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RESPIRONICS INC
Form DEF 14A
October 23, 2002

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

SCHEDULE 14A

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

- Filed by the Registrant
- Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material Pursuant to 167;240.14a-12

Respironics, 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)(4) 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):

4) Proposed maximum aggregate value of transaction:

5) Total fee paid:

- Fee paid previously with preliminary materials.

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[] Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

1) Amount Previously Paid:

2) Form, Schedule or Registration Statement No.:

3) Filing Party:

4) Date Filed:

[LOGO] RESPIRONICS INC.

Dear Shareholder:

You are cordially invited to join us for our Annual Meeting of Shareholders to be held this year on Monday, November 18, 2002, at 5:15 p.m. (local time) at the Company's Corporate Headquarters facility at 1010 Murry Ridge Lane, Murrysville, Pennsylvania.

The Notice of Annual Meeting of Shareholders and the Proxy Statement that follow describe the business to be conducted at the meeting. We will also report on matters of current interest to our shareholders.

Representatives of the Company will be available after the meeting. Please also take this opportunity to view Respironics products, which will be on display.

Your vote is important. Whether you own a few or many shares of Respironics stock, it is important that your shares be represented. If you cannot personally attend, we encourage you to make certain that you are represented at the meeting by signing the accompanying proxy card and promptly returning it in the enclosed envelope.

Very truly yours,
/s/ James Liken

James W. Liken
President and Chief Executive Officer
October 14, 2002

RESPIRONICS, INC.

1010 Murry Ridge Lane
Murrysville, Pennsylvania 15668

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NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

The Annual Meeting of Shareholders of Respironics, Inc. will be held at the Company's Corporate Headquarters facility at 1010 Murry Ridge Lane, Murrysville, Pennsylvania on Monday, November 18, 2002 at 5:15 p.m. for the following purposes:

- (1) To elect three directors;
- (2) To ratify the selection of auditors to examine the consolidated financial statements of the Company for the fiscal year ending June 30, 2003; and
- (3) To transact such other business as may properly come before the meeting.

Please refer to the accompanying Proxy Statement for a description of the matters to be considered at the meeting.

Please sign, date and return the enclosed proxy promptly in the envelope provided, which requires no United States postage.

Dorita A. Pishko
Corporate Secretary

October 14, 2002

RESPIRONICS, INC.

1010 Murry Ridge Lane
Murrysville, Pennsylvania 15668

PROXY STATEMENT

Annual Meeting of Shareholders to be Held November 18, 2002

GENERAL

The enclosed proxy is solicited on behalf of the Board of Directors of Respironics, Inc. (the "Company") for use at the Annual Meeting of Shareholders to be held at 5:15 p.m., on Monday, November 18, 2002 at the Company's Corporate Headquarters facility at 1010 Murry Ridge Lane, Murrysville, Pennsylvania. The accompanying Notice of Annual Meeting of Shareholders sets forth the purposes of the meeting.

The enclosed proxy may be revoked at any time before its exercise by giving notice of revocation to the Secretary of the Company. The shares represented by proxies in the form solicited by the Board of Directors will be voted at the meeting. If a choice is specified on the proxy with respect to a matter to be voted upon, the shares represented by the proxy will be voted in accordance with that specification. If no choice is specified, the shares will be voted as stated below in this Proxy Statement.

It is expected that this Proxy Statement and the accompanying form of proxy

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will first be mailed to shareholders of the Company on or about October 18, 2002. The Company's Annual Report to Shareholders for 2002 is enclosed with this Proxy Statement but does not form a part of the proxy soliciting material.

SHAREHOLDER PROPOSALS FOR 2003 ANNUAL MEETING

If any shareholder wishes to present a proposal at the 2003 Annual Meeting of Shareholders, the proposal must be received by the Secretary of the Company by June 10, 2003 to be considered for inclusion in the Company's Proxy Statement and form of proxy relating to the 2003 Annual Meeting. The Bylaws of the Company require that any shareholder intending to present a proposal for action at an Annual Meeting must give written notice of the proposal, containing the information specified in the Bylaws, so that it is received by the Company not later than the notice deadline determined under the Bylaws. This notice deadline will generally be 90 days prior to the anniversary of the Company's Proxy Statement for the previous year's annual meeting, or July 15, 2003 for the Company's Annual Meeting in 2003. Any shareholder proposal received by the Secretary of the Company after July 15, 2003 will be considered untimely under Rule 14a-4(c)(1) promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934. The 2003 Annual Meeting is presently scheduled for November 17, 2003.

