

RETRACTABLE TECHNOLOGIES INC  
Form DEF 14A  
July 28, 2017  
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**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**SCHEDULE 14A INFORMATION**

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

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

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

**Retractable Technologies, 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):

- No fee required.
- Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.
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  - (2) Form, Schedule or Registration Statement No.:
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**RETRACTABLE TECHNOLOGIES, INC.**

**NOTICE OF ANNUAL MEETING OF SHAREHOLDERS**

**TO BE HELD ON SEPTEMBER 8, 2017**

To the Shareholders of Retractable Technologies, Inc.:

You are cordially invited to attend Retractable Technologies, Inc.'s 2017 Annual Meeting of shareholders. The Annual Meeting will be held at 10:00 a.m. Central time on September 8, 2017 at the Little Elm Town Hall located at 100 West Eldorado Parkway, Little Elm, Texas 75068.

Further information regarding the Annual Meeting is set forth in the attached Proxy Statement, which was first delivered to security holders on July 28, 2017.

At this year's Annual Meeting, you will be asked to vote on the election of three Class 1 Directors.

We hope you will be able to attend the Annual Meeting, but if you cannot do so, it is important that your shares be represented. We urge you to read the Proxy Statement carefully and to vote in accordance with the Board of Directors' recommendations by telephone or Internet, or by signing, dating, and returning the enclosed proxy card in the postage-paid envelope provided, whether or not you plan to attend the Annual Meeting.

Thank you for your continued support.

Sincerely,

**THOMAS J. SHAW  
CHAIRMAN, PRESIDENT, AND  
CHIEF EXECUTIVE OFFICER**

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**RETRACTABLE TECHNOLOGIES, INC.**  
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Appendix A Form of Proxy Card

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Retractable Technologies, Inc.

511 Lobo Lane

Little Elm, TX 75068-5295

**PROXY STATEMENT**

**ANNUAL MEETING OF SHAREHOLDERS**

**SEPTEMBER 8, 2017**

The Board of Directors of Retractable Technologies, Inc. solicits the enclosed proxy for the Annual Meeting to be held at the Little Elm Town Hall located at 100 West Eldorado Parkway, Little Elm, Texas 75068 on the 8th day of September, 2017 at 10:00 a.m. Central time and for any adjournment thereof.

A Notice of Internet Availability of Proxy Materials and other appropriate proxy materials (to those requesting paper copies) were mailed to shareholders on July 28, 2017.

***What is the purpose of the Annual Meeting?***

The Board of Directors is asking you to vote on the election of three Class 1 Directors.

**VOTING INFORMATION**

***How do I vote?***

You may vote your shares in any of the following four ways:

Vote in Person

At the meeting, you may deliver your ballot to the Inspector of Elections. To obtain directions, please call the Company at (888) 806-2626.

Vote by Internet

To vote now by internet, go to [www.proxyvote.com](http://www.proxyvote.com). Have your 16-digit control number available and follow the instructions.

Vote by Mail

You can vote by mail by requesting a paper copy of the materials, which will include a proxy card.

Vote by Phone

You can vote by phone by calling 1-800-690-6903. Have your 16-digit control number available and follow the instructions.

**Your 16-digit control number is located in a box with an arrow pointing to it on the enclosed proxy card or the Notice of Internet Availability of Proxy Materials.** If you received more than one Notice or proxy card, this means you, or persons with whom you share an address, have more than one account. If you do not plan to vote in person, we encourage you to vote using all your proxy cards and/or control numbers.

***Who may vote?***

All shareholders of record of Common Stock on July 10, 2017, the record date, are entitled to vote.

***May I change my vote?***

You may change your vote even after you have submitted your proxy by (1) voting again by Internet or telephone; (2) sending a written statement revoking your proxy to the Secretary of the Company; (3) submitting a properly signed proxy with a later date; or (4) voting in person at the Annual Meeting.

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***How does the Board recommend I vote?***

The Board of Directors recommends that you vote For All in the election of Class 1 Directors.

If appointed by you, the proxy holders will vote your shares as you direct with regard to the matters described in this Proxy Statement. In the absence of your direction, they will vote your shares as recommended by the Board of Directors. Unless you indicate otherwise, the proxy holders are also authorized to vote your shares on any matters that are not known by the Board of Directors as of the date of this Proxy Statement and that may be properly presented for action at the Annual Meeting.

***What if I do not provide voting instructions to my broker?***

If you are a beneficial owner and do not provide voting instructions to your broker, your broker will not be permitted to vote on your behalf for the election of directors. For your vote to be counted, you need to communicate your voting decisions to your broker, bank, or other financial institution as soon as possible before September 8, 2017.

***How many votes are required?***

For the election of Directors, a plurality is required for the election of each nominee.

***What constitutes a quorum?***

The presence, in person or by proxy, of the holders of a majority of all the outstanding shares of Common Stock entitled to vote is necessary to constitute a quorum at the Annual Meeting. Each share of Common Stock entitles the holder to one (1) vote per share. On July 10, 2017, there were 31,666,454 outstanding shares of Common Stock.

Abstentions will be considered present for purposes of calculating the vote but will not be considered to have been voted in favor of the matters voted upon, and broker non-votes will not be considered present for purposes of calculating the votes.

***Are there any special attendance requirements for attending the meeting in person?***

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If you are a record owner of Common Stock or a beneficial owner of Common Stock with a legal proxy, there are no special attendance requirements to attend the meeting in person. If you are a beneficial owner of Common Stock, you may contact your broker or other person holding your shares to request a legal proxy.

### *Who pays the expenses incurred in connection with the solicitation of proxies?*

The Company will pay the cost of soliciting proxies. In addition to the use of the U.S. mail, proxies may be solicited by the Directors, Officers, and employees of the Company without additional compensation, by personal interview, telephone, or other means of electronic communication. Arrangements also may be made with brokerage firms and other custodians, dealers, banks, and trustees, or their nominees who hold the voting securities of record, for sending proxy materials to beneficial owners. Upon request, the Company will reimburse the brokers, custodians, dealers, banks, or their nominees for their reasonable out-of-pocket expenses.

### *Who may I contact with questions?*

Shareholders with questions (including regarding directions) are encouraged to contact the Company's Chief Financial Officer, Mr. Douglas W. Cowan, at 511 Lobo Lane, Little Elm, Texas 75068, or by telephone at (888) 806-2626.



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**PROPOSAL 1**

**THE ELECTION OF THREE CLASS 1 DIRECTORS**

The Board of Directors has determined that the Board shall be comprised of six members. Currently, the Board has one vacancy and the five Directors are divided into two classes currently consisting of two Class 1 members and three Class 2 members. The Board of Directors has nominated Marco Laterza, Amy Mack, and Darren E. Findley to serve as Class 1 Directors. Mr. Laterza and Ms. Mack currently serve as Class 1 Directors and Mr. Findley does not currently serve on the Board. Generally, Directors serve for two year terms. If the nominees are elected, the Class 1 Director nominees will hold office until the 2019 annual meeting, when their respective successors are elected and qualified, or upon their earlier retirement, resignation, or removal.

**THE BOARD OF DIRECTORS RECOMMENDS THAT YOU VOTE FOR ALL IN THE ELECTION OF CLASS 1 DIRECTORS.**

The biographies below describe the qualifications, experience, attributes, and skills that led the Board to determine that it is appropriate for each person to serve as a Director.

**THOMAS J. SHAW**

Founder, Chairman of the Board, President, Chief Executive Officer, and Class 2 Director

Director since our inception

Age 66

Thomas J. Shaw, our Founder, has served as Chairman of the Board, President, Chief Executive Officer, and Director since our inception. We believe it is appropriate for Mr. Shaw to continue to serve as a Director and as the Chairman of the Board because of his deep knowledge of the strengths and weaknesses of our products (as their primary inventor) and of the Company (as its Founder). Further, his strategic knowledge of the Company and its competitive environment arising from his ongoing services as its CEO is vital to the successful supervision of the Company by the Board of Directors. Finally, Mr. Shaw's educational background in both Engineering and Accounting is helpful to Board deliberations. In addition to his duties overseeing our Management, he continues to lead our design team in product development of other medical safety devices that utilize, among other things, his unique patented friction ring technology. Mr. Shaw has extensive experience in industrial product design and has developed several solutions to complicated mechanical engineering challenges.

**DOUGLAS W. COWAN**

Vice President, Chief Financial Officer, Treasurer, Principal Accounting Officer, and Class 2 Director

Director since 1999

Age 74

Douglas W. Cowan is a Vice President and our Chief Financial Officer, Treasurer, Principal Accounting Officer, and a Director. Mr. Cowan joined us as Chief Financial Officer and was elected to the Board of Directors in 1999. We believe it is appropriate Mr. Cowan continue to serve as a Director due to his level of involvement in the financial state of the Company (as its CFO) as well as his lead role in supervising all internal control and disclosure control procedures and statements. He also serves as the primary contact for investors which enables him to bring their concerns to the Board on appropriate topics as they arise. His expertise as a CPA and experience as the Company's CFO allow him to guide the Board, upon request, with regard to financial matters. He is responsible for our financial, accounting, investor relations, information technology, risk management, and forecasting functions.

