

SCHMITT INDUSTRIES INC
Form DEF 14A
August 31, 2007

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of
the Securities Exchange Act of 1934 (Amendment No.)

Filed by the Registrant X

Filed by a Party other than the Registrant O

Check the appropriate box:

- 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

Schmitt Industries, Inc.
(Name of Registrant as Specified In Its Charter)

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

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SCHMITT INDUSTRIES, INC.

2765 N.W. NICOLAI STREET

PORTLAND, OREGON 97210

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

October 5, 2007

TO THE SHAREHOLDERS:

NOTICE IS HEREBY GIVEN that the Annual Meeting of Shareholders of SCHMITT INDUSTRIES, INC., an Oregon corporation (the Company), will be held on Friday, October 5, 2007 at 3:00 p.m., local time, at 2765 N.W. Nicolai Street, Portland, Oregon 97210 for the following purposes:

1. To elect one Class 1 director, to serve a three-year term and until his successor is duly elected and qualified.
2. To transact such other business as may properly come before the meeting or any postponement or adjournment thereof.

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

Only shareholders of record at the close of business on August 22, 2007 are entitled to notice of, and to vote at, the Annual Meeting and any adjournments thereof.

All shareholders are cordially invited to attend the Annual Meeting. Whether or not you expect to attend the annual meeting, please complete, sign, and date the accompanying proxy card and return it in the enclosed prepaid envelope, or submit your voting instructions by telephone or through the Internet if those options are available to you. If you attend the annual meeting, you may revoke your proxy and vote in person if you wish, even if you have previously returned your proxy card.

By Order of the Board of Directors

Wayne A. Case
*Chairman of the Board,
President and Chief Executive Officer*

Portland, Oregon
August 31, 2007

YOUR VOTE IS IMPORTANT.

DEPENDING ON HOW YOUR SHARES ARE HELD THERE MAY BE THREE WAYS TO VOTE:

- Sign, date and return your proxy card in the enclosed envelope as soon as possible, or
- By internet, or
- By telephone.

SCHMITT INDUSTRIES, INC.
2765 N.W. Nicolai Street
Portland, Oregon 97210
(503) 227-7908

PROXY STATEMENT

Annual Meeting of Shareholders
October 5, 2007

INFORMATION CONCERNING SOLICITATION AND VOTING

Introduction

This proxy statement contains information about the 2007 Annual Meeting of Shareholders (the Annual Meeting) of Schmitt Industries, Inc. (the Company or Schmitt) to be held at 2765 N.W. Nicolai Street, Portland, Oregon 97210, on October 5, 2007, at 3:00 p.m. local time, and at any postponements or adjournments thereof. The Company's Board of Directors is using this proxy statement to solicit proxies for use at the Annual Meeting. This proxy statement and the enclosed proxy card are being mailed to shareholders on or about August 31, 2007 to shareholders entitled to vote at the Annual Meeting.

Purpose of the Annual Meeting

The purpose of the meeting is to vote on the following matters:

1. To elect one Class 1 director, to serve a three-year term and until his successor is duly elected and qualified.
2. To transact such other business as may properly come before the meeting or any postponement or adjournment thereof.

As of the date of this proxy statement, the Company is not aware of any business to come before the meeting other than the items noted above.

PROXY STATEMENT

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VOTING PROCEDURES AND RELATED MATTERS

Who Can Vote

Shareholders of record as of the close of business on August 22, 2007 (the Record Date) are entitled to receive notice of, to attend, and to vote at the Annual Meeting. As of August 22, 2007, there were 2,668,933 shares of Schmitt common stock issued and outstanding.

How to Vote

You may give instructions on how your shares are to be voted on the internet, by telephone or mail by marking, signing, dating and returning the enclosed proxy card in the accompanying postage-paid envelope.

A proxy, when executed and not revoked, will be voted in accordance with its instructions. If no choice is indicated on the proxy, the shares will be voted FOR the nominees of the Board of Directors (Proposal No. 1) and as the proxy holders may determine in their discretion with respect to any other matters that properly come before the Annual Meeting.

Revoking a Proxy

You may revoke any proxy given pursuant to this solicitation by attending the Annual Meeting and voting in person, or by delivering to the Company's Corporate Secretary at the Company's principal executive offices referred to above, prior to the Annual Meeting, a written notice of revocation or a duly executed proxy bearing a date later than that of the previously submitted proxy. Please note that your mere attendance at the Annual Meeting will not automatically revoke a previously submitted proxy.

Quorum and Voting Requirements

A quorum of shareholders is necessary to hold a valid meeting. A quorum will exist if shareholders holding at least a majority of the outstanding shares of common stock entitled to vote are present at the meeting in person or by proxy. If a quorum is present, the affirmative vote of a majority of shares represented in person or by proxy will be required to approve Proposal 1 and to decide any other matter that may properly be submitted to a vote at the Annual Meeting, unless a greater number of affirmative votes is required by applicable law. Shares that are voted FOR, AGAINST or ABSTAIN in a matter are treated as being present at the Annual Meeting for purposes of establishing the quorum, but only shares voted FOR or AGAINST are treated as shares represented and voting at the Annual Meeting with respect to such matter. Accordingly, abstentions and broker non-votes will be counted for purposes of determining the presence or absence of the quorum for the transaction of business, but will not be counted for purposes of determining the number represented and voting with respect to a proposal. If a quorum is not present, the meeting may be adjourned until a quorum is obtained.

