

ENCISION INC
Form DEF 14A
July 06, 2012
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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 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 under §240.14a-12

ENCISION 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.
 - (1) Title of each class of securities to which transaction applies:
 - (2) Aggregate number of securities to which transaction applies:
 - (3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):
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 - (2) Form, Schedule or Registration Statement No.:
 - (3) Filing Party:
 - (4) Date Filed:

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ENCISION INC.

6797 Winchester Circle

Boulder, CO 80301

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

To Be Held August 8, 2012

To Our Shareholders:

The Annual Meeting of Shareholders of Encision Inc., a Colorado corporation, will be held at 10:00 A.M. Mountain Time, on August 8, 2012, at the offices of Faegre Baker Daniels LLP, Suite 300, 1470 Walnut Street, Boulder, CO 80302, for the following purposes, all of which are more completely set forth in the accompanying Proxy Statement:

1. To elect seven directors;
2. To approve the amendment of the Encision Inc. 2007 Stock Option Plan;
3. To ratify the appointment of Eide Bailly LLP as our independent public accountants; and
4. To transact such other business as may properly come before the meeting, or any adjournment thereof.

All shareholders are cordially invited to attend the meeting, although only shareholders of record at the close of business on June 25, 2012, will be entitled to notice of, and to vote at, the meeting or any and all adjournments thereof.

BY ORDER OF THE BOARD OF DIRECTORS

/s/ Roger C. Odell
Roger C. Odell
Chairman of the Board

July 5, 2012

PLEASE COMPLETE, DATE, SIGN AND RETURN THE ENCLOSED PROXY CARD IN THE ENCLOSED POSTAGE PREPAID ENVELOPE, WHETHER OR NOT YOU PLAN TO ATTEND THE MEETING. YOUR PROMPT RETURN OF THE PROXY CARD WILL HELP ASSURE A QUORUM AT THE MEETING AND AVOID ADDITIONAL COMPANY EXPENSE FOR FURTHER SOLICITATION. YOU MAY REVOKE YOUR PROXY AT ANY TIME BEFORE IT IS VOTED.

Important Notice Regarding the Availability of Proxy Materials for the Annual Meeting of Shareholders to be held on August 8, 2012:
This Proxy Statement and the Annual Report on Form 10-K for the fiscal year ended March 31, 2012 are available at www.encision.com.

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ENCISION INC.

6797 Winchester Circle

Boulder, CO 80301

PROXY STATEMENT

ANNUAL MEETING OF SHAREHOLDERS

To Be Held August 8, 2012

SOLICITATION OF PROXIES

This Proxy Statement is furnished in connection with the solicitation of proxies by the board of directors of Encision Inc., a Colorado corporation, for use at our Annual Meeting of Shareholders to be held at 10:00 A.M. Mountain Time, on August 8, 2012, at the offices of Faegre Baker Daniels LLP, Suite 300, 1470 Walnut Street, Boulder, CO 80302 and at any and all adjournments of such meeting (the Annual Meeting).

If the enclosed Proxy Card is properly executed and returned in time to be voted at the meeting, the shares of common stock represented will be voted in accordance with the instructions contained therein. Executed Proxy Cards that contain no instructions will be voted for each of the nominees for director indicated herein, for approval of the amendment of the 2007 Stock Option Plan, and for the ratification of Eide Bailly LLP as our independent public accountants. It is anticipated that this Proxy Statement and the accompanying Proxy Card and Notice of Annual Meeting will be mailed to our shareholders on or about July 5, 2012.

Shareholders who execute proxies for the Annual Meeting may revoke their proxies at any time prior to their exercise by delivering written notice of revocation to our secretary, by delivering a duly executed Proxy Card bearing a later date, or by attending the meeting and voting in person.

We will bear the costs of the meeting, including the costs of preparing and mailing the Proxy Statement, Notice of Annual Meeting and Proxy Card. We may, in addition, use the services of our directors, officers and employees to solicit proxies, personally or by telephone, but at no additional salary or compensation. We will also request banks, brokers, and others who hold shares of our common stock in nominee names to distribute annual reports and proxy soliciting materials to beneficial owners, and we will reimburse such banks and brokers for reasonable out-of-pocket expenses which they may incur in so doing.

OUTSTANDING CAPITAL STOCK

The record date for shareholders entitled to vote at the Annual Meeting was June 25, 2012. At the close of business on that day, there were 8,210,100 shares of our common stock, no par value, outstanding and entitled to vote at the meeting. Each share of common stock is entitled to one vote.

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QUORUM AND VOTING

The presence in person or by proxy of the holders of a majority of the total issued and outstanding shares of our common stock that are entitled to be voted at the Annual Meeting is necessary in order to constitute a quorum for the meeting. Abstentions and broker non-votes will be counted for purposes of attaining a quorum.

If your shares are held in street name and you do not instruct your broker on how to vote your shares, your brokerage firm, in its discretion, may either leave your shares unvoted or vote your shares on routine matters only. The proposal to ratify the appointment of Eide Bailly LLP is considered a routine matter. The election of directors and the proposal to amend the 2007 Stock Option Plan are considered non-routine matters. Consequently, without your voting instructions, your brokerage firm cannot vote your shares on (i) the election of directors or (ii) the proposal to amend the 2007 Stock Option Plan. Such unvoted shares are called broker non-votes.

If a quorum is present, (i) the election of directors will require a plurality of the votes cast in person or by proxy at the Annual Meeting, and (ii) the affirmative vote of a majority of the shares represented at the meeting and entitled to vote will be required (x) to approve the proposal to amend the 2007 Stock Option Plan, (y) to ratify the appointment of our independent public accountants, or (z) to approve any other matter to be voted on by the shareholders at the meeting.