**MARCO LATERZA**

Nominee for Class 1 Director

Director since 2005

Age 69

Marco Laterza joined us as a Director effective as of March 22, 2005. We believe it is appropriate Mr. Laterza continue to serve as a Director because of his skills as a CPA as well as his decades of experience in advising individuals and entities with regard to corporate planning and financial issues. Such skills and experience provide a valuable contribution in his role as the designated financial expert on the Audit Committee as well as

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provide valuable independent accounting advice to the Board. Since 2015, Mr. Laterza has owned and operated an accounting practice and income tax consulting practice. From 1988 through 2014, Mr. Laterza owned and operated a public accounting practice. His practice included corporate, partnership and individual taxation, compilation/review of financial statements, financial planning, business consulting, and trusts and estates. Formerly, Mr. Laterza was employed in a number of positions from 1977 to 1985 with El Paso Natural Gas Company eventually serving as its Director of Accounting.

**AMY MACK**

Nominee for Class 1 Director

Director since 2007

Age 49

Amy Mack joined us as a Director on November 19, 2007. We believe it is appropriate that Ms. Mack continue as a Board member due both to her experience as a nurse (the primary retail user of our products) as well as her experience in running her own company. Since April of 2000, she has been the Secretary of EmergiStaff & Associates, a nursing agency, and she served as the Chief Nursing Officer of EmergiStaff & Associates from 2000 to 2010. From 2003 to 2010, she was the owner and Aesthetics Nurse Specialist for Spa O2 & Medical Aesthetics. Ms. Mack has served as an emergency room nurse in various emergency rooms throughout her career as a nurse.

**WALTER O. BIGBY, JR.**

Class 2 Director

Director since 2012

Age 52

Walter O. Bigby, Jr. has served on our Board of Directors since July 2012. We believe it is appropriate for Mr. Bigby to continue to serve as a Director due to his experience in owning and operating healthcare-related businesses. Mr. Bigby's experience includes ownership of several small businesses, including hospitals, nursing homes, commercial real estate, and office equipment providers. Mr. Bigby has owned and operated Bastrop Rehabilitation Hospital, a rehabilitation hospital in Louisiana, since 2001. He is currently a minority interest owner in a nursing home in Louisiana. In 1995, Mr. Bigby sold his home health agency to Columbia HCA and remained a contract employee of the company (Hayden Health, Inc.) for three years developing other home health markets. Mr. Bigby has over a decade of experience operating healthcare businesses heavily regulated by Federal agencies and has experience with Medicare and Medicaid.

**DARREN E. FINDLEY**

Nominee for Class 1 Director

Age 53

Darren E. Findley has over thirty years of experience in recruiting, talent, and engagement solutions experience. He is President of Engage2Excel, where he leads the recruitment solutions team. Mr. Findley worked at AMN Healthcare from May 2015 to May 2016, as vice president and general manager of recruitment process outsourcing. In this role, his primary focus was growing the business segment and delivering top talent into healthcare facilities. Prior to AMN Healthcare, his roles included vice president and managing director of recruitment solutions at IBM/Kenexa from July 1999 to May of 2015, where he managed a \$35 million portfolio and led global recruitment-outsourcing programs for clients, including UnitedHealth Group, US Steel, Flowserve, Allstate Insurance, Express Scripts and Sprint PCS. He holds a BBA from Harding University. We believe it is appropriate for Mr. Findley to stand for election to the Board of Directors because he has nearly thirty years of management experience and brings a unique perspective to the Board with experience in recruitment and staffing for healthcare and other industries.

Information regarding our non-Director executive officers is as follows:

<b>Name</b>	<b>Title</b>	<b>Age</b>
Russell B. Kuhlman	Vice President, Sales Development	63
Michele M. Larios	Vice President, General Counsel, and Secretary	51

All of the above-named executives have served in the indicated positions for at least the past five years.

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**Family Relationships**

There are no family relationships among the above persons.

**Directorships in Other Public Companies**

No Directors hold Directorships in other reporting companies.

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

Section 16(a) of the Exchange Act requires our Directors, executive officers, and persons who own more than 10% of a registered class of our equity securities to file with the U.S. Securities and Exchange Commission ( SEC ) initial reports of beneficial ownership (Form 3) and reports of changes in beneficial ownership (Forms 4 and 5) of our Common Stock and our other equity securities. Officers, Directors, and greater than 10% shareholders are required by the SEC s regulations to furnish us with copies of all Section 16(a) reports they file. As previously reported, in 2016, Russell B. Kuhlman, an executive officer, filed a Form 4 five weeks late. Based on our review of the forms submitted to us during and with respect to our most recent fiscal year, all of our other executive officers filed all reports timely.

**CORPORATE GOVERNANCE**

The Board of Directors has the responsibility for establishing corporate policies and for our overall performance, although it is not involved in day-to-day operations. Currently, a majority (three of five) of the Directors serving on our Board of Directors are independent Directors as defined in Section 803 of the Company Guide of the NYSE MKT LLC ( NYSE MKT ) (formerly the NYSE Amex or American Stock Exchange). Our current independent Directors are Marco Laterza, Amy Mack, and Walter O. Bigby, Jr. Darren E. Findley, nominee for Director, is also independent. The Company currently relies on a provision of Section 801(h) allowing the Audit Committee to consist of only two members. Section 801(h) is applicable to the Company because it is a Smaller Reporting Company.

**BOARD OF DIRECTORS**

The Board of Directors meets quarterly throughout the year to review significant developments affecting the Company and to act upon matters requiring its approval. It also holds special meetings as required from time to time when important matters arise requiring Board action between scheduled meetings. During the last fiscal year, the Board of Directors met eight times. No incumbent director attended fewer than 75% of the aggregate of meetings of the Board of Directors and the Committees on which he or she served in 2016. The Board of Directors has established standing Audit, Compensation and Benefits, and Nominating Committees. Each Committee has a written charter, which is available on our website, [www.retractable.com](http://www.retractable.com).

We have a policy encouraging Board members' attendance at Annual Meetings. All members of the Board attended the 2016 Annual Meeting.

#### BOARD LEADERSHIP STRUCTURE AND ROLE IN RISK OVERSIGHT

The Company's leadership structure combines the roles of the Chairman of the Board (Chairman) and Chief Executive Officer (CEO). We believe it is in the shareholders' best interests for Thomas J. Shaw to serve in this dual role as CEO and Chairman. This structure fosters an important unity of leadership between the Board and the Company and enables the Board to organize its functions and conduct its business in the most efficient and effective manner. As founder of the Company and primary inventor of our products, Thomas J. Shaw has a unique understanding of our operations and the anticompetitive environment in which we operate, which understanding is necessary to perform the dual role of CEO and Chairman.

We have no lead independent director due to the relatively small size of the Board and due to the fact that the independent directors currently carry out their responsibilities effectively.

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The primary responsibility for the identification, assessment, and management of the various risks that we face belongs with Management. The Board oversees these risks. For instance, at every meeting, the Board reviews the principal factors influencing our operating results, including the competitive environment and ongoing litigation, and discusses with our executive officers the major events, activities, and changes affecting the Company. The oversight of risks also occurs at the committee level. For instance, pursuant to its charter, the Audit Committee is charged with reviewing and discussing financial risk exposures with Management and the measures Management has taken to monitor and control such exposures. Our Chairman, because of his dual role as CEO, is able to ensure that risks facing the Company are appropriately brought to the Board and/or its committees for their review.

AUDIT COMMITTEE

We have a separately designated standing Audit Committee established in accordance with Section 3(a)(58)(A) of the Exchange Act. The Audit Committee represents and assists the Board of Directors in discharging its responsibilities relating to the accounting, reporting, and financial practices and legal compliance of the Company. The Audit Committee has general responsibility for oversight of the accounting and financial processes of the Company, including oversight of: (1) the integrity of the Company's financial statements and its financial reporting and disclosure practices, (2) the Company's compliance with legal and regulatory requirements, and (3) the qualification and independence of the Company's auditors and the performance of the annual audit and interim reviews of the Company's financial statements by the independent auditors. The Audit Committee also provides an open avenue of communication among the independent auditors, financial and senior management, and the Board of Directors. The Audit Committee met a total of ten times in 2016. The members of the Audit Committee are independent as defined by the listing standards of the NYSE MKT. The Audit Committee currently consists of Marco Laterza and Walter O. Bigby, Jr. Marco Laterza currently serves as its designated Audit Committee Financial Expert.

*Audit Committee Report*

The Audit Committee reviewed and discussed the audited financial statements with Management. The Audit Committee discussed with Moss Adams LLP the matters required to be discussed by the Statement on Auditing Standards No. 61, as amended (AICPA, *Professional Standards*, Vol. 1, AU section 380), as adopted by the Public Company Accounting Oversight Board in Rule 3200T. The Audit Committee received the written disclosures and the letter from Moss Adams LLP required by applicable requirements of the Public Company Accounting Oversight Board regarding the independent accountant's communications with the audit committee concerning independence, and discussed with the independent accountant the independent accountant's independence. Based on the review and discussions with Moss Adams LLP, the Audit Committee recommended to the Board of Directors that the audited financial statements be included in the Company's annual report on Form 10-K for the year ended 2016 for filing with the SEC.