VOTING SECURITIES AND RECORD DATE

Holders of the Company's Common Stock of record as of the close of business on October 4, 2002 (the "record date") are entitled to receive notice of and to vote at the 2002 Annual Meeting. On the record date, the Company had outstanding 33,358,807 shares of Common Stock, the holders of which are entitled to one vote per share. These shares outstanding exclude 3,588,358 shares held by the Company in treasury.

SECURITY OWNERSHIP

Management

The following table shows the number of shares of Common Stock beneficially owned by each director and nominee for director of the Company, each of the officers of the Company named in the Summary Compensation

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Table herein and by all directors, nominees and executive officers of the Company as a group, as of the record date. As used herein, "beneficial ownership" means the sole or shared power to vote, or to direct the voting of, a security, or the sole or shared investment power with respect to a security (i.e., the power to dispose of, or to direct the disposition of, a security). A person is deemed, as of any date, to have "beneficial ownership" of any security that the person has the right to acquire within 60 days after that date.

Name of Beneficial Owner -----	Amount and Nature of Beneficial Ownership	Percent of Class
Douglas A. Cotter (1).....	31,223	0.09%
J. Terry Dewberry (1) (3).....	40,956	0.12%

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James H. Hardie (1) (4).....	55,065	0.16%
Donald H. Jones (1).....	37,518	0.11%
Joseph C. Lawyer (1) (5).....	13,556	0.04%
James W. Liken (2).....	511,714	1.52%
Candace L. Littell (1).....	6,230	0.02%
Sean McDonald (1).....	4,315	0.01%
Gerald E. McGinnis (6).....	580,455	1.74%
John L. Miclot (2).....	106,926	0.32%
John C. Miles II.....	2,520	0.01%
Craig B. Reynolds (2).....	124,027	0.37%
Geoffrey C. Waters (2).....	34,725	0.10%
All directors, nominees, and executives officers as a group (17 persons)	1,681,649	4.91%

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- (1) Includes shares which would be outstanding upon the exercise of currently exercisable stock options granted under the 1991 Non-Employee Directors' Stock Option Plan and the 2000 Stock Incentive Plan in the following amounts: Dr. Cotter, 29,324 shares; Mr. Dewberry, 20,171 shares; Mr. Hardie, 34,424 shares; Mr. Jones, 24,224 shares; Mr. Lawyer, 8,924 shares; Ms. Littell, 3,824; and Mr. McDonald, 3,824 shares.
 - (2) Includes shares that would be outstanding upon the exercise of currently exercisable stock options granted under the Company's 1984 Incentive Stock Option Plan, 1992 Stock Incentive Plan and 2000 Stock Incentive Plan in the following amounts: Mr. Liken, 393,950; Mr. Miclot, 101,550 shares; Mr. Reynolds, 92,500 shares; and Mr. Waters 30,500 shares.
 - (3) Includes 20,785 shares held jointly with Mr. Dewberry's wife, as to which voting and investment power is shared.
 - (4) Includes 11,000 shares held by a partnership in which Mr. Hardie is the general partner and 6,900 shares held by Mr. Hardie's personal IRA account. Does not include 12,000 shares owned by Mr. Hardie's wife, as to which he disclaims beneficial ownership.
 - (5) Does not include 2,400 shares held by Mr. Lawyer's wife, who has sole voting and investment power of these shares and as to which Mr. Lawyer disclaims beneficial ownership.
 - (6) Includes 48,098 shares held in the Gerald E. McGinnis Charitable Foundation. Includes 12,474 shares held jointly with Mr. McGinnis' wife, as to which voting and investment power is shared. Includes 50,150 shares that would be outstanding upon the exercise of currently exercisable stock options granted under the Company's 1992 Stock Incentive Plan.