Proxies marked withhold and broker non-votes will have no effect on the election of directors.

Abstentions will have the same effect as a vote against (x) the proposal to amend the 2007 Stock Option Plan and (y) the ratification of the appointment of our independent public accountants.

Broker non-votes, if any, will have no effect on the proposal to amend the 2007 Stock Option Plan.

To the extent that your brokerage firm votes your shares on your behalf in the absence of instructions on the accountant ratification proposal, such shares will have the effect of a vote for such proposal.

ACTIONS TO BE TAKEN AT THE MEETING

The accompanying proxy, unless the shareholder otherwise specifies in the proxy, will be voted (1) FOR the election of each of the seven nominees named herein for the office of director, (2) FOR the proposal to amend the Encision Inc. 2007 Stock Option Plan, (3) FOR ratification of the appointment of Eide Bailly LLP as our independent public accountants and (4) at the discretion of the proxy holders on any other matter that may properly come before the meeting or any adjournment thereof.

If shareholders have appropriately specified how their proxies are to be voted, they will be voted accordingly. If any other matter of business is brought before the meeting, the proxy holders may vote the proxies at their discretion. The directors do not know of any such other matter of business.

SHAREHOLDER PROPOSALS

Shareholder proposals intended for inclusion in our Proxy Statement for the 2013 Annual Meeting of Shareholders, including shareholder recommendation for nominees for election to our board of directors, must be received by us at our offices in Boulder, Colorado, not later than February 28, 2013.

Table of Contents**ELECTION OF DIRECTORS****(Proxy Item #1)**

Our board of directors has nominated the seven persons listed below for election as directors for the 2013 fiscal year, each to hold office until the 2013 Annual Meeting of Shareholders and until their successors are duly elected and qualified, or until their earlier death, resignation or removal. A shareholder using the enclosed Proxy Card can vote for all or any of the nominees of the board of directors or such shareholder may withhold his or her vote from all or any of such nominees. If the Proxy Card is properly executed but not marked, it will be voted for all of the nominees. Each of the nominees has agreed to serve as a director if elected; however, should any nominee become unable or unwilling to accept nomination or election, the persons named in the proxy will exercise their voting power in favor of such other person or persons as our board of directors may recommend. There are no family relationships among these nominees.

THE BOARD OF DIRECTORS RECOMMENDS A VOTE FOR EACH NOMINEE FOR THE BOARD OF DIRECTORS.

The following table sets forth the members of our board of directors, their ages as of March 31, 2012, and their positions and offices held:

| Name | Age | Position |
|----------------------------------|------------|---|
| Vern D. Kornelsen (1) (2) (3) | 79 | Director |
| Robert H. Fries (1) (2) | 63 | Director |
| Ruediger Naumann-Etienne (1) (3) | 65 | Director |
| Patrick W. Pace | 40 | Director |
| Fred F. Perner | 58 | Director, President & CEO |
| David W. Newton | 65 | Director, Co-Founder, VP - Technology |
| Roger C. Odell | 61 | Director, Co-Founder and Chairman of the Board, VP - Business Development |

(1) Member of the Compensation Committee

(2) Member of the Nominating Committee

(3) Member of the Audit Committee

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Vern D. Kornelsen is one of our co-founders and served on our board of directors and as our Chief Financial Officer from 1991 through February 1997. He was re-elected to the board of directors in April 1998. Mr. Kornelsen is the General Partner of CMED Partners LLLP, one of our principal shareholders. Mr. Kornelsen formerly practiced as a certified public accountant in the state of Colorado for many years. For the past nine years, he has been active in managing two investment partnerships, of which he is the general partner, as well as serving as an officer and director of several private companies and of one public company, Lifeloc Technologies, Inc., of which he is the controlling stockholder. Mr. Kornelsen received a Bachelor of Science degree in business from the University of Kansas. We believe Mr. Kornelsen is qualified to serve on our board of directors based on his executive experience with several private companies and his financial and accounting expertise as described above.

Robert H. Fries has served on our board of directors since June 2003. Mr. Fries is a founder and the President of FinanceVision Services, Inc., a finance and tax consulting firm, and has served as a finance executive with a broad range of large public multinational companies. Since March 2000, he has provided us with financial and tax consulting services. Mr. Fries is a certified public accountant. Mr. Fries' credentials include a Masters in Business Administration from St. John's University, New York, and a Juris Doctor Degree from Jones School of Law. We believe that Mr. Fries' financial and business expertise, particularly in the role of finance executive for various large public companies, give him the qualifications and skills to serve as a director.

Ruediger Naumann-Etienne has served on our board of directors since October 2008. Mr. Naumann-Etienne has been the General Partner of Intertec Healthcare Partners, a fund investing in medical companies, since 2006. Since 1989, he has also been the owner and Managing Director of Intertec Group, an investment company specializing in the medical technology field. Intertec Group has successfully implemented growth strategies for OEC Medical Systems,

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Laserscope, Quinton Instruments and Cardiac Science. From 2006 through 2010, he was Chairman of Cardiac Science having previously served as the Chairman of a predecessor company, Quinton Instruments, from 2000 to 2005. He was also CEO of Quinton Instruments from 2000 to 2003. From 1993 until 1996, he was Chairman of OEC Medical Systems and CEO of the same company from 1995 to 1997.

Mr. Naumann-Etienne is also a director of Varian Medical Systems and IRIDEX Corporation. Mr. Naumann-Etienne's extensive experience serving as a director and executive for various companies in the medical technology field is valuable to our board of directors' oversight of the growth and financing of our business.