MARCO LATERZA  
WALTER O. BIGBY, JR.

NOMINATING COMMITTEE

The Nominating Committee assists the Board of Directors by identifying qualified candidates for Director positions, recommending Director nominees for the annual meetings, recommending candidates for election by the Board of Directors to fill vacancies on the Board, and recommending Director nominees for Committees upon request of the Board. The Nominating Committee met one time in 2016. The Nominating Committee currently consists of Marco Laterza, Amy Mack, and Walter O. Bigby, Jr. All members of our Nominating Committee

are independent as defined by the NYSE MKT's listing standards.

*Director Nomination Policies*

It is the policy of the Nominating Committee to consider all bona fide candidates recommended by shareholders for nomination for election to the Board. The Committee considers such candidates using the same screening criteria as are applied to all other potential nominees for election, provided that the shareholder nominations are submitted in a timely and complete manner.



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Nominees properly submitted by any shareholder will be considered for recommendation by the Nominating Committee to the Board of Directors and for recommendation by the Board to the shareholders in our Proxy Statement. The procedure to be followed by shareholders in submitting such recommendations for the next Annual Meeting is set forth in detail herein in the section entitled DIRECTOR NOMINATIONS TO BE CONSIDERED BY THE BOARD IN 2018.

We establish, through our Nominating Committee, selection criteria that identifies desirable skills and experience for prospective Board members, including those properly nominated by shareholders. The Nominating Committee has no formal policy with regard to the consideration of diversity in identifying nominees for director. The Nominating Committee and Board broadly define diversity to include diversity of professional experience and viewpoint, as well as diversity of race, gender, nationality, and ethnicity. The Board, with the assistance of the Nominating Committee, selects potential new Board members using the criteria and priorities established from time to time based upon the needs of the Company. The composition, skills, and needs of the Board change over time and will be considered in establishing the desirable profile of candidates for any specific opening on the Board of Directors.

At a minimum, recommended nominees by the Nominating Committee for service on the Board must be well regarded and experienced participants in their field(s) of specialty, familiar at the time of their appointment with our business, willing to devote the time and attention necessary to deepen and refine their understanding of the Company and the issues facing it, and must have an understanding of the demands and responsibilities of service on a public company board of directors. The Nominating Committee will also consider such qualities as independence from the Company. Each nominee will be considered both on his or her individual merits and in relation to existing or other potential members of the Board, with a view to establishing a well-rounded, diverse, knowledgeable, and experienced Board.

The Nominating Committee considers nominees recommended by Board members, Management, and the shareholders. It is further empowered, when necessary in its judgment, to retain and compensate third party search firms to assist in identifying or evaluating potential nominees.

The Class 1 Director nominees herein were recommended by the Nominating Committee and approved by the Board of Directors. Darren E. Findley, the only nominee who is not standing for re-election, was initially recommended to the Nominating Committee by a non-management director.

COMPENSATION AND BENEFITS COMMITTEE

The Compensation and Benefits Committee has authority over the following responsibilities: discharging the Board of Directors' responsibilities relating to the compensation of our executive officers and Directors; preparing, if necessary, an annual report on compensation and such other reports that may be required; and administering our equity and other incentive compensation plans. Changes in the amount and/or form of compensation to executive officers are not generally pursued unless first proposed by Management. The committee's authority may not be delegated except back to the full Board of Directors.

On October 13, 2016, the Company's Compensation and Benefits Committee retained Longnecker Investment Group Inc., d/b/a Longnecker & Associates, a compensation consulting company. This engagement was the first time since 2003 that the Company had engaged such a consultant or engaged in a review of comparable compensation programs. The role of the compensation consultant and the nature and scope of the compensation consultant's assignment are set forth in the Compensation Discussion and Analysis herein. The reports by Longnecker &

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Associates described in the Compensation Discussion and Analysis were created in direct response to the instructions and directions given by the Compensation and Benefits Committee. Longnecker & Associates was engaged solely to provide advice on the amount or form of executive and director compensation and no additional services were rendered.

The Compensation and Benefits Committee met five times during 2016. The Compensation and Benefits Committee currently consists of Marco Laterza, Amy Mack, and Walter O. Bigby, Jr. All members of our Compensation and Benefits Committee are independent as defined by the NYSE MKT listing standards.

Table of Contents**COMMUNICATIONS WITH THE BOARD OF DIRECTORS**

The Board of Directors has established a Disclosure Representative Policy and a standing Disclosure Representative position. It is our policy that the Disclosure Representative serves as the primary contact for shareholders and others desiring to communicate directly with the Board of Directors. It is further our policy that all communications addressed to the Board of Directors or the Disclosure Representative are sent to all Board members. The current Disclosure Representative is Mr. Marco Laterza. Communications intended for the Board of Directors should be in writing, addressed to the attention of the Disclosure Representative or Mr. Marco Laterza, and sent to 511 Lobo Lane, Little Elm, Texas 75068-5295.

Periodically, shareholders contact our Chief Financial Officer, Mr. Douglas Cowan, who responds to questions individually unless the question is directed to the full Board of Directors or the Disclosure Representative.

**SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS**

The following table sets forth certain information regarding the beneficial ownership of our capital stock as of July 10, 2017, for each person known by us to own beneficially 5% or more of the voting capital stock. Except pursuant to applicable community property laws, each shareholder identified in the table possesses sole voting and investment power with respect to his or her shares, except as noted below.

<b>Title of Class</b>	<b>Name and Address of Beneficial Owner</b>	<b>Amount and Nature of Beneficial Ownership</b>	<b>Percent of Class (1)</b>
Common Stock	Thomas J. Shaw(2)	16,335,642	51.6%
	511 Lobo Lane		
	Little Elm, TX 75068		
	Suzanne M. August(3)	3,800,000	12.0%
	340 North Julia Circle		
	St. Pete Beach, FL 33706		
	BML Investment Partners, L.P.(4)	1,959,059	6.2%
	65 E Cedar - Suite 2		
	Zionsville, IN 46077		
	Lillian E. Salerno(5)	1,646,000	5.2%

777 7th Avenue Unit 308

Washington DC 20001

(1) The Percent of Class is calculated for the Common Stock class by dividing each beneficial owner's Amount of Beneficial Ownership, as shown in the table above, by the sum of the total outstanding Common Stock (31,666,454 shares) plus that beneficial owner's stock equivalents (options), if any.

(2) 1,770,000 of the shares are owned by the August 2010 Family Trust (see footnote 3) but are controlled by Mr. Shaw pursuant to a Voting Agreement. These shares are permanently controlled by Mr. Shaw until such time as they are sold by the August 2010 Family Trust. These shares are included in the share amounts and percentages for both Mr. Shaw and Ms. August in the above table. Mr. Shaw has investment power over 1,000,000 shares of Common Stock as Trustee pursuant to trust agreements for the benefit of family members. Ms. August has voting control over such 1,000,000 shares as Special Trustee (see footnote 3). These shares are included in the share amounts and percentages for both Mr. Shaw and Ms. August in the above table.

(3) 1,770,000 shares of these shares are controlled by Mr. Thomas J. Shaw pursuant to a Voting Agreement and are held by the August 2010 Family Trust, for which Ms. August serves as Trustee. These shares are included

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in the share amounts and percentages for both Mr. Shaw and Ms. August in the above table. Ms. August has voting control over 1,000,000 shares of Common Stock as Special Trustee pursuant to trust agreements for the benefit of family members. Mr. Shaw has investment power over such 1,000,000 shares as Trustee. These shares are included in the share amounts and percentages for both Mr. Shaw and Ms. August in the above table. Ms. August has investment power over 1,000,000 shares held by the August Gifting Trust. Ms. August's and Mr. Shaw's family members have voting control over these shares.

(4) The number of shares held by this entity was obtained from a Schedule 13G filed on March 31, 2017. Pursuant to the Schedule 13G, this entity had only shared voting and dispositive power, not sole voting or dispositive power, for all of the indicated shares. A footnote to the Schedule 13G filing indicates that the shared ownership may be with Braden M. Leonard, managing member of the general partner of BML Investment Partners, L.P.

(5) 25,000 shares identified as Common Stock are shares which are obtainable by the exercise of a stock option. 500,000 shares identified as Common Stock are owned by a trust for which Ms. Salerno serves as trustee.

## SECURITY OWNERSHIP OF MANAGEMENT AND DIRECTORS

The following table sets forth certain information regarding the beneficial ownership of our capital stock as of July 10, 2017, for each Named Executive Officer specified by Item 402 of Regulation S-K (i.e., our CEO, CFO, and three other highest paid officers) and Director of the Company. Except pursuant to applicable community property laws or as otherwise discussed below, each shareholder identified in the table possesses sole voting and investment power with respect to his or her shares.

