable options to acquire shares and 21,044 shares allocated to the accounts of officers under the Company s Employee Stock Ownership Plan.

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Securities Exchange Act of 1934 (the Exchange Act), as amended, requires the directors and executive officers of the Company and any persons who own more than ten percent of the Company s common stock to file with the Securities and Exchange Commission various reports of beneficial ownership and changes in beneficial ownership. The Company believes all of its directors and executive officers complied with all filing requirements applicable to them with respect to transactions during the fiscal year ended January 31, 2012, except that a Form 4 was not timely filed on behalf of Joseph P. O Connell in connection with his exercise of options on September 9, 2011 to purchase 66,687 shares of the Company s common stock and delivery of 38,241 shares of the Company s common stock to the Company to pay the exercise price on the aforementioned exercise of options.

Meetings and Committees

During the fiscal year ended January 31, 2012, the Board of Directors held ten meetings. During fiscal year 2012, all directors attended at least 75% of the meetings of the Board of Directors and meetings of committees on which such director serves. The Board of Directors has adopted a policy that requires members of the Board to make every effort to attend each annual shareholders meeting. All members of the Board of Directors attended the 2011 annual shareholders meeting except for Mr. Ondis due to illness.

The Board of Directors currently has three standing committees: an Audit Committee, a Compensation Committee and a Nominating Committee. The members and chairs of each of those committees are appointed each year. The Audit Committee is comprised of three of the Company s outside directors, Messrs. Hopkins and MacLetchie and Dr. Viets. The Compensation and Nominating Committees are comprised of all of our outside directors, Messrs. Hopkins, MacLetchie and Quain and Dr. Viets. Each of the members of our committees are independent as defined under the applicable NASDAQ listing standards and SEC rules. Each of the Audit, Compensation and Nominating Committees has a written charter approved by the Board of Directors. A copy of each charter is available on the Company s website at www.astro-medinc.com under Our Company Corporate Governance.

Audit Committee. The Audit Committee s primary duties and responsibilities include overseeing the integrity of the Company s financial reports; appointing, setting the compensation and overseeing the Company s independent accountants; and assessing the qualifications and independence and performance of the Company s independent accountants and the adequacy of internal controls. The Audit Committee meets with the Company s independent accountants to review quarterly financial results, the results of the audit and other relevant matters. Mr. Hopkins serves as Chairman of the Audit Committee, which held five meetings during the fiscal year ended January 31, 2012. The Board of Directors has determined that all three members of the Audit Committee satisfy the financial literacy requirements of the NASDAQ listing standards and are independent as defined under the NASDAQ listing requirements and applicable SEC rules. Additionally, the Board of Directors has determined that Graeme MacLetchie satisfies the financial sophistication requirement of the NASDAQ listing requirements, but that none of the Audit Committee members qualifies as an audit committee financial expert as defined by the SEC rules, which, in the view of the Board of Directors, requires an advanced understanding of internal controls and procedures. However, the Board of Directors believes that the members of the Audit Committee have a thorough understanding of the Company s business, the accounting issues relevant to the Company s financial statements and audit committee functions and possess the requisite skills to perform effectively their oversight function.

Compensation Committee. The Compensation Committee assists the Board of Directors in discharging the Board s responsibilities relating to director and executive compensation. The Compensation Committee s responsibilities include: establishing and reviewing the Company s executive and director compensation philosophy, strategies, plans and policies; making recommendations with respect to the design of the Company s incentive compensation plans and equity based plans; granting awards under such plans and overseeing generally the administration of such plans; evaluating the performance and determining the compensation of the Chief Executive Officer; and reviewing and approving recommendations on compensation of other executives. Dr. Viets serves as chairman of the Compensation Committee, which held seven meetings during the fiscal year ended January 31, 2012.

Nominating Committee. The Nominating Committee is responsible for identifying individuals qualified to be members of the Board of Directors and recommending such individuals to be nominated by the Board of Directors for election to the Board of Directors by the shareholders. The Nominating Committee held four meetings in the fiscal year ended January 31, 2012. Dr. Viets serves as chairman of the Nominating Committee.

Nomination of Directors

The Nominating Committee considers suggestions from many sources, including shareholders, regarding possible candidates for director. The Nominating Committee does not set specific criteria for directors but seeks individuals who possess the highest ethical standards and integrity, have a history of achievement that reflects superior standards for themselves and others, have the ability to provide wise, informed and thoughtful counsel to management on a range of issues, exercise independence of thought and possess skills and expertise appropriate to meet the Company s needs and advance the long-term interests of the shareholders. The Nominating Committee does not have a policy with respect to diversity and does not specifically consider issues of diversity, such as gender, race, origin or sex when determining whether to nominate any person to be a director of the Company. All non-employee directors must be independent within the meaning of applicable NASDAQ rules.