Patrick W. Pace, M.D. was appointed to our board of directors in April 2012. Dr. Pace is the owner of PICO LLC, a healthcare consulting firm. Dr. Pace's background includes over 10 years of financial experience in the healthcare sector. From 2009 to 2011, he was a Managing Director at Citadel Securities, where he was part of the inaugural team that helped launch the firm's investment banking and credit sales and trading efforts. In this capacity, he provided credit analysis for the healthcare sector. From 2006 to 2009, he was a Vice President at AIG Investments, where he focused on healthcare investments in the high yield bond market. From 2001 to 2006, Dr. Pace held various positions at UBS, including serving as Senior Analyst in equity research covering the medical device sector from 2003 to 2006. Dr. Pace also serves on the board of directors for Nanospectra Biosciences, Inc., a privately-held medical device company. Dr. Pace holds an M.D. from the University of Texas Medical School Houston and a B.A. (Honors in Psychology) from Vanderbilt University. We believe that Dr. Pace's healthcare and investment experience give him the qualifications and skills to serve as a director.

Fred F. Perner has served as our President & Chief Executive Officer since September 2011 and on our board of directors since October 2011. Mr. Perner has over 30 years of experience in healthcare, including sales and marketing experience in electrosurgery and endoscopy technologies. Previously, he was with the Association of periOperative Registered Nurses (AORN), a professional association representing 40,000 perioperative nurses, as its Vice President, Segments and Business Development. He served as Global Education Leader and Solution Leader at GE Healthcare, a division of General Electric Company, from 2006 to 2008. From 2000 to 2006, he served as Senior Vice President and Chief Compliance Officer with HealthStream, Inc., a leading provider of learning and research solutions for the healthcare industry. For twelve years, he served in a number of sales and marketing roles with increasing responsibilities at Zimmer, Inc., which designs, develops, manufactures and markets orthopedic reconstructive, spinal and trauma devices, dental implants, and related surgical products. Mr. Perner holds B.S. and M.B.A. degrees from Indiana University and a law degree from the University of Denver. We believe that Mr. Perner's executive experience with public companies and his experience in healthcare give him the qualifications and skills to serve as a director.

David W. Newton, is one of our co-founders and has been a Vice President and one of our directors since our inception in 1991. From 1989 until 1991, Mr. Newton was President of Newton Associates, Inc., a contract engineering firm. From 1985 to 1989, Mr. Newton was President of Tienet, Inc., a developer of integrated computer systems. Mr. Newton has an additional 16 years of experience as an electrical engineer designing electrosurgical generators and related accessories. Mr. Newton holds 21 patents in the field of medical electronic equipment and holds a Bachelor of Science Electrical Engineering degree from the University of Colorado. We believe that Mr. Newton's engineering experience with various firms gives him the qualifications and skills to serve as a director.

Roger C. Odell, the Chairman of our board of directors, is one of our co-founders, has served on our board of directors since our inception, and is our Vice President of Business Development. From 1976 until 1991, Mr. Odell was employed at Valleylab, a subsidiary of Pfizer Inc., in a variety of engineering capacities, primarily involving electrosurgical products. Mr. Odell holds an Associate of Applied Science degree in electrical engineering from Alfred State University. We believe that Mr. Odell's executive experience with a large public medical device company and the years of experience with Encision give him the qualifications and skills to serve as a director.

Director Meetings

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During the fiscal year ended March 31, 2012, our board of directors met in person four times and had one telephonic meeting. All of our directors attended all of the meetings of the board of directors and all meetings of the committees of the board of directors on which they were members during fiscal year 2012. There were four meetings of the audit committee, one meeting of the compensation committee and one meeting of the nominating committee, attended by all directors who were members of the committees at the time of the meetings. The audit committee held two telephonic meetings with our independent auditors.

We encourage our incumbent directors to attend the Annual Meeting of Shareholders, subject to their travel schedule and other demands on their time. All of our directors attended the 2011 Annual Meeting of Shareholders.

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Our board of directors determines whether a director is independent through a broad consideration of facts and circumstances, including an assessment of the materiality of any relation between us and a director not merely from the director's standpoint, but also from that of persons or organizations with which the director has an affiliation. In making this determination, the board of directors adheres to the independence criteria under applicable New York Stock Exchange, Inc. (NYSE) rules. Using these rules, our board of directors has determined that Robert H. Fries, Vern D. Kornelsen, Patrick W. Pace and Ruediger Naumann-Etienne qualify as independent directors.

Compensation of Directors

Currently, our outside directors receive \$1,250 a quarter for their services and are reimbursed for their out-of-pocket expenses incurred in connection with their service as directors. Option grants to our directors are at the discretion of the board of directors.

The following table details the total compensation earned by our non-employee directors in fiscal year 2012.

Director Compensation

| Name | Fees paid in cash (\$)(1) | Option awards (\$) | All other compensation (\$) | Total (\$) |
|--------------------------|---------------------------------|--------------------------|-----------------------------------|---------------|
| Bruce L. Arfmann(2) | 16,031.25 | | | 16,031.25 |
| Robert H. Fries | 11,937.50 | | 82,002.00(3) | 93,939.50 |
| Vern D. Kornelsen | 11,937.50 | | | 11,937.50 |
| Ruediger Naumann-Etienne | 11,937.50 | | | 11,937.50 |

(1) The following table provides a breakdown of fees paid in cash.

| Name | Annual retainers (\$) | Audit committee member fees (\$) | Total (\$) |
|--------------------------|--------------------------|--|---------------|
| Bruce L. Arfmann | 10,687.50 | 5,343.75 | 16,031.25 |
| Robert H. Fries | 11,937.50 | | 11,937.50 |
| Vern D. Kornelsen | 11,937.50 | | 11,937.50 |
| Ruediger Naumann-Etienne | 11,937.50 | | 11,937.50 |

(2) Mr. Arfmann resigned as a director in January 2012.