<b>Title of Class</b>	<b>Name of Beneficial Owner</b>	<b>Amount and Nature of Beneficial Ownership</b>	<b>Percent of Class(1)</b>
Common Stock			
As a Group	Named Executive Officers and Directors	17,494,920	55.2%
As Individuals	Thomas J. Shaw(2)	16,335,642	51.6%
	Michele M. Larios(3)	561,000	1.8%
	Douglas W. Cowan(4)	200,000	<1%
	Russell B. Kuhlman(5)	89,450	<1%
	Marco Laterza(6)	110,000	<1%
	Walter O. Bigby, Jr.(7)	105,000	<1%
	Amy Mack(8)	93,828	<1%

(1) The Percent of Class is calculated for the individuals holding Common Stock by dividing each beneficial owner's Amount of Beneficial Ownership, as shown in the table above, by the sum of the total outstanding Common Stock (31,666,454 shares) plus that beneficial owner's stock equivalents (options), if any. The Percent of

Class is calculated for the As a Group row by totaling all of the Percent of Class percentages appearing in the chart. The executive officers' shares do not include options which do not vest until September and December of 2017.

(2) 2,770,000 of the shares are owned by the August 2010 Family Trust and the August Gifting Trust but are controlled by Mr. Shaw pursuant to a Voting Agreement. These shares are permanently controlled by Mr. Shaw until such time as they are sold. Mr. Shaw has investment power over 1,500,000 shares of Common Stock as Trustee pursuant to trust agreements for the benefit of family members.

(3) 250,000 of these shares are acquirable by the exercise of stock options. 1,000 of these shares are owned by Ms. Larios' children. 300,000 of these shares are owned by trusts for the benefit of non-family members for which Ms. Larios serves as trustee. The chart does not reflect a grant of an option for 50,000 shares which does not vest until December 2017.

(4) These shares are acquirable by the exercise of stock options. The chart does not reflect a grant of an option for 50,000 shares which does not vest until December 2017.

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- (5) 43,450 of these shares are acquirable by the exercise of stock options. This does not include 13,100 shares underlying an option which becomes exercisable in September 2017.
- (6) 65,000 of these shares are acquirable by the exercise of stock options.
- (7) 100,000 of these shares are acquirable by the exercise of stock options.
- (8) These shares are acquirable by the exercise of stock options.

There are no arrangements, the operation of which would result in a change in control of the Company, other than:

1. The 2,770,000 shares owned by the August 2010 Family Trust and August Gifting Trust shall cease to be controlled by Mr. Shaw under the Voting Agreement upon their sale to a third party for value; and

2. Mr. Shaw has voting control over 14,835,642 of the currently outstanding shares of the Common Stock (46.8%) and investment power over 13,565,642 shares (42.8%) for a total beneficial ownership of 51.6% of the currently outstanding shares of the Common Stock. Assuming the exercise of all vested options and conversion of all outstanding preferred shares, Mr. Shaw would have beneficial ownership of 48.4% of the Common Stock. This calculation does not include the potential dilution from the unvested 2016 stock option grants to employees for 600,400 shares or the two million shares authorized for private sale to insiders, including Mr. Shaw who may purchase one million additional shares directly from the Company.

**Certain Relationships and Related Transactions**

We believe that all of the transactions set forth below were made on terms no less favorable to us than could have been obtained from unaffiliated third parties. In accordance with our Audit Committee Charter, the Audit Committee has reviewed and approved all related party transactions. In particular, the Audit Committee reviews all proposed transactions where the amount involved meets or exceeds \$120,000.

In 1995, Thomas J. Shaw, President, Chief Executive Officer, and shareholder holding more than 5% of the outstanding Common Stock, was paid a licensing fee of \$500,000 (amortized over 17 years) by us for the exclusive worldwide licensing rights to manufacture, market, sell, and distribute retractable medical safety products. A royalty of 5% of gross sales of all licensed products sold to customers over the life of the Technology Licensing Agreement is paid. Of this royalty, Ms. Suzanne August, the former spouse of Mr. Shaw, was entitled to \$100,000 per quarter during a portion of 2015. Mr. Shaw received the remainder of this royalty. A royalty of \$2,499,210 and \$2,388,817 was paid to Thomas J. Shaw in 2016 and 2015, respectively. Ms. August received \$245,055 in 2015. Royalties of \$1,247,287 were paid to Mr. Shaw from

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January 1, 2017 through July 10, 2017.

On April 5, 2016, Mr. Shaw exercised the remaining portion of his stock option. The Company issued 1,000,000 shares of Common Stock to him at an exercise price of \$0.81 per share (aggregate consideration of \$810,000).

We also approved three of our executive officers to purchase shares directly from the Company. Thomas J. Shaw exercised a portion of such right on January 12, 2017, buying two million shares at market price for an aggregate purchase price of \$1.78 million. Mr. Shaw has one million additional shares authorized for purchase at market price any time prior to September 9, 2018. Mr. Cowan and Ms. Larios are authorized to purchase 500,000 shares each at market price any time prior to September 9, 2018. The approximate dollar value of these potential future purchases cannot be predicted.

In November 2016, the Compensation and Benefits Committee granted a stock option to Mr. Shaw for the purchase of three million shares of Common Stock. Such stock option terminated by its terms before becoming exercisable in December 2016.



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**COMPENSATION DISCUSSION AND ANALYSIS**

**Compensation Consultant Reports**

On October 13, 2016, the Company's Compensation and Benefits Committee retained Longnecker Investment Group Inc., d/b/a Longnecker & Associates, a compensation consulting company. This engagement was the first time since 2003 that the Company had engaged such a consultant or engaged in a review of comparable compensation programs. The reason for the Company's inactivity in the intervening years has been due to the Company's unique market environment. Although the market conditions have not changed materially, the Company believes it owes its most loyal executive officers more competitive compensation.

The Compensation and Benefits Committee, after reviewing the factors set forth in Rule 10C-1(b)(4) under the Securities Exchange Act of 1934, determined that Longnecker & Associates was independent.

The Company's Compensation and Benefits Committee received reports from Longnecker & Associates on the following matters in 2016:

- The competitiveness of the base salary, annual incentives, and long-term incentives paid to Mr. Shaw compared with the external market over his tenure;
- A base salary analysis and the competitiveness of base salaries, annual incentives, and long-term incentives paid to Mr. Cowan and Ms. Larios compared with the external market over their tenures and a calculation of the overall value of over/under-compensation; and
- A market competitive study of possible equity grants to certain officers and directors.

The results of the reports indicated that Mr. Shaw, Mr. Cowan, and Ms. Larios had been underpaid for the past fifteen years. In many cases, a large component of the under-compensation is the comparative size of equity grants and bonuses.

The Company initially proposed a sizable stock option grant for Mr. Shaw to compensate him for past years' underpayments. However, following the grant of this stock option, the stock price dropped dramatically in December following the Fifth Circuit's December 2 opinion which affirmed in part, reversed in part, and vacated and remanded the district court's opinion in our case against BD. As such, the Company determined that it would be inappropriate to incur a stock option expense of \$5.9 million relating to that option and announced a reversal of its opinion on the stock option's approval. Consequently, the shareholders voted against the stock option, causing the option to terminate effective December 27.

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One of the Longnecker & Associates reports indicated a range of appropriate annual equity grants for chief financial officers, general counsels, and independent directors. Consistent with such report, the Compensation and Benefits Committee granted stock options for the purchase of 50,000 shares of Common Stock to Mr. Cowan, Ms. Larios, and all three independent directors on December 27, 2016. The stock option expense associated with these grants was determined to be reasonable for the Company, in contrast to the stock option expense in connection with Mr. Shaw's option grant discussed above.

Longnecker & Associates determined that Mr. Cowan's and Ms. Larios' base salaries are currently appropriate for their positions. However, as stated above, both officers were historically underpaid in terms of overall compensation. One report indicated that Ms. Larios' underpayments over the last fifteen years aggregated \$3.2 million. Another report indicated that Mr. Cowan's aggregate underpayments for the same period was \$1.8 million. In consideration of their loyalty, the Compensation and Benefits Committee issued to Mr. Cowan and Ms. Larios a special cash bonus of \$250,000 each in February 2017. As of the date of this proxy statement, Mr. Cowan's bonus has not yet been paid. The Longnecker & Associates reports supported an even higher bonus amount, but the Committee determined to be more conservative in its grant at this time.

For several of the reports, the benchmarking used by Longnecker & Associates was slightly different, as described below.

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For the reports determining historical under-compensation for Ms. Larios and Mr. Cowan and evaluating cash bonuses, both officers compensation was compared to the 75th percentile of compensation data from the following published salary surveys: the 2015/2016 ERI Executive Compensation Assessor by the Economic Research Institute; the 2016 CompAnalyst Compensation Survey by Kenexa; the 2015 Top Management Compensation Survey by Towers Watson; and the 2015 General Executive Benchmark by Mercer. No individual companies were used because the report covered fifteen years of data.

These same surveys listed in the foregoing paragraph were used in the report created by Longnecker & Associates in recommending the stock option grant to Mr. Shaw, which was also evaluated using the 75th percentile. As indicated above, this stock option terminated by its terms shortly after the Board of Directors determined to recommend that the shareholders reject it.