Proxy Solicitation Costs and Methods

The Company will bear the cost of this solicitation. The Company may retain and compensate an outside firm to assist in obtaining proxies from brokers and nominees of shareholders for the Annual Meeting. In addition, the Company will reimburse brokerage firms and other persons representing beneficial owners of shares for their reasonable expenses in forwarding solicitation material to such beneficial owners. Certain of the Company's directors, officers and regular employees, without additional compensation, may solicit proxies personally or by telephone, facsimile or e-mail.

The Company's Annual Report

A copy of the Company's annual report on Form 10-K for the fiscal year ended May 31, 2007 (Fiscal 2007) is enclosed with this proxy statement, and the contents of and exhibits to that annual report, including any amendments thereto, are incorporated by reference herein. Upon written or oral request, the Company will provide copies of the exhibits to the annual report at no charge; such requests should be directed to 2765 N.W. Nicolai Street, Portland, Oregon 97210, Attention: Corporate Secretary. Only one copy of this proxy statement, notice and Form 10-K is being delivered to shareholders who share an address, unless we have received contrary instructions from those shareholders. Upon written or oral request, we will deliver a separate copy of this proxy statement, notice and Form 10-K. Requests for such additional copies this year or in future years should be directed to our Corporate Secretary at the address or telephone number above. If two or more shareholders sharing an address are receiving multiple copies and wish to receive only a single copy, they can submit a request to the same address and telephone number above.

Deadline for Receipt of Shareholder Proposals for 2008 Annual Meeting

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Proposals of shareholders that are intended to be presented by such shareholders at the Company's 2008 Annual Meeting of Shareholders must be received by the Company no later than May 5, 2008 in order that such proposals may be included in the proxy statement and form of proxy relating to that meeting. If a shareholder, rather than including a proposal in the proxy statement as discussed above, commences his or her own proxy solicitation for the 2008 Annual Meeting of Shareholders or seeks to propose business for consideration at the 2008 Annual Meeting not addressed in the proxy statement, we must receive notice of such proposal on or before July 17, 2008. If the notice is not received on or before July 17, 2008, it will be considered untimely, and we will have discretionary voting authority under proxies solicited for the 2008 Annual Meeting of Shareholders with respect to such proposal, if presented at that meeting.

CORPORATE GOVERNANCE

The Company's directors, including the Nominees, and executive officers, and their ages as of May 31, 2007, are as follows:

Name	Age	Position
Wayne A. Case	66	Chairman/President/CEO, Director (Class 3)
David W. Case	43	Vice President of Operations
Michael S. McAfee	49	Chief Financial Officer and Treasurer
Linda M. Case	61	Secretary
Maynard E. Brown(1)	60	Director (Class 3)
Michael J. Ellsworth(1)	64	Director (Class 2)
Timothy D.J. Hennessy	46	Director (Class 2)
David M. Hudson(1)	55	Director (Class 1)

(1) Member of the Compensation Committee, the Nominating Committee and the Audit Committee.

Board of Directors

The Company's Restated Bylaws provide that the Company shall not have less than two nor more than nine directors, with the exact number set by the Board of Directors. The size of the Board of Directors is currently set at five directors.

The directors of the Company are divided into three classes. One class of directors is elected each year and the members of such class will hold office for a three-year term and until their successors are duly elected and qualified or until their death, resignation or removal from office. The Class 1 director is David M. Hudson, whose term expires at this year's Annual Meeting of Shareholders. The Class 2 directors are Timothy D.J. Hennessy and Michael J. Ellsworth, whose terms expire at the 2008 Annual Meeting. The Class 3 directors are Maynard E. Brown and Wayne A. Case, whose terms expire at the 2009 Annual Meeting.

Nominee

David M. Hudson was appointed as a director in April 2006. He previously served as a director of the Company from 1996 to 2003, at which time he moved to New York where he started Gemini Value Partners LLC, a private investment fund. Mr. Hudson was the founder and President of Hudson Capital Management, formed from a group of seven mutual funds, and through merger became the Crabbe Hudson Group of Funds, in 1992. He was also the co-founder of Coldstream Capital Management, Inc. His founder's interest was sold to publicly traded Boston Private Financial Holdings (BPFH) in 2003. Mr. Hudson holds a B.S. degree in Mathematics from the University of Oregon where he also pursued postgraduate studies in Economics.