(3) Compensation paid to an entity controlled by Mr. Fries for financial and tax consulting services provided to us.

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The following table provides information on the outstanding equity awards at fiscal year-end for non-employee directors.

Outstanding Options for Non-Employee Directors at Fiscal Year-End 2012

| Name | Number of securities underlying unexercised options (#) exercisable |
|--------------------------|--|
| Bruce L. Arfmann | |
| Robert H. Fries | 25,000 |
| Vern D. Kornelsen | 10,000 |
| Ruediger Naumann-Etienne | 10,000 |

Nominating Committee

The members of our nominating committee are Robert H. Fries and Vern D. Kornelsen. Our nominating committee recommends to our board of directors nominees for election to the board. Our nominating committee will consider recommendations for director nominees by shareholders if the names of those nominees and relevant biographical information are properly submitted in writing to our corporate secretary in the manner described for shareholder nominations above under the heading Shareholder Proposals. A director nominee must have a strong

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professional or other background, a reputation for integrity and responsibility and experience relevant to our business and operations. A director nominee must be able to commit appropriate time to prepare for, attend and participate in all meetings of our board of directors and its committees, as applicable, and the annual meeting of shareholders and must not have any conflicts of interest with our business and operations. Our nominating committee will also require some director nominees to be independent as defined under the NYSE listing standards. All director nominees, whether submitted by a shareholder or our nominating committee, will be evaluated in the same manner. All current members of the nominating committee are independent for purposes of the NYSE listing standards.

The nominating committee does not have an express policy with regard to the consideration of any director candidates recommended by our shareholders because the nominating committee believes that it can adequately evaluate any such nominees on a case-by-case basis. The nominating committee will consider director candidates proposed by shareholders in accordance with the procedures set forth above under Shareholder Proposals, and will evaluate shareholder-recommended candidates for director under the same criteria as internally generated candidates. We do not have a formal policy with regard to the consideration of diversity in identifying director nominees, but the nominating committee strives to nominate directors with a variety of complementary skills so that, as a group, the board will possess the appropriate talent, skills and expertise to oversee our business. Although the nominating committee does not currently have formal minimum criteria for nominees, substantial relevant business and industry experience would generally be considered important qualifying criteria, as would the ability to attend and prepare for board, committee and shareholder meetings. Any candidate must state in advance his or her willingness and interest in serving on our board and its committees.

Our board of directors has adopted a written Nominating Committee Charter, a copy of which is available on our website at www.encision.com. Our nominating committee held one meeting during the fiscal year ended March 31, 2012.

Compensation Committee

The members of the compensation committee are Vern D. Kornelsen, Robert H. Fries and Ruediger Naumann-Etienne. Our compensation committee reviews and approves compensation for our executive officers whose compensation is approved by our board of directors upon recommendation of the compensation committee. Our compensation committee also administers our stock option plans. Our board of directors has adopted a written Compensation Committee Charter, a copy of which is available on our website at www.encision.com. Our compensation committee held one meeting during the fiscal year ended March 31, 2012.

The compensation committee reviewed and considered our compensation policies and programs in light of the board of directors' risk assessment and management responsibilities and will do so in the future on an annual basis. The compensation committee believes that we have no compensation policies and programs that give rise to risks reasonably likely to have a material adverse effect on us.

Audit Committee

Our board of directors maintains an audit committee comprised of our outside directors. The board of directors and the audit committee believe that the audit committee's current members are independent directors as defined by the applicable rules of the NYSE and regulations of the Securities and Exchange Commission (SEC) as currently in effect and applicable to us. The audit committee oversees our independent auditors and financial process on behalf of the board of directors. The audit committee has adopted a written charter. The audit committee has adopted a

complaint procedure policy.

Vern D. Kornelsen and Ruediger Naumann-Etienne comprise the audit committee. Their backgrounds are more fully disclosed in their biographies under Election of Directors.

Our board of directors has determined that Vern D. Kornelsen and Ruediger Naumann-Etienne each qualify as an audit committee financial expert and each is independent as defined by the applicable regulations of the SEC as currently in effect and applicable to us.

The audit committee has adopted a written charter, a copy of which is available on the investors relations page of our website at www.encision.com. Our audit committee held four meetings during the fiscal year ended March 31, 2012 and held two telephonic meetings with our independent auditors during the fiscal year ended March 31, 2012.

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Board Leadership Structure

Our board of directors does not have a policy regarding separation of the roles of Chief Executive Officer and Chairman of the Board, as the board of directors believes it is in the best interest of the Company to make that determination based on the position and direction of the Company and the membership of the board. The board believes that the separate offices of the Chairman and Chief Executive Officer currently functions well and is the optimal leadership structure for the Company. This structure allows the Chief Executive Officer to focus to a greater extent on the management of our day-to-day operations.

The board believes that having our Vice President of Business Development and one of our co-founders, Mr. Odell, serve as Chairman creates an optimal leadership structure for the Company. This structure makes the best use of Mr. Odell's extensive knowledge of the Company and its industry, as well as fostering greater communication between our management and the board of directors. The combined role of Chairman and Vice President of Business Development is balanced by our governance structure, policies and controls, including the separation of the roles of Chairman and Chief Executive Officer. Four of the seven members of our board of directors satisfy the requirements of independence under the NYSE listing standards, and our audit, compensation, and nominating committees are composed entirely of independent directors. This structure encourages independent and effective oversight of our operations and prudent management of risk.