Other Beneficial Owners

The following table sets forth information with respect to each shareholder known to the Company to be the beneficial owner of more than 5% of the outstanding Common Stock as of the record date.

Name and Address of Beneficial Owner	Amount and Nature of Beneficial Percent Ownership of Class
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FMR Corporation
82 Devonshire Street
Boston, Massachusetts 02109 (1).... 3,389,131 10.16%

Wellington Management Company, LLP
75 State Street
Boston, Massachusetts 02109 (2).... 2,052,200 6.15%

Barclays Global Investors
45 Fremont St.
San Francisco, California 94105 (2) 1,737,517 5.21%

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- (1) Information regarding the beneficial owner has been determined by the Company based solely upon data included in a Form 13G filed with the United States Securities and Exchange Commission and the Company. Such filing contained information as of July 31, 2002.
 - (2) Information regarding the beneficial owner has been determined by the Company based solely upon data included in a Form 13F filed with the United States Securities and Exchange Commission. Such filing contained information as of June 30, 2002.

BOARD OF DIRECTORS AND COMMITTEES OF THE BOARD

The Board of Directors has three committees to assist in the management of the affairs of the Company: the Compensation Committee, the Audit Committee, and the Corporate Governance Committee.

Compensation Committee. The Compensation Committee currently consists of Mr. McDonald (Chairman), Dr. Cotter, and Mr. Jones. The Compensation Committee makes recommendations regarding the compensation payable, including compensation under the Company's bonus plan, to all executive officers of the Company and certain other management personnel. This committee also administers the Company's 1984 Incentive Stock Option Plan, the 1992 Stock Incentive Plan, the 2000 Stock Incentive Plan and the Company's other stock option plans, and has the authority to grant options thereunder.

Audit Committee. The Audit Committee consists of Mr. Lawyer (Chairman), Mr. Dewberry, and Mr. Miles, all of whom are independent members of the Board of Directors. This committee engages independent public accountants to audit the financial statements of the Company, reviews the proposed scope and results of the audit, and reviews the scope, adequacy and results of the Company's internal audit and control procedures.

Corporate Governance Committee. The Corporate Governance Committee consists of Ms. Littell (Chairperson), Mr. Hardie, and Mr. McGinnis. The Corporate Governance Committee reviews the size and composition of the Board of Directors, makes recommendations with respect to nominations for directors, provides informal feedback to the Company's Directors regarding their performance as a director, and is responsible for succession planning to permit orderly changes in the makeup of the Board. This Committee will consider nominees recommended by shareholders provided that shareholders submit the names of nominees in writing to the Secretary of the Company together with a statement of the nominee's qualifications in accordance

with the Company's Bylaws. Such information must be received no later than

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July 15, 2003 with respect to nominations for election at the 2003 Annual Meeting of Shareholders.

During fiscal year 2002, the Compensation and Stock Option Committee met five times, the Corporate Governance Committee met two times, and the Audit Committee met eleven times. All of the Board's committees also met informally by telephone during the fiscal year as needed. The Board of Directors held four meetings during fiscal year 2002.

Each director who is not an employee of the Company receives an annual fee of \$16,000 for service as a director and committee member. Non-employee directors receive a fee of \$1,000 for attendance at meetings of the full Board of Directors. In addition, each non-employee director serving as a committee chairperson receives an additional annual fee of \$3,500 and all non-employee director committee members receive a fee of \$500 for attendance at committee meetings. Directors fees are payable in either cash or in shares of the Company's Common Stock having a fair market value on the date of payment equal to the fee being paid based upon an annual election made by each director. Directors may also elect to defer receipt of fees. All directors are reimbursed for travel expenses related to meetings of the Board.

Directors of the Company who are not employees also hold and receive stock options under the Company's 1991 Non-Employee Directors' Stock Option Plan and the Company's 2000 Stock Incentive Plan. Under these plans, each non-employee director is granted an option on the third business day following each Annual Meeting of Shareholders to purchase 5,100 shares of the Company's Common Stock at the fair market value on such date. Each option has a term of 10 years, becomes exercisable in installments and is fully exercisable after three years from date of grant.