The Nominating Committee must also ensure that members of the Board of Directors as a group maintain the requisite qualifications under the NASDAQ listing standards for populating the Audit, Compensation and Nominating Committees. The Nominating Committee will consider shareholder nominees for director in the same manner as nominees for director from other sources.

Shareholders may send recommendations for director nominees to the Nominating Committee at the Company s offices at 600 East Greenwich Avenue, West Warwick, Rhode Island 02893. Submissions should include information regarding a candidate s background, qualifications, experience and willingness to serve as a director. In addition, Section 10 of Article II of the Company s By-Laws sets forth specific procedures that, if followed, enable any shareholder entitled to vote in the election of directors to make nominations directly at an annual meeting of shareholders. These procedures include a requirement for written notice to the Company at least 60 days prior to the scheduled annual meeting and must contain the name and certain information concerning the nominee and the shareholders who support the nominee s election. For the annual meeting to be held in 2013, the notice deadline under the By-Laws is March 22, 2013. A copy of this By-Law provision may be obtained by writing to Astro-Med, Inc., Attn: Investor Relations Department, 600 East Greenwich Avenue, West Warwick, Rhode Island 02893.

Communications with the Board of Directors

The Company s Board of Directors provides a process for shareholders to communicate directly with the members of the Board of Directors or the individual chairman of standing committees. Any shareholder with a concern, question or complaint regarding our compliance with any policy or law, or would otherwise like to contact the Board of Directors may communicate directly with the directors by writing directly to those individuals c/o Astro-Med, Inc., 600 East Greenwich Avenue, West Warwick, Rhode Island 02893. The

Company s general policy is to forward, and not to intentionally screen, any mail received at the Company s corporate offices that is sent directly to an individual unless the Company believes the communication may pose a security risk.

Board Leadership Structure

Prior to his resignation due to illness on June 29, 2011, Albert W. Ondis served as both the Chief Executive Officer and the Chairman of the Board of Directors. Following his resignation, the Board of Directors separated the positions of Chief Executive Officer and Chairman of the Board of Directors appointing Everett V. Pizzuti, Chief Executive Officer, and Jacques V. Hopkins, Chairman. The Board of Directors believes that separating the positions provides an independent viewpoint and focus at board meetings, and ensures that Mr. Pizzuti will be able to focus his entire energy on running the Company.

Risk Oversight

The Board of Directors has an active role, as a whole and also at the committee level, in overseeing management of the Company s risks through a program of sound policies, systems, processes, and reports. The Audit Committee of the Board of Directors has oversight responsibility over financial reporting and disclosure process, compliance and legal matters, and information security and fraud risk. The Audit Committee also monitors controls for material weaknesses in the audit function. The Audit Committee meets regularly with our Chief Financial Officer and Controller in carrying out these responsibilities, and with the Company s independent auditors in executive session.

The Compensation Committee of the Board of Directors oversees risks as they relate to the Company s compensation policies and practices as described under Compensation Discussion and Analysis. The Board s Nominating Committee assists the Board of Directors in fulfilling its oversight responsibilities with respect to independence of board members and identification of individuals qualified to be members of the Board of Directors.

While each committee is responsible for evaluating the risks within their areas of responsibility and overseeing the management of such risks, all our committees report regularly to the full Board of Directors, which also considers the Company s entire risk profile.

Compensation of Directors

The Compensation Committee is responsible for reviewing and establishing the compensation of the directors of the Company. For fiscal year 2012, Messrs. Hopkins, MacLetchie and Quain and Dr. Viets were paid an annual retainer of $3,500 (in quarterly installments) plus $500 for each Board and committee meeting attended (including attendance through telephonic means). Directors who are also officers or employees of the Company are not entitled to receive any compensation in addition to their compensation for services as officers or employees.

Under the Company s 2007 Equity Incentive Plan, each non-employee director receives non-qualified options to purchase 5,000 shares of the Company s common stock upon initial election to the Board of Directors (if not at the annual meeting) and upon the adjournment of each annual meeting or special meeting in lieu of an annual meeting of the shareholders of the Company. These options have a term of ten years and become exercisable immediately prior to the occurrence of the next annual meeting following the date the option is granted.