Risk Oversight

The board of directors, principally through delegation to the audit committee oversees risks facing us. The audit committee regularly discusses with management, our internal auditors and our independent auditors our major risk exposures, whether financial, operating or otherwise, and the adequacy and effectiveness of our control of such risks. The audit committee also recommends from time to time that key identified risk areas be considered by the full board, and individual board members also periodically ask the full board to consider an area of risk. In addition, risk management issues are considered inherently by the board with respect to all major decisions made by the board.

Our board of directors believes that the decision as to who should serve as Chairman and/or Chief Executive Officer and whether the offices should be combined or separated is the proper responsibility of the board. The board members have considerable experience and knowledge about the challenges and opportunities the company faces. The board, therefore, is in the best position to evaluate the company's current and future needs and to judge how the capabilities of the company's directors and senior management from time to time can be most effectively organized to meet those needs. While the board may combine these offices in the future if it considers such a combination to be in the best interest of the company, it currently intends to retain this structure.

Shareholder Communications with Directors

Shareholders and other interested parties wishing to contact any member (or all members) of our board of directors or any committee of the board may do so by mail, addressed, either by name or title, to the board of directors or to any such individual director or group or committee of the directors, and all such correspondence should be sent to our principal office. Our administrative staff may review any such communications to ensure that inappropriate material is not forwarded to the board of directors or to any individual director. The board of directors intends to continuously evaluate its communication process with our shareholders and may adopt additional procedures to facilitate shareholder communications with the board of directors, consistent with standards of professionalism and our administrative resources.

Code of Ethics

We have adopted a Code of Ethics that applies to our principal executive officer, principal financial officer, principal accounting officer and all other directors and executive officers. The Code of Ethics is available on the investor relations page of our website at www.encision.com. We intend to satisfy the requirements under Item 5.05 of Form 8-K regarding disclosure of amendments to, or waivers from, provisions of our Code of Ethics that apply to our principal executive, financial and accounting officers and directors by posting such information on our website.

Executive Officers

The following table sets forth the names of our executive officers, their ages as of March 31, 2012, and their positions and offices held:

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| Name | Age | Position |
|-----------------|-----|---|
| Fred F. Perner | 58 | President & CEO |
| Roger C. Odell | 61 | VP Business Development |
| David W. Newton | 65 | VP - Technology |
| Marcia McHaffie | 66 | Controller, Treasurer, Corporate Secretary |
| James Lewis | 65 | VP - Regulatory Affairs & Quality Assurance |
| Richard Smoot | 52 | VP - Operations |
| Warren Taylor | 51 | VP - Engineering |

Fred F. Perner has over 30 years of experience in healthcare, including sales and marketing experience in electrosurgery and endoscopy technologies. Previously, he was with the Association of periOperative Registered Nurses (AORN), a professional association representing 40,000 perioperative nurses, as its Vice President, Segments and Business Development. He served as Global Education Leader and Solution Leader at GE Healthcare, a division of General Electric Company, from 2006 to 2008. From 2000 to 2006, he served as Senior Vice President and Chief Compliance Officer with HealthStream, Inc., a leading provider of learning and research solutions for the healthcare industry. For twelve years, he served in a number of sales and marketing roles with increasing responsibilities at Zimmer, Inc., which designs, develops, manufactures and markets orthopedic reconstructive, spinal and trauma devices, dental implants, and related surgical products. Mr. Perner holds B.S. and M.B.A. degrees from Indiana University and a law degree from the University of Denver.

Roger C. Odell is one of our co-founders and is our Vice President of Business Development. From 1976 until 1991, he was employed at Valleylab, a division of Pfizer, Inc., in a variety of engineering capacities, primarily involving electrosurgical products. Mr. Odell holds an Associate of Applied Science degree in electrical engineering from Alfred State University.

David W. Newton is one of our co-founders and has been a Vice President since our inception in 1991. From 1989 until 1991, Mr. Newton was President of Newton Associates, Inc., a contract engineering firm. From 1985 to 1989, Mr. Newton was President of Tienet, Inc., a developer of integrated computer systems. Mr. Newton holds 21 patents in the field of medical electronic equipment and holds a Bachelor of Science Electrical Engineering degree from the University of Colorado.

Marcia McHaffie is our Controller, Treasurer and Corporate Secretary who joined us in 1993 as Controller. She became Treasurer and Corporate Secretary in 2001. Ms. McHaffie has extensive experience in GAAP accounting, SEC Reporting and Sarbanes-Oxley implementation.

James W. Lewis joined us in 2011 as Vice President of Regulatory Affairs and Quality Assurance. He has been in the medical device industry since 1979. Prior to joining us, Mr. Lewis was engaged in regulatory services consulting. He has headed domestic and international regulatory and quality functions for over 17 years for Sunrise Medical, Inverness Medical Innovations, Ferraris Respiratory, and Bard Electromedical Systems. He holds a Master and Bachelor of Science degrees in Mechanical Engineering from the University of Illinois.

Richard Smoot is Vice President of Operations who has been with us since 1995. He has been in the medical device industry since 1981. From 1990 to 1994 he was with Beacon Laboratories, performing services in materials and operations management.

Warren Taylor has served as our Vice President of Engineering since 2004. Prior to joining us, he was with medical device startups for 10 years and held positions as President of TriE Medical, Inc. and Vice President of Angiosonics, Inc. Mr. Taylor holds six patents, including patents in medical device design, and has a Bachelor of Science Mechanical Engineering Degree from North Carolina State University.