REPORT OF THE AUDIT COMMITTEE

The following report of the Audit Committee does not constitute soliciting material and should not be deemed filed or incorporated by reference into any other Company filing under the Securities Exchange Act of 1933 or the Securities Exchange Act of 1934, except to the extent the Company specifically incorporates this Report by reference therein.

The primary responsibilities of the Audit Committee are to assure the directors, regulators and shareholders that the Company's business controls and financial accounting and reporting practices are adequate and effective and that the Company is complying with applicable rules and regulations relating thereto. The Audit Committee's activities are governed by a written charter adopted by the Board of Directors and included as an exhibit to the Company's 2001 Proxy Statement. The Audit Committee is currently reviewing the charter in light of the recently enacted Sarbanes-Oxley Act of 2002 and the actions of other regulatory bodies and expects to modify the charter on a timely basis as needed.

The Audit Committee has implemented procedures to ensure that during the course of each fiscal year it devotes the attention that it deems necessary or appropriate to each of the matters assigned to it under the Committee's charter. As part of its efforts to carry out its responsibilities, the Committee met eleven times during fiscal year 2002.

In overseeing the preparation of the Company's financial statements, the Committee met with the Company's outside auditors, Ernst & Young LLP ("Ernst & Young"), both with and without Company management to review and discuss the Company's annual financial statements prior to their issuance and to discuss significant accounting issues. Additionally, the Committee met with Ernst & Young and management prior to the issuance of the Company's quarterly financial statements. Management advised the Committee that all financial statements were

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prepared in accordance with generally accepted accounting principles, and the Committee discussed the statements with both management and Ernst & Young. The Committee's review included discussion with Ernst & Young of matters that are required to be discussed pursuant to Statement on Auditing Standards No. 61 (Communication With Audit Committees).

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The Committee also discussed with Ernst & Young matters relating to Ernst & Young's independence, including disclosures made by Ernst & Young to the Committee as required by the Independence Standards Board Standard No. 1 (Independence Discussions with Audit Committees).

On the basis of these reviews and discussions, the Committee recommended to the Board of Directors that the Board approve the inclusion of the Company's audited consolidated financial statements in the Company's Annual Report on Form 10-K for the fiscal year ended June 30, 2002, for filing with the Securities and Exchange Commission.

CERTAIN FEES

The following disclosures are required by Securities and Exchange Commission regulations.

Audit Fees

The following represents the aggregate fees of Ernst & Young for professional services rendered for the audit of the Company's annual financial statements for fiscal year 2002 and the review of the Company's quarterly earnings releases and Form 10-Q's for fiscal year 2002: \$258,100.

Financial Information Systems Design and Implementation Fees

The Company did not engage Ernst & Young to provide professional services for financial information systems, design or implementation or which are otherwise of the type identified in Rule 2-01(4)(ii)(B) of Regulation S-X for fiscal year 2002.

All Other Fees

The following represents the aggregate fees billed for services rendered by Ernst & Young, other than the services covered under the headings "Audit Fees" and "Financial Information Systems Design and Implementation Fees" for fiscal year 2002: \$1,229,400. These fees included \$403,100 for audit related services (primarily acquisition due diligence, statutory audits and advisory services) and \$826,300 for tax compliance and consulting services. The Audit Committee believes that the provision of the above services by Ernst & Young is compatible with maintaining Ernst & Young's independence.

MEMBERS OF THE AUDIT COMMITTEE

Joseph C. Lawyer, Chairman
J. Terry Dewberry
John C. Miles II

MATTERS TO BE ACTED UPON

1. ELECTION OF DIRECTORS

The Board of Directors, acting pursuant to the Restated Certificate of

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Incorporation of the Company, has determined that the number of directors constituting the full Board of Directors shall be eleven at the present time.

The Board is divided into three classes. One such class is elected every year at the Annual Meeting of Shareholders for