For the report on annual long-term incentives, the following public peer companies were used in the comparisons: Cogentix Medical, Inc., BIOLASE, Inc., GenMark Diagnostics, Inc., Utah Medical Products, Inc., Allied Healthcare Products, Inc., IRadimed Corporation, Stereotaxis Inc., Bovie Medial Corporation, Misonix, Inc., CAS Medical Systems Inc., Electromed, Inc., Chembio Diagnostics, Inc., Miramar Labs, Inc., Sientra, Inc., Amedica Corporation, and ViewRay, Inc.

**The Objectives of Our Compensation Plan**

Our executive officer compensation program (the Compensation Program ) is based on the belief that competitive compensation is essential to attract, retain, motivate, and reward highly qualified and industrious executive officers. Our Compensation Program is intended to accomplish the following:

- attract and retain highly talented and productive executive officers;
- provide incentives and rewards for superior performance by the executive officers; and
- align the interests of executive officers with the interests of our stockholders.

Our Compensation Program is designed to award both superior long-term performance by our executive officers and their loyalty.

**Summary of Each Element of Compensation**

To achieve these objectives, the Compensation and Benefits Committee has approved an executive officer compensation program that consists of four basic components:

- base salary;
- short-term incentive compensation in the form of cash bonuses;
- periodic long-term incentive compensation in the form of stock options; and
- medical, life, and benefit programs (which are generally available to all employees).

**Why We Choose to Pay Each Element of Our Compensation Program**

*Base Salary*

We choose to pay a significant component of our compensation in base salary due to the fact that our financial performance is constrained by the activities of Becton, Dickinson and Company ( BD ). Until such time as we believe that we have access to the market, we believe that it is appropriate to weigh our Compensation Program heavily in favor of base salaries rather than incentive compensation.

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*Cash Bonuses*

From time to time and when our cash reserves allow, we grant cash bonuses in order to reward significant efforts or the accomplishment of short term goals. The Compensation and Benefits Committee granted such bonuses in February 2017. Prior to 2017, the last bonuses were granted in 2010.

*Long-Term Incentives: Stock Options*

Long-term incentives are provided through grants of stock options. The grants are designed to align the interests of executive officers with those of stockholders and to provide each executive officer with a significant incentive to manage from the perspective of an owner with an equity stake in the Company.

**How We Determine the Amount or Formula for Payment in Light of Our Objectives**

Executive compensation remains the same until there is a review of such compensation by the Compensation and Benefits Committee. Compensation, other than that of the Chief Executive Officer, has generally not been reviewed annually. Under the terms of Mr. Shaw's employment agreement, his compensation is reviewed annually.

*Base Salary*

The base salary for each of our executive officers is subjectively determined primarily on the basis of the following factors: experience, individual performance, contribution to our performance, level of responsibility, duties and functions, salary levels in effect for comparable positions within and without our industry, and internal base salary comparability considerations. However, salaries can also be affected by our long-term needs.

These base salaries are reviewed periodically and may be adjusted based upon the factors discussed in the previous paragraph, as well as upon individual performance during the previous fiscal year, changes in the duties, responsibilities and functions of the executive officer, and general changes in the compensation peer group in which we compete for executive talent. The relative weight given to each of these factors in the Compensation and Benefits Committee's recommendation differs from individual to individual, as the Compensation and Benefits Committee deems appropriate.

A 10% reduction in executive officer salary occurred in July 2014, but the salaries were generally restored in January 2015. Executive officers were generally given a one-time payment in December 2014 to offset the 2014 reductions.

Mr. Shaw's Employment Agreement provides that his salary is automatically increased by the percentage increase in the consumer price index (CPI) from the previous year. The Compensation and Benefits Committee decided to increase Mr. Shaw's salary by the CPI percentage increase (\$9,866 or 2.10%) over his 2016 salary for 2017.

*Cash Bonuses*

The bonuses, when paid, are paid on a discretionary basis as determined by the Compensation and Benefits Committee. Factors considered by the Compensation and Benefits Committee include personal performance, level of responsibility, and the factors used in determination of base salary as stated above, except with a greater focus on the prior fiscal year. The Compensation and Benefits Committee also considers our need to retain cash in deciding whether to grant cash bonuses.

In February of 2017, Mr. Cowan and Ms. Larios were each granted cash bonuses of \$250,000.

*Long-Term Incentive: Stock Options*

We have issued stock options to our employees from time to time and may do so in the future. Effective September 9, 2016, we granted options for the purchase of 500,400 shares of Common Stock to our employees.

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Effective December 27, 2016, we granted options for the purchase of a total of 250,000 shares (50,000 shares each) to our chief financial officer, general counsel, and our three independent directors.

Generally, if stock options are to be issued, Management prepares a proposal to the Compensation and Benefits Committee. Considerations by Management in its initial proposal in determining a suitable aggregate fair market value of options to be granted include our financial condition, the number of options already outstanding, and the benefit to the non-officer employees. The proposal includes information relating to the expected expense of such grants to be recognized by us, the approximate number of options to be issued, the number of options currently outstanding, the employees to be included, the amount of stock currently outstanding, and the method under which the options would be awarded. If the recommendation is acceptable, the committee grants the options. If the committee feels changes are merited, it grants options on its own terms.

With regard to many past grants, after the aggregate number of shares underlying the options to be granted was determined, we allocated the options to our various departments using a factor based on their annual compensation times their performance rating. The individual employee's allocation factor was the numerator of a fraction. The denominator was the department's sum of all factors (annual compensation times performance ratings of all the eligible employees). The resulting fraction was multiplied by the stock options to be awarded to determine the employee's individual portion of the aggregate approved options. Future grants may be based on the value of contributions to the Company and not necessarily pursuant to any formula. The allocation may be further reviewed by each department's management if they believed certain employees were not awarded an appropriate number of options. Management would consider any suggestions.

Each stock option grant to employees allows the employee to acquire shares of Common Stock at a fixed price per share (never less than the closing stock price of the Common Stock on the date of grant or the prior trading day, as applicable) for a fixed period (usually ten years). Options granted in 2016 vested in one year for employees and vested immediately for independent directors. Accordingly, generally stock option grants will provide a return to the employee only if the employee remains employed by us during the vesting period, and then only if the market price of the underlying Common Stock appreciates. Future grants may vest over a shorter or longer period.

**How Each Compensation Element and Decision Fits Into Overall Compensation Objectives**

Our Compensation Program is intended to accomplish the following objectives: 1) attract and retain highly talented and productive executive officers; 2) provide incentives and rewards for superior performance by the executive officers; and 3) align the interests of executive officers with the interests of our stockholders.

We generally pay the bulk of our compensation in the form of cash compensation due to the fact that competing in a market environment in which results will not always be commensurate with performance. We believe that the performance of our executives has been outstanding. We believe this is especially true given the market environment in which we operate. Bonuses are granted occasionally to recognize extraordinary performance and/or extraordinary job requirements.

Periodically, we grant stock options with the intent to provide both an incentive and reward to executive officers for long-term performance and to align the interests of our employees with that of the shareholders.

**Shareholder Advisory Votes**

A majority of the votes cast in 2016 on the say-on-pay proposal were voted in favor of the proposal. The Compensation and Benefits Committee will continue to take into account the outcome of say-on-pay votes when making compensation decisions for the named executive officers. However, we determined that it was not appropriate to continue to keep the compensation of the executive officers static in light of the fact that we have received analyses that our executive officers have been historically undercompensated.

**Allocation between Long-Term/Current and Between Cash/Non-Cash Compensation**

All of our long-term compensation consists of non-cash compensation in the form of stock options. We believe that the granting of stock options incentivizes executives to maximize our long-term strengths as well as our stock price. However, because our stock price has little relationship with our performance, the most significant



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component of compensation is base salary and not stock options. Management is incentivized to maximize shareholder value and will be rewarded if they do so.

**How Determinations Are Made as to When Awards Are Granted**

Generally, option awards to executive officers are granted by the Compensation and Benefits Committee and for others are granted at the discretion of the Board after recommendation of the Compensation and Benefits Committee or on the committee's own initiative. No awards are granted if the Compensation and Benefits Committee does not support a recommendation.

Unfortunately, our stock price does not always react as expected to our achievements. Accordingly, at times, options have been granted to aid in retaining competent and experienced executives without regard to the then current stock price. However, such options always have exercise prices that are at or above fair market value on the date of grant.

In addition, there is no relationship between the date of grant of options and our possession of material non-public information (i.e., we grant options without regard to whether or not we are in possession of material non-public information). Furthermore, it is our policy with regard to options that (although the options could be exercised) the underlying shares could not be sold into the market while the executive was in possession of material non-public information. Accordingly, we believe that there is minimal risk of the executive profiting from such material nonpublic information.

**What Specific Items of Corporate Performance Are Taken Into Account in Setting Compensation Policies and Making Compensation Decisions**

Generally, cash reserves as well as trends in sales and costs are taken into account when considering the advisability of increasing base salaries or granting cash bonuses. However, no specific items of corporate performance are taken into account in setting executive compensation due to the fact that we compete in a market environment where significant achievement or performance is not always correlated with corporate results. At such times that any of these factors make it inadvisable to increase salaries or grant bonuses, then consideration is given to increasing option awards taking into account the value of prior option awards.