The following table sets forth certain information regarding compensation earned or awarded to each person who served as our chief executive officer during our most recently completed fiscal year, and to each of our two most highly compensated executive officers (other than our chief executive officer) who earned in excess of \$100,000 during our most recently completed fiscal year, (collectively, the Named Executive Officers).

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| Name and principal position | Fiscal year | Salary (\$) | Option awards (\$)⁽²⁾ | Total (\$) |
|---|--------------------|------------------------|---|-------------------|
| Fred F. Perner President, Chief Executive Officer | 2012 | 106,442 ⁽¹⁾ | 155,309 | 261,751 |
| | 2011 | | | |
| John R. Serino Former President, CEO | 2012 | 154,328 ⁽³⁾ | | 154,328 |
| | 2011 | 208,951 | | 208,951 |
| Roger C. Odell Vice President Business Development | 2012 | 138,373 | | 138,373 |
| | 2011 | 144,137 | | 144,137 |
| Warren Taylor Vice President Engineering | 2012 | 137,395 | | 137,395 |
| | 2011 | 143,119 | | 143,119 |

(1) Mr. Perner began service as CEO on September 19, 2011.

(2) Amounts reflect the aggregate grant date fair values of grants made in each respective fiscal year, valued in accordance with ASC Topic 718. Assumptions used in the calculations of these amounts are set forth in Footnote 3 to our Financial Statements included in our Annual Report on Form 10-K for the fiscal year ended March 31, 2012.

(3) Reflects Mr. Serino's service as CEO through September 16, 2011.

Employment Agreements

We entered into an employment agreement with Fred F. Perner dated August 19, 2011. The employment agreement has an initial three-year term beginning with the start date of September 19, 2011. Thereafter, the term automatically renews for additional one-year periods unless either party gives prior written notice that it does not wish to automatically renew the term. The employment agreement provides that Mr. Perner would receive an annual base salary of \$205,000. Mr. Perner will be entitled to receive a special cash bonus in the event that we are acquired during the next five years at a price for our common stock of \$10.00 per share or more. In the event of such an acquisition, Mr. Perner shall be entitled to a bonus amount equal to (i) such per share price, (ii) minus our per share price on the start date, (iii) multiplied by 37,500. Under the employment agreement, if we terminate Mr. Perner without cause or Mr. Perner resigns for good reason, Mr. Perner will be entitled to receive a severance amount (ranging from zero to one times his base salary) based upon the length of time Mr. Perner was employed by us prior to the termination. Such severance will be paid out ratably over the twelve months following the termination. No severance will be paid if the term of the employment agreement expires or is not renewed. If we have two consecutive quarters (beginning with the quarter starting October 1, 2012) with a reported net loss (excluding extraordinary items), then Mr. Perner may be terminated without any severance obligation. As provided in the employment agreement, Mr. Perner was granted stock options to purchase 200,000 shares of our common stock. The options vest over the five year period following the start date. The options will have an initial per share exercise price equal to our trading price on the start date. The

vesting of the options will accelerate in the event of certain acquisition transactions involving us.

We have entered into an employment agreement with Roger C. Odell dated March 3, 1997, which allows either party to terminate the agreement for any reason. In the event that the agreement is terminated, Mr. Odell is entitled, for a period of one year, to receive benefits and severance pay at the rate of his annual salary as of the date of termination, payable in equal monthly amounts.

Stock Options

On August 2, 2007, our shareholders approved the adoption of the 2007 Stock Option Plan (the 2007 Plan) providing for grants of stock options to our employees and directors. The 2007 Plan permits the granting of incentive stock options meeting the requirements of Section 422 of the Internal Revenue Code of 1986, as amended, and also nonqualified stock options which do not meet the requirements of Section 422. As approved by the shareholders, we reserved 700,000 shares of our common stock for issuance upon exercise of options granted under the 2007 Plan. As of March 31, 2012, options to purchase an aggregate of 635,000 shares of our common stock (net of options canceled) had been granted pursuant to the 2007 Plan, no options had been exercised, leaving 65,000 still available for grant. In addition to options outstanding under the 2007 Plan, there are 80,000 options outstanding outside of the 2007 Plan.

The compensation committee of the board of directors administers the 2007 Stock Option Plan.

Table of Contents**Option Grants in Fiscal Year 2012**

The following table sets forth options to acquire shares of our common stock granted to the Named Executive Officers during the fiscal year ended March 31, 2012.

| Name | Grant date | Number of securities underlying options (#) | Exercise price of option awards (\$/Sh) | Grant date fair value of option awards (\$) (1) |
|----------------|------------|---|---|---|
| Fred F. Perner | 09/19/11 | 200,000 | 1.05 | 155,309 |
| Warren Taylor | 08/03/11 | 10,000 | 1.00 | 7,362 |
| James Lewis | 12/29/11 | 20,000 | 1.15 | 17,010 |

(1) Grant date fair value of option awards was determined pursuant to ASC Topic 718. Assumptions used in the calculations of these amounts are set forth in Footnote 3 to our Financial Statements included in our Annual Report on Form 10-K for the fiscal year ended March 31, 2012.

Options Exercised in Fiscal Year 2012

There were no stock options exercised by the Named Executive Officers during fiscal year 2012.