In addition to the 2007 Equity Incentive Plan, the Company adopted a Non-Employee Director Annual Compensation Program (the Program) on January 30, 2012 effective as of February 1, 2012. The Program provides that each non-employee director is entitled to an annual cash retainer of $7,000 (the Cash Retainer), plus $500 for each Board and committee meeting attended, provided that if more than one meeting occurs on the same day, no more than $500 shall be paid for such day. The non-employee director may elect for any fiscal year to receive all or a portion of the Cash Retainer in the form of common stock of the Company.

In addition, under the Program, commencing with the 2012 annual meeting, the non-employee director will receive a restricted stock award with a value equal to $20,000 (the Equity Retainer). If a non-employee director is first appointed or elected to the Board of Directors effective on a date other than at the annual shareholders meeting, on the date of such appointment or election the director shall receive a pro rata award of restricted common stock having a value based on the number of days remaining until the next annual meeting. The Equity Retainer will vest on the earlier of 12 months after the grant date or the date immediately prior to the next annual meeting (or special meeting in lieu of annual meeting) of the shareholders following the meeting at which such restricted stock award was granted. However, a non-employee director may not sell, transfer, assign, pledge or otherwise encumber the vested common stock prior to the second anniversary of the vesting date. In the event of the death or disability of a non-employee director, or a Change in Control (as such term is defined in the Company s 2007 Equity Incentive Plan) of the Company, the restricted stock award shall immediately vest and shall no longer be subject to such restrictions on transfer.

Unless a non-employee director elects to receive all or a portion of the Cash Retainer in common stock (as described below), each non-employee director will receive the Cash Retainer in four equal quarterly installments on the first day of each fiscal quarter.

If a non-employee director elects to receive all or a portion of the Cash Retainer in the form of common stock, such shares shall be issued in four quarterly installments on the first day of each fiscal quarter, and the number of shares of common stock to be issued shall be based on the fair market value of such common stock on the date such installment is payable. The common stock received in lieu of such Cash Retainer will be fully vested. However, a non-employee director who receives common stock in lieu of all or a portion of the Cash Retainer may not sell, transfer, assign, pledge or otherwise encumber the common stock prior to the first anniversary of the date on which such shares were granted. In the event of the death or disability of a non-employee director, or a Change in Control (as such term is defined in the Company s 2007 Equity Incentive Plan) of the Company, any shares of common stock issued in lieu of such Cash Retainer, shall no longer be subject to such restrictions on transfer.

The following Director Compensation table provides information regarding the compensation paid or accrued by each individual who was a director during the 2012 fiscal year.

Name	**Total ($)**	**Fees Earned or Paid in Cash ($)**	**Option Awards ($)(a)(b)**	**All Other Compensation**
Jacques V. Hopkins	$ 18,764	$ 8,500	$ 10,264	$
Graeme MacLetchie	18,764	8,500	10,264	
Everett V. Pizzuti(c)				
Mitchell I. Quain	11,532	2,250	9,282	
Hermann Viets	18,764	8,500	10,264	

(a) The amounts reflect the aggregate fair value of the awards on the grant date under FASB ASC Topic 718 (formerly FAS 123(R)) for stock options granted to directors. Assumptions used in the calculation of these amounts are included in footnote 7 in the Company s audited financial statements for the fiscal year ended January 31, 2012, included in the Company s Annual Report on Form 10-K filed with the SEC on April 4, 2012.

(b) As of January 31, 2012, each non-employee director had the following number of options outstanding: Jacques V. Hopkins 27,750, Graeme MacLetchie 29,125, Mitchell I. Quain 5,000 and Hermann Viets 27,750.

(c) See Summary Compensation Table and Outstanding Equity Awards at Fiscal Year End Table under Executive Compensation for disclosure relating to compensation and outstanding option awards of Mr. Pizzuti.

COMPENSATION DISCUSSION & ANALYSIS

The Compensation Committee of the Board of Directors of the Company (the Committee) is charged with the responsibility for establishing, implementing and monitoring adherence to the Company s compensation philosophy and assuring that executives and key management personnel are effectively compensated in a manner which is internally equitable. The Committee also is responsible for reviewing and establishing the compensation of directors.

Compensation Philosophy and Objectives. Our overall philosophy in terms of executive compensation is to link management incentives with the actual financial performance of the Company. Similarly, the compensation should attract, retain and motivate highly qualified individuals to achieve the Company s business goals and link their interests with shareholder interests. In setting compensation for our executive officers, the Committee considers the executive s performance, awards, if any, made during prior years and other relevant factors. We seek to have the long-term performance of our common stock reflected in executive compensation through our equity incentive programs.