Awards are granted on the basis of historical performance. Accordingly, there is no discretion to change the awards once granted.

**How Compensation Reflects Individual Performance**

Executive compensation is not based on the individual's contribution to specific, quantitative corporate objectives due to factors mentioned above regarding our market environment. However, the individual's contribution to our performance is determined pursuant to qualitative factors as

discussed above under How We Determine the Amount or Formula for Payment in Light of Our Objectives.

**Factors We Consider in Determining to Change Compensation Materially**

We consider our cash position, current liquidity trends, and the short-term and long-term needs for cash reserves when evaluating whether we can change compensation materially at a given time.

On an individual-by-individual basis, we also consider the value of past option compensation, the competitiveness of that individual's base salary, and that individual's contribution to our goals.

**The Impact of the Accounting and Tax Treatments of Our Types of Compensation**

Stock options granted to executives and other employees are expensed for accounting purposes under the Stock Compensation Topic of the Financial Accounting Standards Board Accounting Standards Codification. We expense all of our option costs as we do the costs of salaries and any periodic bonuses. Accordingly, the impact of tax treatment of various compensation forms does not impact our compensation decisions. Stock option expense is

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not recognized for tax purposes, except in the case of non-qualified stock options. For non-qualified stock options, the intrinsic value of the option is recognized when the option is exercised.

**Our Policy Regarding Stock Ownership and Hedging**

We do not have a policy regarding stock ownership by executive officers. We prohibit certain stock transactions by employees and Directors, including:

1. Purchases and sales of our stock within a six month period;
2. Short sales of our stock; and
3. Transactions in puts, calls, or other derivative securities involving our stock.

Furthermore, employees and Directors are required to pre-clear any hedging transactions.

**The Role of Our Executives and Directors in Determining Compensation**

Management establishes the initial recommendations regarding compensation for all employees, including themselves. The Compensation and Benefits Committee reviews executive compensation changes.

**Compensation Pursuant to Employment Agreement**

We have an Employment Agreement with Mr. Thomas J. Shaw (the Employment Agreement ) which was modified effective January 1, 2008 to avoid adverse tax consequences to Mr. Shaw created by the passage of the American Jobs Creation Act of 2004. No other executives or Directors are compensated pursuant to employment agreements.

The Employment Agreement provides for an initial period of three years which ended December 31, 2010 and automatically and continuously renews for consecutive two-year periods. The Employment Agreement is terminable either by us or Mr. Shaw upon 30 days written notice or

upon Mr. Shaw's death.

The Employment Agreement provides for an annual salary of at least \$416,400 with an annual salary increase equal to no less than the percentage increase in the CPI over the prior year. The Employment Agreement requires that Mr. Shaw's salary be reviewed by the Compensation and Benefits Committee annually, which shall make such increases as it considers appropriate. Accordingly, the Compensation and Benefits Committee increased his 2017 salary by \$9,866 (2.10%) over his 2016 salary in accordance with the percentage increase in the CPI over the prior year.

Under the Employment Agreement, we are obligated to provide certain benefits, including, but not limited to, participation in qualified pension plan and profit-sharing plans, participation in the Company's Cafeteria Plan and other such insurance benefits provided to other executives, paid vacation, and sick leave. We are also obligated to furnish him with a cellular telephone and suitable office space as well as reimburse him for any reasonable and necessary out of pocket travel and entertainment expenses incurred by him in carrying out his duties and responsibilities, membership dues to professional organizations, and any business-related seminars and conferences.

Pursuant to the Employment Agreement, we are obligated to indemnify Mr. Shaw for all legal expenses, court costs, and all liabilities incurred in connection with any proceeding involving him by reason of his being an officer, employee, or agent of the Company. We are further obligated to pay reasonable attorney fees and expenses and court and other costs associated with his defense in the event that, in Mr. Shaw's sole judgment, he needs to retain counsel or otherwise expend his personal funds for his defense.

Upon his death, Mr. Shaw's estate shall be entitled to his salary through the date of death, applicable benefits, and reimbursement of expenses.

We have the right to terminate the Employment Agreement if Mr. Shaw incurs a permanent disability during the term of his employment. A permanent disability means that Mr. Shaw is unable to engage in any

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substantial gainful activity by reason of any medically determinable physical or mental impairment which can be expected to result in death or can be expected to last for a continuous period of not less than 12 months or is, by reason of any medically determinable physical or mental impairment which can be expected to result in death or can be expected to last for a continuous period of not less than 12 months, receiving income replacement benefits for a period of not less than 3 months under an accident and health plan covering employees of the Company. Mr. Shaw shall also be deemed to be disabled if he is determined to be totally disabled by the Social Security Administration. In such event, Mr. Shaw is entitled to his salary through the date of termination, reimbursement of expenses, and salary for a period of 24 months as well as applicable benefits.

Mr. Shaw's employment may be terminated for cause which is defined to be conviction of a felony which is materially detrimental to the Company, proof, as determined finally by a court of competent jurisdiction of the gross negligence or willful misconduct which is materially detrimental to the Company, or proof, as determined finally by a court of competent jurisdiction, of a breach of a fiduciary duty which is materially detrimental to the Company. In such event, he shall be entitled to his salary through the date of termination plus reimbursement of expenses.

If Mr. Shaw is terminated without cause and not at his implicit request, Mr. Shaw shall be entitled to his salary through the date of termination, reimbursement of expenses, his salary for 24 months, as well as applicable benefits.

If Mr. Shaw resigns (other than because of a change in control), he is entitled to his salary through the date of termination, reimbursement of expenses, salary for 90 days, and applicable benefits.

Mr. Shaw has the right under this agreement to resign in the event that there is a change in control. A Change of Control shall be deemed to have occurred on either of the following dates: (i) the date any one person (other than Mr. Shaw), or more than one person acting as a group, acquires (or has acquired during the 12-month period ending on the date of the most recent acquisition by such person or persons) ownership of stock of the Company possessing 30% or more of the total possible voting power of the stock of the Company (assuming the immediate conversion of all then outstanding convertible preferred stock) or (ii) the date a majority of members of the Board of Directors is replaced during any 12-month period by Directors whose appointment or election is not endorsed by a majority of the members of the Company's Board of Directors before the date of the appointment or election. Mr. Shaw further has the right to resign if there is a change in ownership. A change in ownership is defined to have occurred on the date that any one person (other than Mr. Shaw) or more than one person acting as a group acquires ownership of the Company's stock that, together with the stock previously held by such person or group, constitutes more than 50% of the total fair market value or total voting power (assuming the immediate conversion of all then outstanding convertible preferred stock) of the Company. In such event Mr. Shaw is entitled to salary through the date of termination, salary for 24 months, reimbursement of expenses, and applicable benefits.

Mr. Shaw's commitment to the Company may not be construed as preventing him from participating in other businesses or from investing his personal assets as may require occasional or incidental time in the management, conservation, and protection of such investments provided such investments or businesses cannot be construed as being competitive or in conflict with the business of the Company.

Mr. Shaw has agreed to a one-year non-compete, not to hire or attempt to hire employees for one year, and not make known our customers or accounts or to call on or solicit our accounts or customers in the event of termination of his employment for one year unless the termination is without cause or pursuant to a change of control or ownership.

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The following Summary Compensation Table sets forth the total compensation paid or accrued by us over the past three fiscal years to, or for the account of, the principal executive officer, the principal financial officer, and the three highest paid additional executive officers:

Table of Contents**SUMMARY COMPENSATION TABLE FOR 2014-2016**

<b>Name and Principal Position</b>	<b>Year</b>	<b>Salary (\$)</b>	<b>Option awards (\$)</b>	<b>All Other Compensation (\$)</b>	<b>Total (\$)</b>
Thomas J. Shaw	2014	464,454 <sup>(1)</sup>			464,454
President and CEO	2015	484,506			484,506
(principal executive officer)	2016	469,827		1,350,000 <sup>(2)</sup>	1,819,827
Michele M. Larios	2014	351,346 <sup>(1)</sup>			351,346
Vice President,	2015	363,462			363,462
General Counsel	2016	350,000	36,400 <sup>(3)</sup>		386,400
Douglas W. Cowan	2014	291,115 <sup>(1)</sup>			291,115
Vice President, CFO	2015	301,154			301,154
(principal financial officer, principal accounting officer)	2016	290,000	36,400 <sup>(3)</sup>		326,400
Russell B. Kuhlman	2014	146,117 <sup>(1)</sup>		112,600 <sup>(4)</sup>	258,717
Vice President, Sales	2015	151,351			151,351
Development	2016	153,522	23,357 <sup>(3)</sup>		176,879
Kathryn M. Duesman <sup>(5)</sup>	2014	171,519			171,519
Executive Director,	2015	178,214			178,214
Global Health	2016	184,749	36,908 <sup>(3)</sup>		221,657

(1) The following amounts included in the Salary column for 2014 represent nonrecurring payments made to offset salary reductions: for Thomas J. Shaw, \$23,143; for Michele M. Larios, \$17,500; for Douglas W. Cowan, \$14,500; and for Russell B. Kuhlman, \$7,069.