Outstanding Options at Fiscal Year-End 2012

The following table sets forth certain information regarding the number and value of exercisable and unexercisable options to purchase shares of common stock held as of March 31, 2012 by the Named Executive Officers.

| Name | Number of securities underlying unexercised options (#) exercisable | Number of securities underlying unexercised options (#) unexercisable | Option exercise price (\$/Sh) | Option expiration date |
|----------------|---|---|-------------------------------|------------------------|
| Fred F. Perner | | 200,000 | 1.05 | 12/19/16 |
| John R. Serino | 25,533 | | 1.20 | 12/31/12 |
| | 89,556 | | 1.65 | 12/31/12 |
| Roger C. Odell | 15,244 | 4,756 | 1.20 | 01/21/14 |
| | 5,783 | 4,217 | 1.70 | 12/22/14 |
| Warren Taylor | 15,244 | 4,756 | 1.20 | 01/21/14 |
| | 15,233 | 14,767 | 1.45 | 04/30/15 |
| | 2,061 | 7,939 | 1.00 | 11/03/16 |

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth, as of June 25, 2012, the number of shares of our common stock, based upon 8,210,100 shares outstanding, owned by any person who is known by us to be the beneficial owner of more than 5% of our voting securities, by all individual directors, by all Named Executive Officers, and by all executive officers and directors as a group:

| Beneficial Owner(1) | Shares Beneficially Owned(2) | Percent of Class |
|--|------------------------------------|---------------------|
| Vern D. Kornelsen(3) | 1,717,738 | 20.9% |
| Roger C. Odell(4) | 771,266 | 9.4% |
| Ruediger Naumann-Etienne(5) | 690,571 | 8.4% |
| David W. Newton(6) | 306,305 | 3.7% |
| Robert H. Fries(7) | 141,764 | 1.7% |
| Patrick W. Pace | 72,000 | * |
| Warren Taylor(8) | 32,873 | * |
| Fred F. Perner | 27,662 | * |
| John R. Serino | | |
| All executive officers and directors as a group (12 Persons) (9) | 3,850,201 | 46.1% |
| <i>Other Shareholders holding 5% or more:</i> | | |
| CMED Partners LLLP(10) | 1,633,517 | 19.9% |
| Intertec Healthcare Partners, L.P. (11) | 660,671 | 8.0% |
| Charles E. Sheedy(12) | 578,319 | 7.0% |

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* Less than 1%.

(1) The address of each director and officer of the Company is 6797 Winchester Circle, Boulder, CO 80301.

(2) Shares not outstanding but deemed beneficially owned by virtue of an individual executive officer's or director's right to acquire them as of June 25, 2012, or within 60 days of such date, are treated as outstanding when determining the percent of the class owned by such individual and when determining the percent owned by all executive officers and directors as a group. Unless otherwise indicated, each person named or included in the group has sole voting and investment power with respect to the shares of Common Stock set forth opposite the shareholder's name.

(3) Includes 1,633,517 shares owned by CMED Partners LLLP, of which Mr. Kornelsen is the General Partner, and 10,000 shares issuable pursuant to options exercisable as of June 25, 2012, or within 60 days of such date.

(4) Includes 21,195 shares issuable pursuant to options exercisable as of June 25, 2012, or within 60 days of such date.

(5) Includes 660,671 shares owned by Intertec Healthcare Partners, L.P., of which Mr. Ruediger Naumann-Etienne is the Managing Member of Intertec Healthcare Management, L.L.C., the General Partner of Intertec Healthcare Partners, L.P, and 10,000 shares issuable pursuant to options exercisable as of June 25, 2012, or within 60 days of such date.

(6) Includes 15,356 shares issuable pursuant to options exercisable as of June 25, 2012, or within 60 days of such date.

(7) Includes 21,764 shares issuable pursuant to options exercisable as of June 25, 2012, or within 60 days of such date.

(8) Includes 32,873 shares issuable pursuant to options exercisable as of June 25, 2012, or within 60 days of such date.

(9) Includes 141,900 shares issuable pursuant to options exercisable as of June 25, 2012, or within 60 days of such date.

(10) The address of CMED Partners LLLP is 4605 S. Denice Drive, Englewood, CO 80111. Mr. Kornelsen is indirectly the beneficial owner of these shares since he is the General Partner of CMED Partners LLLP.

(11) Based solely on Form 4, filed June 13, 2011 and Schedule 13D, filed September 29, 2008. The address of Intertec Healthcare Partners, L.P. is 5980 Horton Street, Suite 390, Emeryville, CA 94608. Mr. Ruediger Naumann-Etienne is the Managing Member of Intertec Healthcare Management, L.L.C., the General Partner of Intertec Healthcare Partners, L.P.

(12) Based solely on Schedule 13G, filed April 6, 2012. The address of Charles E. Sheedy is 909 Fannin Street, Houston, TX 77010.

RELATED PARTY TRANSACTIONS

In March and April of 2012, we completed a private placement of 1,755,000 shares of our common stock. The purchase price per share for the shares sold in the private placement was \$1.00. Mr. Kornelsen, one of our directors, purchased 26,000 shares in the private placement. CMED Partners LLLP, an investment fund affiliated with Mr. Kornelsen, purchased 514,000 shares in the private placement.

SECTION 16(A) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Section 16(a) of the Securities Exchange Act of 1934, as amended, requires our directors, executive officers and holders of more than 10% of our common stock to file initial reports of ownership and reports of changes in ownership of our common stock with the Securities and Exchange Commission. Based solely upon a review of Forms 3 and 4 and amendments thereto furnished to us during the fiscal year ended March 31, 2012, to our knowledge, our directors, officers and holders of more than 10% of our common stock have timely filed all Section 16(a) reports.

Audit Committee Report

Our board of directors maintains an audit committee comprised of our outside directors. The board of directors and the audit committee believe that the audit committee's current members are independent directors as defined by the applicable regulations of the SEC as currently in effect and applicable to us.