Continuing Directors

***Wayne A. Case* has been President of the Company since 1986, Chief Executive Officer since 1996 and Chairman of the Board since 1997. In addition to overseeing the day-to-day operations of the Company, he is responsible for international marketing operations and is Managing Director of Schmitt Europe Ltd. Mr. Case holds a B.S. degree in Business and Economics from Linfield College and a M.B.A. degree from the University of Portland. Mr. Case is a director of VRB Power Systems Inc. He is married to Linda M. Case and is the father of David W. Case.**

Maynard E. Brown, a director since 1992, resides in British Columbia, Canada. He is self employed as a Barrister & Solicitor. From 1993 until 2003, Mr. Brown had been the senior partner of Brown McCue of Vancouver, British Columbia, a firm specializing in advising publicly held corporations in securities and related matters. Mr. Brown has a Bachelor of Law degree from Dalhousie University in Halifax, Canada.

Timothy D.J. Hennessy was appointed as a director in August 2003. Since 2002 he has consulted and worked part-time in Portland, Oregon, with VRB Power Systems Inc. (VRB), an alternative electrochemical energy storage company based in Vancouver, B.C. From 2000 to 2002, he was Vice President Engineering and Operations and Managing Director of Lectrix, London, UK. From 1997 to 2000 he was Vice President Energy Services of an affiliate of PacifiCorp, Portland, Oregon. Prior to that he held various positions with Power Quality Technology and Eskom, both of Johannesburg, South Africa. He holds an M.S. degree in Engineering from the University of the Witwatersrand and a B.Sc. degree in Engineering from the University of Natal. Mr. Hennessy is a director of VRB whose stock is listed on the TSX Venture Exchange and the OTC Pink Sheets.

Michael J. Ellsworth was appointed as a director in April 2006. He has a variety of business experiences in the semiconductor industry and he currently is self employed as a consultant to the semiconductor industry through his firm Kinetic Technologies Inc. Mr. Ellsworth holds a B.S. degree in Engineering Science from University of Portland, 1965; a M.S. degree in Mechanical Engineering from Northwestern University, 1969 and a M.B.A. from University of Portland, 1979. He also attended the Stanford Executive Institute, 1983 and the Mahler Institute, 1987. Mr. Ellsworth served as Chief Operating Officer and advisor to the Board for ADE Corporation, (ADEX), Westwood, Massachusetts from 1993 to 1997. ADE is a semiconductor metrology and instrumentation company. After retirement from active management in 1997 he continued to serve as a Vice President and an advisor to the Board until 2001. Mr. Ellsworth also served as President, CEO and Director of Electro Scientific Industries, (ESIO), from 1987 to 1992. Electro Scientific Industries is a microelectronics and semiconductor capital equipment corporation with market leadership in providing laser based equipment to control the manufacturing process and end product quality.

Other Executive Officers

Wayne A. Case has been President of the Company since 1986, Chief Executive Officer since 1996 and Chairman

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David W. Case has been Vice President of Operations of the Company since 1996 and before then was Production Manager. Mr. Case holds a B.S. degree in Economics from the University of Oregon. He has been responsible for many of the design features of the SBS Dynamic Balance System. His duties include manufacturing, engineering and quality assurance. Mr. Case is the son of Wayne A. Case.

Linda M. Case has been Secretary of the Company since 1993 and before then was Office Manager. Her duties include investor relations, office management, purchasing and inventory management. Ms. Case holds a B.A. degree in Sociology and Psychology from Linfield College in McMinnville, Oregon. Ms. Case is married to Wayne A. Case.

Michael S. McAfee has been Chief Financial Officer and Treasurer of the Company since 2005. Mr. McAfee was associated with Oregon Rail Holdings, a cruise and railtour company, first serving as its Chief Financial Officer from 1997 until 2000 and then as a management consultant and as a member of its board of directors and its executive committee from 2000 until joining Schmitt. From 2000 to 2003 and 1995 to 1997, Mr. McAfee also worked as a financial and operations consultant for other service and manufacturing companies. From 1989 to 1994 Mr. McAfee was Chief Financial Officer for Smith Sport Optics, Inc. and from 1982 to 1989 he worked for Arthur Andersen & Company as Senior Manager Accounting and Audit Division. Mr. McAfee received a B.B.A. degree in Accounting from Boise State University and is a certified public accountant, inactive status.

Director Compensation

Wayne A. Case has been President of the Company since 1986, Chief Executive Officer since 1996 and Chairman

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For serving as a director of the Company, each director who is not an employee of the Company (Outside Director) is paid a \$1,000 fee for each Board meeting attended in person (\$500 if attended by telephone) and a \$500 fee for each Board committee meeting attended in person (\$250 if attended by telephone). Outside Directors also receive either monthly compensation of \$500 or, at the Outside Director s option, an annual award of nonstatutory options to purchase 5,000 shares of common stock pursuant to the Company s Stock Option Plan. As of May 31, 2007 all outside directors elected monthly compensation of \$500. The Company also reimburses travel and lodging expenses incurred in connection with attending meetings of the Board and its committees.

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Wayne A. Case has been President of the Company since 1986, Chief Executive Officer since 1996 and Chairman

2007 DIRECTORS COMPENSATION TABLE

Name	Fees Earned or Paid in Cash	Stock Awards	Option Awards	Non-Equity Incentive Plan Compensation	Change in Pension Value and Nonqualified Deferred Compensation Earnings	All Other Compensation	Total
Maynard E. Brown	\$ 9,000						\$ 9,000