(2) This amount is the result of Mr. Shaw's gain on exercising a portion of his stock option for 1,000,000 shares of Common Stock. This gain had no effect on our financial statements. The expense related to the stock options was recognized in previous years.

(3) Assumptions for Ms. Larios and Mr. Cowan's stock option awards include: 50,000 underlying shares each, exercise price of \$1.05 per share, a ten-year term, a 7.1 year expected life, a risk-free rate of 2.37%, and a volatility factor of 72.5%. These options vest in December 2017.

Mr. Kuhlman was granted an option for 13,100 underlying shares. Ms. Duesman was granted an option for 20,700 underlying shares. Assumptions for Mr. Kuhlman's and Ms. Duesman's stock option awards include: exercise price of \$2.75 per share, a ten-year term, a 7.1 year expected life, a risk-free rate of 1.51%, and a volatility factor of 67.16%. These options vest September 9, 2017.

(4) This amount is the result of Mr. Kuhlman's gain on exercising a portion of his stock option for 45,000 shares of Common Stock. This gain had no effect on our financial statements. The expense related to the stock options was recognized in previous years.

(5) Ms. Duesman is not an executive officer, but qualifies as a named executive officer by virtue of Item 402(m)(2)(iii).

GRANTS OF PLAN-BASED AWARDS

The following Grants of Plan-Based Awards for 2016 table sets forth information regarding grants of awards made under any plan to each named executive officer in the last completed fiscal year.



Table of Contents**Grants of Plan-Based Awards for 2016**

<b>Name</b>	<b>Grant Date</b>	<b>Estimated Future Payouts Under Equity Incentive Plan Awards Target #<sup>(1)</sup></b>	<b>Exercise or base price of option awards \$/share</b>	<b>Grant date fair value of stock and option awards</b>
Thomas J. Shaw President and CEO (principal executive officer)				
Douglas W. Cowan Vice President, CFO (principal financial officer)	12/27/2016	50,000	\$1.05	\$36,400
Michele M. Larios Vice President, General Counsel	12/27/2016	50,000	\$1.05	\$36,400
Russell B. Kuhlman Vice President, Sales	9/9/2016	13,100	\$2.75	\$23,357
Kathryn M. Duesman Executive Director, Global Health	9/9/2016	20,700	\$2.75	\$36,908

(1) These options were granted under the First Amended 2008 Stock Option Plan.

**Narrative Disclosure to Summary Compensation Table and Grants of Plan-Based Awards Table**

Please see **Compensation Pursuant to Employment Agreement** above and POTENTIAL PAYMENTS UPON TERMINATION OR CHANGE IN CONTROL below for terms of our only employment agreement in effect.

Salary represents a substantial portion of the total compensation for all named executive officers. This form of payment is favored by the Company over equity awards due to the market environment in which the Company operates.

The vesting schedule for each of the officers' option grants is one year from the date of grant. Other than continued employment, there are no performance-based conditions to the awards. All computations assume that the officer will continue employment for the requisite one-year period.

OUTSTANDING EQUITY AWARDS AT FISCAL YEAR-END

The following Outstanding Equity Awards at Fiscal Year-End Table sets forth information regarding unexercised options held by the named executive officers as of December 31, 2016.

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**OUTSTANDING EQUITY AWARDS AT 2016 FISCAL YEAR END**  
**Option Awards**

Name	Number of Securities Underlying Unexercised Options Exercisable	Number of Securities Underlying Unexercised Unearned Options(1)	Option Exercise Price (\$)	Option Expiration Date
Thomas J. Shaw President, CEO (principal executive officer)				
Michele M. Larios Vice President, General Counsel	152,950 97,050	50,000	\$1.05 \$0.81 \$1.30	12/27/2026 07/15/2019 11/18/2018
Douglas W. Cowan Vice President, CFO (principal financial officer, principal accounting officer)	98,000 102,000	50,000	\$1.05 \$0.81 \$1.30	12/27/2026 07/15/2019 11/18/2018
Russell B. Kuhlman Vice President, Sales Development	43,450	13,100	\$2.75 \$1.30	09/09/2026 11/18/2018
Kathryn M. Duesman Executive Director, Global Health	53,550 66,450	20,700	\$2.75 \$0.81 \$1.30	09/09/2026 07/15/2019 11/18/2018

(1) The vesting schedule for each of the officers' unearned option grants is one year from the date of grant (i.e., December 27, 2017 for Ms. Larios and Mr. Cowan and September 9, 2017 for Mr. Kuhlman and Ms. Duesman).

## OPTION EXERCISES

The following table sets forth information concerning the exercise of stock options during the last completed fiscal year for the named executive officers.

**OPTION EXERCISES FOR 2016**

Name	Option awards	
	Number of shares acquired on exercise	Intrinsic value realized on exercise
Thomas J. Shaw President, CEO	1,000,000	\$1,350,000

(principal executive officer)

Mr. Shaw exercised a stock option for the purchase of 1,000,000 shares with an exercise price of \$0.81 per shares on April 5, 2016, a date on which the Company's stock price closed at \$2.16 per share.

PENSION BENEFITS

We do not have a pension plan other than the 401(k) plan which is available to all employees on the first day of the month after 90 days of service.

Table of Contents**401(k) Plan**

We implemented an employee savings and retirement plan (the 401(k) Plan ) in 2005 that is intended to be a tax-qualified plan covering substantially all employees. Under the terms of the 401(k) Plan, employees may elect to contribute up to 88% of their compensation, or the statutory prescribed limit, if less. We may, at our discretion, match employee contributions. For 2016, we matched each participant's elective deferrals up to 2% of the participant's compensation for the pay period. We made matching contributions of approximately \$122,369 in 2016, of which \$15,062 were to named executive officers. There were no matching contributions in 2015 or 2014.

**POTENTIAL PAYMENTS UPON TERMINATION OR CHANGE IN CONTROL**

Other than the information set forth below for Mr. Shaw, no other named executive officer has a contract in place for termination or change in control payments.

The following table identifies the types and amounts of payments that shall be made to Thomas J. Shaw, our CEO, in the event of a termination of his employment or a change in control per his Employment Agreement. Such payments shall be made by us and shall be one-time, lump sum payments except as indicated below. In 2016, no other contract existed for payments upon termination or change in control.

**SUMMARY OF PAYMENTS UPON TERMINATION OR CHANGE IN CONTROL****ASSUMING OCCURRENCE AS OF DECEMBER 31, 2016(1)**

<b>Payment Triggering Event</b>	<b>Salary Through Trigger Event Date(2)</b>	<b>Amounts Owed Under Benefit Plans(3)</b>	<b>Reimbursement of Expenses</b>	<b>Undiscounted Salary For a Period of 24 Months</b>	<b>Payment Equal to 90 Days Salary</b>	<b>Value of Payments(4)</b>
Death	x	x	x			
Disability	x	x	x	939,654		939,654
Termination With Cause	x		x			
Termination Without Cause	x	x	x	939,654		939,654
Resignation (Other Than After a Change in Control)	x	x	x		116,164	116,164
Resignation (After a Change in Control)	x	x	x	939,654		939,654

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(1) The above payments would be paid under Mr. Shaw's agreement at certain times. Any payments arising as a result of disability or resignation would be paid no sooner than six months and one day from the termination date but no later than seven months from the termination date. Any payments arising as a result of death would be paid no later than the 90<sup>th</sup> day following the death. Payments arising as a result of termination with cause or termination without cause would be paid no later than the 30<sup>th</sup> day following the date of termination, except that any amount due in excess of an amount equal to the lesser of: i) two times annual compensation or ii) two times the limit on compensation under section 401(17) of the Internal Revenue Code of 1986 shall be paid no earlier than six months and one day after the date of termination but in no event later than seven months after the date of termination. Under Mr. Shaw's agreement, Mr. Shaw has agreed to a one-year non-compete, not to hire or attempt to hire employees for one year, and not make known our customers or accounts or to call on or solicit our accounts or customers in the event of termination of his employment for one year unless the termination is without cause or pursuant to a change of control. However, it is not clear that the above payments are conditioned on the performance of these contractual obligations.

(2) Mr. Shaw is paid every two weeks. Therefore, the maximum value for this column in the event the triggering event took place immediately prior to a scheduled payment date is two weeks' salary (\$18,070).

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(3) Mr. Shaw participates in our benefit plans which do not discriminate in scope, terms, or operation in favor of executive officers. Such plans are generally available to all salaried employees. Accordingly, the value of such payments is not included in the Value of Payments column.

(4) This value does not include payments under our benefit plans for reasons set forth in footnote 3 above. In addition, this value assumes that the triggering event occurred on December 31, 2016. Authorized payments under the Employment Agreement are also capped to one dollar less than the amount that would cause Mr. Shaw to be the recipient of a parachute payment under Section 280G(b) of the Internal Revenue Code.