Elements of Compensation. Our total compensation program for executive officers consists of the following:

- salary;
- cash incentive and bonus awards tied to the Company s and employee s annual performance;
- long-term incentive compensation, historically in the form of stock options; and
- retirement and other benefits.

We choose to pay each element of compensation in order to attract and retain the necessary executive talent, reward annual performance and provide incentive for both long-term strategic goals as well as short-term performance. Our policy for allocating between currently paid and long-term compensation is to ensure adequate base compensation to attract and retain personnel, while providing incentives to maximize long-term value for our shareholders.

Setting Executive Compensation. The Committee is responsible for establishing and periodically reviewing the compensation of our executive officers and approving all equity awards. The Committee annually reviews the performance of the executive officers and, based on these reviews, the Committee determines salary adjustments and annual award amounts of our executive officers.

Salary. Base salaries for our executive officers were established a number of years ago. Historically, base salaries have been increased at annual rates which approximate the general rates of increase of compensation for all employees of the Company. Annual salary adjustments are made effective April 1 of each year. For fiscal year 2012, we increased the compensation of the Company s employees and executive officers by approximately 1 $^{1}/2$%. Everett V. Pizzuti received an additional salary increase of $20,671 in fiscal year 2012 in connection with his appointment as CEO which increased his salary from $249,329 to $270,000.

Cash Incentive and Bonus Awards. The Committee has adopted two separate management bonus plans applicable to executive officers of the Company for the purpose of providing incentive compensation to the Company s executive officers. One plan is applicable to domestic employees of the Company (the Domestic

Plan) and the other is applicable to the Vice President-International Branches, currently Michael Morawetz (the International Branch Plan). Awards to executive officers other than the Chief Executive Officer of the Company under the Domestic Plan have been based on the Company s achieving specified thresholds of annual operating income and return on net assets. Awards to the Chief Executive Officer of the Company under the Domestic Plan are predicated on achieving specified levels of annual operating income, return on net assets and annual sales thresholds. Effective March 15, 2010, the Domestic Plan was amended to provide that awards to all executive officers, including the Chief Executive Officer of the Company, will be based on achieving specified levels of annual operating income, return on net assets and annual sales thresholds, on a consolidated basis. For fiscal year 2012, the Company s Chief Executive Officer was eligible to receive a bonus under the Domestic Bonus Plan ranging from 12% to 27% of his base salary while the Company s other executive officers were eligible to receive bonuses ranging from 10.5% to 25% of their respective base salaries.

Awards under the International Branch Plan are based on the annual earned bonus pool available under the Company s bonus plans applicable to the Company s international branches located in Canada, the United Kingdom, France and Germany. These bonus pools are determined by comparing the annual sales achieved in the last fiscal year ended by each international branch to the respective volume of sales achieved during the prior fiscal year for each branch. Sales that surpass the prior year s sales earn a 4% bonus on the incremental sales volume up to the specified target established by the Committee for that year. The bonus pool earned is then adjusted (increased or decreased) by the branch s achievement of specified profit margin thresholds as determined by the Committee. The amounts available under the branch bonus pools are then allocated amongst a pool of individuals at such offices at the discretion of the CEO. Under the International Branch Plan, the Vice President of International Branches was eligible to receive a bonus of up to 20%; provided that, no bonus will be paid to the Vice President of International Branches under the International Branch Plan unless the consolidated sales value of all the Company s international branches meets the minimum threshold of sales value for each of the Company s international branches as established annually by the Committee.

The specified threshold and target financial objectives and business objectives and the related bonus payouts under the Company s bonus plans are established annually by the Committee and, accordingly, individual awards may vary, up or down, from year to year. Bonuses paid or accrued for fiscal year 2012 under our management bonus plan to all executive officers was $328,653 which represented approximately 47% of their maximum bonus opportunity. Bonuses paid to our Named Executive Officers for fiscal year 2012 under the Domestic Plan were as follows: Everett V. Pizzuti: $73,891 representing approximately 46% of his maximum bonus opportunity under the plan; Joseph P. O Connell: $53,000 representing approximately 42% of his maximum bonus opportunity under the plan; Elias G. Deeb: $38,835 representing approximately 42% of his maximum bonus opportunity under the plan; Michael J. Sullivan: $38,103 representing approximately 42% of his maximum bonus opportunity under the plan. We also paid a bonus to Michael Morawetz under the International Branch Plan in the amount of $4,420 which represented approximately 4% of his maximum bonus opportunity under that plan. The bonuses paid under the Domestic Plan and the International Branch Plan are reflected in the Non-Equity Incentive Plan Compensation column of the Summary Compensation Table below.