The audit committee reviews and reassesses the adequacy of its charter on an annual basis. Management has the primary responsibility for the financial statements and the reporting process including the systems of internal controls. In fulfilling its oversight responsibilities, the committee reviewed the audited financial statements in the

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Annual Report with management including a discussion of the quality, not just the acceptability, of the accounting principles, the reasonableness of significant judgments, and the clarity of disclosures in the financial statements. The audit committee reviewed with the independent auditors, who are responsible for expressing an opinion on the conformity of those audited financial statements with generally accepted accounting principles, their judgments as to the quality, not just the acceptability, of our accounting principles and such other matters as are required to be discussed with the committee under generally accepted auditing standards, including Statement on Auditing Standards No. 61. In addition, the audit committee has discussed with the independent auditors the auditors' independence from management and us including the matters in the written disclosures and the letter from the independent auditors required by applicable requirements of the Public Company Accounting Oversight Board regarding the independent auditor's communication with the audit committee concerning independence.

The audit committee discussed with our independent auditors the overall scope and plans for their audit. The audit committee meets with the independent auditors to discuss the results of their examination, their evaluation of our internal controls, and the overall quality of our financial reporting. In reliance on the reviews and discussions referred to above, the audit committee recommended to the board of directors, and the board of directors has approved, that the audited consolidated financial statements be included in our Annual Report on Form 10-K for the fiscal year ended March 31, 2012, for filing with the Securities and Exchange Commission.

Submitted by the Audit Committee

Vern D. Kornelsen, Audit Committee Member

Ruediger Naumann-Etienne, Audit Committee Member

**APPROVAL OF THE AMENDMENT AND RESTATEMENT OF THE 2007 STOCK OPTION PLAN
(Proxy Item #2)**

The purpose of the Plan is to promote the interests of the Company and its shareholders by helping the Company to attract, retain and motivate key employees of the Company. The Board of Directors and shareholders of the Company originally adopted the Plan on August 2, 2007.

The Board of Directors believes that the Plan has been of material benefit to the Company by assisting the Company in attracting, retaining and motivating key employees of proven ability. The Board of Directors also believes that the best interests of the Company and its shareholders require that the Company continue to be in a position to offer options to current and prospective key personnel of the Company.

As of June 15, 2012, options to purchase an aggregate of 635,000 shares of Common Stock (net of options canceled) had been granted pursuant to the Plan and no options had been exercised. In addition to options outstanding under the 2007 Plan, there are 80,000 options outstanding outside of the 2007 Plan.

Overview

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Subject to stockholder approval, the Board approved an amendment and restatement of our 2007 Stock Option Plan that increases the number of shares of common stock authorized for issuance under the Option Plan by 250,000. The Option Plan was adopted originally by the Board and approved by the stockholders in August 2007.

We believe that the Option Plan provides meaningful performance incentives to our directors, officers, employees and other service providers, which, in turn, are expected to improve the Company's long-term performance. We are asking our stockholders to approve an increase in the number of shares issuable under the Option Plan in order to continue this company-wide compensation strategy and to provide resources to recruit and retain qualified personnel to support our planned strategic growth. Under the Option Plan, the number of shares of common stock currently authorized by our stockholders for issuance is 700,000 shares. As of June 25, 2012, about 65,000 shares remained available for grant under the Option Plan. If the stockholders approve the amendment and restatement of the Option Plan, then 250,000 additional shares will be available for issuance under the Option Plan. The proposed amendment and restatement will not become effective if the stockholders do not approve it.

Proposal

The stockholders are asked to approve an amendment and restatement of the Option Plan that increases the number of shares of common stock authorized for issuance under the Option Plan by 250,000 shares. If approved, the number of shares of our common stock authorized for issuance under our Option Plan will be increased from 700,000 to 950,000. The proposed amendment also requires that no employee be granted, in any one fiscal year, options to

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purchase more than 50,000 shares, provided that the limitation will be 200,000 shares during the fiscal year of the employee's initial year of service with the Company. A copy of the proposed First Amended and Restated 2007 Stock Option Plan is attached to this Proxy Statement as Appendix A.

Vote Required

The affirmative vote of a majority of the shares represented at the meeting and entitled to vote will be required to approve the amendment and restatement of the Option Plan.

Recommendation

The Board recommends that stockholders vote FOR approval of the amendment and restatement of the Option Plan.

Unless marked otherwise, proxies received will be voted FOR approval of the amendment and restatement of the Option Plan.

Summary of the Option Plan

The following summary of the Option Plan is qualified in its entirety by the terms of the First Amended and Restated 2007 Stock Option Plan, a copy of which is attached to this proxy statement as Appendix A.

Purpose. The purpose of the Option Plan is to provide a means to allow grants of stock options to selected employees, directors and consultants in order to attract and retain the best available personnel and to promote the success of the Company's business.

Administration. The Option Plan may be administered by the Board or any of its committees (the Plan Administrator). The Plan Administrator, subject to the terms and conditions of the Option Plan, has the authority to determine all matters related to the Option Plan in its discretion, including the authority to select the individuals to receive awards and to determine the number of shares to be subject to each award, the exercise price of options, the forms to be used under the Option Plan and all other terms and conditions of the award.

Stock Subject to the Option Plan. The Option Plan, if amended as proposed, will authorize the issuance of up to 950,000 shares of our common stock. Shares of common stock covered by an award granted under the Option Plan will not be counted as used unless and until they are actually issued and delivered to a participant. Shares relating to awards granted under the Option Plan that lapse, are canceled.