## COMPENSATION OF DIRECTORS

The following table identifies the types and amounts of compensation earned by our current and former Directors (with the exception of those that are named executive officers as described in footnote 1 to the table) in the last Fiscal Year:

**DIRECTOR COMPENSATION TABLE FOR 2016**

<b>Name(1)</b>	<b>Fees Earned or Paid in</b>		<b>Total</b>
	<b>Cash</b>	<b>Option Awards</b>	
	<b>(\$)</b>	<b>(\$)(2)</b>	<b>(\$)</b>
Marco Laterza	\$3,500	\$36,400	\$39,900
Amy Mack	\$3,500	\$36,400	\$39,900
Walter O. Bigby, Jr.	\$3,500	\$36,400	\$39,900

(1) Thomas J. Shaw and Douglas W. Cowan are named executive officers who were also Directors in 2016. Their compensation is reflected in the Summary Compensation and other tables presented earlier.

(2) On December 27, 2016, the Compensation and Benefits Committee approved grants of stock options to all three independent directors for 50,000 shares each with ten-year terms under the First Amended 2008 Stock Option Plan with exercise prices at fair market value (\$1.05 per share). The options vested immediately. The value of an option for the purchase of one underlying common share is valued at \$0.728, using the Black Scholes Option Pricing Model using a risk-free rate of 2.37%, a volatility factor of 72.5%, and an expected life of 7.1 years.

**Narrative Explanation of Director Compensation Table for 2016**

In 2016, we paid each non-employee Director a fee of \$500 per meeting and reimbursed travel expenses, if airfare, hotel, and other reasonable travel-related expenses were incurred to attend Board meetings. We do not pay any additional amounts for committee participation or special assignment.

Generally, employee Directors are compensated on an at-will basis as discussed in the COMPENSATION DISCUSSION AND ANALYSIS. However, one employee, Mr. Thomas J. Shaw, our President and CEO, is compensated pursuant to an Employment Agreement. Please see Compensation Pursuant to Employment Agreement , set forth above for an in depth summary of the terms of such agreement.

Compensation Committee Interlocks and Insider Participation

The Compensation and Benefits Committee is currently composed of Walter O. Bigby, Jr., Amy Mack, and Marco Laterza. Each of these members of this committee is an independent Board member and none have ever been employees of the Company.

There are no interlocking Directors or executive officers between us and any other company. Accordingly, none of our executive officers or Directors served as a Director or executive officer for another entity whose executive officers or Directors served on our Board of Directors.



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COMPENSATION POLICIES AND PRACTICES AS THEY RELATE TO RISK MANAGEMENT

We do not believe that risk-taking incentives are created by our compensation policies. We do not have business units. We believe that our compensation expense is a reasonable percentage of revenues overall. We have not set specific performance criteria for the award of bonuses. Salaries and bonuses, if any, are awarded based on skill, experience, and our overall revenues. Non-cash awards to employees are made periodically in the form of stock options, which we believe align the employees' interests with those of stockholders. We review our compensation policies and practices as they relate to risk management objectives if compensation amounts are materially amended or if our risk profile changes. No changes to our compensation policies and practices have been implemented as a result of changes to our risk profile.

**ACCOUNTING MATTERS**

Moss Adams LLP has been selected again as our independent accountants for the year ending December 31, 2017. A representative of Moss Adams LLP will attend the Annual Meeting and will have the opportunity to make a statement if he or she so desires. The Moss Adams LLP representative will be available to respond to appropriate shareholder questions at that time.

AUDIT FEES

The aggregate fees billed by CF & Co., L.L.P. for professional services rendered for the audit of our annual financial statements for 2015 and the reviews of the financial statements included in our Forms 10-Q for 2015 and the first quarter of 2016 or services normally provided by the accountant in connection with statutory and regulatory filings for these periods were \$30,000.

The aggregate fees billed Moss Adams LLP for professional services rendered for the audit of our annual financial statements for 2016 and the reviews of the financial statements included in our Forms 10-Q for the second and third quarters of 2016 or services normally provided by the accountant in connection with statutory and regulatory filings for these periods were \$176,876.

AUDIT RELATED FEES

The aggregate fees billed by CF & Co., L.L.P. for professional services rendered for the audit of our 401(k) plan for 2015 was \$13,000. Audit-related fees for Form S-8 were \$1,800 in 2015.

The aggregate fees billed by Moss Adams LLP for professional services rendered for the audit of our 401(k) plan for 2016 was \$14,000.

TAX FEES

The aggregate fees billed by CF & Co., L.L.P. for preparation of federal and state income tax returns and tax consulting costs related to notices from taxing authorities for 2015 was \$19,325.

The aggregate fees billed by Moss Adams LLP for preparation of federal and state income tax returns and tax consulting costs related to notices from taxing authorities for 2016 was \$52,980.

PRE-APPROVAL POLICIES AND PROCEDURES

The engagement of the independent accountants was entered into pursuant to the approval policies and procedures of the Audit Committee. Before any independent accountant was engaged to render services, the engagement was approved by the Audit Committee. The engagements for audit and tax services were detailed separately. The Audit Committee implemented its approval procedures, i.e., they were not delegated to any other party. All of the services provided were pre-approved by the Audit Committee.

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**DELIVERY OF SINGLE OR MULTIPLE SETS OF DOCUMENTS TO ONE HOUSEHOLD**

We have adopted a procedure approved by the SEC called householding. Under this procedure, certain shareholders of record who have the same address and last name and do not participate in electronic delivery of proxy materials will receive only one copy of our annual report and proxy statement, unless one or more of these shareholders notifies us that they would like to receive individual copies. This reduces our printing costs and postage fees. Shareholders who participate in householding will continue to receive separate proxy cards.

If you and other shareholders of record with whom you share an address currently receive multiple copies of our annual report and/or proxy statement, and you would like to receive only a single copy of the annual report or proxy statement for your household, please contact Douglas W. Cowan at 511 Lobo Lane, Little Elm, Texas 75068, (888) 806-2626.

If you participate in householding and would like to receive a separate copy of our annual report or this proxy statement, please contact us in the manner described in the immediately preceding paragraph. We will deliver the requested documents to you promptly upon receipt of your request.

**ANNUAL REPORT ON FORM 10-K**

**The Company will provide, without charge, to each person solicited, upon the written or oral request of any such person, a copy of our annual report on Form 10-K for the most recent fiscal year, including the financial statements and the financial statement schedules (as well as exhibits). Such requests should be submitted to Mr. Douglas W. Cowan, Vice President and Chief Financial Officer, at 511 Lobo Lane, Little Elm, Texas 75068-5295, (888) 806-2626.**

**SHAREHOLDER PROPOSALS FOR PRESENTATION AT THE 2018 ANNUAL MEETING**

Proposals by shareholders (other than director nominations) that are submitted for inclusion in our proxy statement for our 2018 Annual Meeting must follow the procedures set forth in Rule 14a-8 under the Securities Exchange Act of 1934 and our bylaws. To be timely under Rule 14a-8, they must be received by our Corporate Secretary, Michele Larios, at 511 Lobo Lane, Little Elm, Texas 75068-5295, by March 30, 2018.

If a shareholder does not submit a proposal for inclusion in our proxy statement, but does wish to propose an item of business to be considered at the annual meeting of shareholders (other than director nominations), that shareholder must give advance written notice of such proposal to our Corporate Secretary at least 45 days prior to the anniversary of the mailing date of the most recent annual meeting. For our 2018 Annual Meeting, notice must be given by June 13, 2018, and must comply with certain other requirements contained in our bylaws, as well as all applicable statutes and regulations. Proposals received after this date will be considered untimely and may not, in the Board of Directors discretion, be addressed at the next annual meeting.

We reserve the right to reject, rule out of order, or take other appropriate action with respect to any proposal that does not comply with these requirements.

**DIRECTOR NOMINATIONS TO BE CONSIDERED BY THE BOARD IN 2018**

A shareholder may nominate a person, on their own initiative, for consideration for recommendation by the Board to the shareholders in our Proxy Statement for the 2018 annual meeting. Such notice must be received by March 30, 2018 and must set forth:

1. The name and address of the shareholder making the nomination and of the person to be nominated;
  
2. A representation that the shareholder is a holder of record of Common Stock of the Company entitled to vote at such meeting (specifying the number of shares beneficially held) and intends to appear in person or by proxy at the meeting;

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3. A description of all arrangements or understandings between the shareholder and the nominee and any other person or persons (naming such person or persons) pursuant to which the nomination is being made by the shareholder and any material interest of the shareholder in making the nomination;
4. Such other information regarding the nominee proposed by such shareholder as would be required to be included in a proxy statement filed pursuant to the then current proxy rules of the SEC; and
5. The consent of the nominee to serve as a Director if so recommended by the Board and duly elected at the annual meeting by the shareholders.

We evaluate Director nominees recommended by shareholders in the same manner in which we evaluate other Director nominees. Please see *CORPORATE GOVERNANCE-NOMINATING COMMITTEE-Director Nomination Policies* for a description of the consideration given to shareholder recommended nominees.

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