In addition to our management bonus plans, from time-to-time we award cash bonuses to our executive officers to reward their efforts in extraordinary circumstances. Such awards are made at the discretion of the Committee.

Long-Term Incentive Compensation. Total compensation at the executive level also includes long-term incentive awards granted under the Company s Non-Qualified Stock Option Plan and 2007 Equity Incentive

Plan. The objectives of the equity incentive program are to align executive and shareholder long-term interests by creating a strong and direct link between executive pay and total shareholder return, and to enable executives to develop and maintain a long-term stock ownership position in our common stock. Historically, all equity awards have been in the form of stock options which have generally been granted in March of each year at an exercise price of not less than 100% of the market price on the date of grant. Under the 2007 Equity Incentive Plan, the exercise price of all stock options must be at least 100% of the market price on the date of grant, provided that the exercise price for incentive stock options (ISOs) granted to any ten percent beneficial owner of our stock, must be not less than 110% of the market price on the date of grant. Since 2004, all options granted vest in four equal annual installments commencing on the first anniversary of the date of grant. Beginning in fiscal year 2013, a portion of the Company s long-term incentive compensation will be awarded in the form of restricted stock units. Restricted stock units will be earned and vest based upon the Company achieving specified thresholds of annual net sales and operating income established under the Domestic Plan. Under the Company s 2007 Equity Incentive Plan, the Company is also able to make equity awards in the form of restricted stock, restricted units and performance units in addition to stock options.

Retirement and Other Benefits. In order to attract and retain key executives, we offer retirement benefits through a Profit-Sharing Plan and Employee Stock Ownership Plan for employees, including our executive officers.

Profit-Sharing Plan. We maintain a qualified Profit-Sharing Plan which provides retirement benefits to substantially all our employees and provides for contributions into a trust fund in such amounts as the Board of Directors may annually determine. Each eligible employee shares in contributions on the basis of relative (limited to $245,000) compensation. In addition, participants are permitted to defer up to 50% of their cash compensation and make contributions of such deferral to this plan through payroll deductions. The Company makes matching contributions equal to 50% of the first percent of compensation contributed and 25% of the second through the seventh percent. The deferrals are made within the limits prescribed by Section 401(k) of the Internal Revenue Code (the Code). The Profit-Sharing Plan provides for the vesting of 100% of matching contributions made by the Company to the account of the employee after three years of service. Contributions by an employee are 100% vested immediately.

Employee Stock Ownership Plan. We also have an Employee Stock Ownership Plan which provides retirement benefits to substantially all employees of the Company. Contributions in such amounts as the Board of Directors may annually determine are allocated among eligible employees on the basis of relative (limited to $100,000) compensation. Participants are 100% vested in any and all allocations to their accounts. Contributions, which may be in cash or stock, are invested by the Plan s trustee in shares of common stock of the Company.

Perquisites. In addition to the benefits described above, we provide automobile allowances to certain of our executive officers. The amounts of any aforesaid automobile allowances to our Named Executive Officers are reflected in the All Other Compensation column of the Summary Compensation Table below.

We have no employment agreements with any of our executive officers and, generally, we do not provide any severance benefits to our executives other than those provided to all employees. Severance benefits will vary based upon salary levels and length of service.

COMPENSATION COMMITTEE REPORT

The Compensation Committee has reviewed and discussed with management the Compensation Discussion & Analysis included above. Based on these reviews and discussions, the Compensation Committee has recommended to the Board of Directors that the Compensation Discussion & Analysis be included in the Company s Annual Report on Form 10-K for the fiscal year ended January 31, 2012 for filing with the SEC through incorporation by reference of this Proxy Statement.

Compensation Committee:

Hermann Viets, Ph.D. (Chairman)

Jacques V. Hopkins

Graeme MacLetchie

Mitchell I. Quain

EXECUTIVE COMPENSATION

The following table provides information regarding the total compensation paid or accrued by the Company to each of its current Chief Executive Officer (CEO), Everett V. Pizzuti, and former CEO, Albert W. Ondis who resigned on June 29, 2011, its Chief Financial Officer (CFO) and its three other highest paid executive officers other than the CEO and CFO (collectively, the Named Executive Officers).

Because the Company s Domestic Plan and International Branch Plan are based on achieving specified performance goals, awards under these plans are not considered Bonuses for purposes of SEC rules and are listed below as Non-Equity Incentive Plan Compensation.

Summary Compensation Table

Name and Principal Position	**Year**	**Salary ($)**	**Bonus ($)(a)**