

UFP TECHNOLOGIES INC  
Form DEF 14A  
April 28, 2006  
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 §240.14a-12

**UFP 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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  - (4) Date Filed:

**UFP TECHNOLOGIES, INC.  
172 EAST MAIN STREET  
GEORGETOWN, MASSACHUSETTS 01833-2107 USA**

**NOTICE OF ANNUAL MEETING OF STOCKHOLDERS  
of  
UFP TECHNOLOGIES, INC.**

*To Be Held on June 8, 2006*

The Annual Meeting of Stockholders of UFP Technologies, Inc. (the Company) will be held on June 8, 2006 at 10:00 a.m., local time, at the Sheraton Ferncroft, 50 Ferncroft Road, Danvers, Massachusetts 01923, for the following purposes:

1. To elect three Class I directors to serve until the 2009 Annual Meeting of Stockholders and until their successors are duly elected.
2. To consider and act upon any matters incidental to the foregoing purposes and any other matters which may properly come before the Meeting or any adjourned session thereof.

The Board of Directors has fixed April 28, 2006 as the record date for determining the stockholders entitled to notice of, and to vote at, the Meeting.

You are cordially invited to attend the Meeting.

By Order of the Board of Directors  
RICHARD L. BAILLY,  
*Secretary*

Boston, Massachusetts  
May 5, 2006

**YOUR VOTE IS IMPORTANT**

**YOU ARE URGED TO VOTE, SIGN, DATE AND RETURN THE ACCOMPANYING ENCLOSED PROXY AS PROMPTLY AS POSSIBLE IN THE POSTAGE-PAID ENVELOPE ENCLOSED FOR THAT PURPOSE. EVEN IF YOU HAVE GIVEN YOUR PROXY, THE PROXY MAY BE REVOKED AT ANY TIME PRIOR TO THE EXERCISE BY FILING WITH THE SECRETARY OF THE COMPANY A WRITTEN REVOCATION, BY EXECUTING A PROXY WITH A LATER DATE, OR BY ATTENDING AND VOTING AT THE MEETING.**

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**UFP TECHNOLOGIES, INC.**  
**172 EAST MAIN STREET**  
**GEORGETOWN, MASSACHUSETTS 01833-2107 USA**

**PROXY STATEMENT**  
**FOR THE ANNUAL MEETING OF STOCKHOLDERS**

*To Be Held on June 8, 2006*

This proxy statement is furnished in connection with the solicitation of proxies by the Board of Directors of UFP Technologies, Inc., a Delaware Corporation (the Company) with its principal executive offices at 172 East Main Street, Georgetown, Massachusetts 01833, for use at the Annual Meeting of Stockholders to be held on June 8, 2006, and at any adjournment or adjournments thereof (the Meeting). The enclosed proxy relating to the Meeting is solicited on behalf of the Board of Directors of the Company and the cost of such solicitation will be borne by the Company. It is expected that this proxy statement and the accompanying proxy will be mailed to stockholders on or about May 5, 2006. Certain of the officers and regular employees of the Company may solicit proxies by correspondence, telephone or in person, without extra compensation. The Company may also pay to banks, brokers, nominees and certain other fiduciaries their reasonable expenses incurred in forwarding proxy material to the beneficial owners of securities held by them.

Only stockholders of record at the close of business on April 28, 2006 will be entitled to receive notice of, and to vote at, the Meeting. As of that date, there were outstanding and entitled to vote 4,909,751 shares of Common Stock, \$.01 par value (the Common Stock), of the Company. Each such stockholder is entitled to one vote for each share of Common Stock so held and may vote such shares either in person or by proxy.

The enclosed proxy, if executed and returned, will be voted as directed on the proxy or, in the absence of such direction, in favor of the election of the nominees as directors. If any other matters shall properly come before the Meeting, the enclosed proxy will be voted by the proxies in accordance with their best judgment. The proxy may be revoked at any time prior to exercise by filing with the Secretary of the Company a written revocation, by executing a proxy with a later date, or by attending and voting at the Meeting.

**PROPOSAL NO. 1**  
**ELECTION OF DIRECTORS**

At the Meeting, three Class I directors are to be elected to serve until the 2009 Annual Meeting of Stockholders and until their successors have been elected and qualified.

The Company's Certificate of Incorporation, as amended, and Bylaws provide that the Board of Directors shall be divided into three classes. At each Annual Meeting of Stockholders, the directors elected to succeed those whose terms expire shall be identified as being the same class as the directors they succeed and shall be elected to hold office for a term to expire at the third Annual Meeting of Stockholders after this election, and until their respective successors are duly elected and qualified, unless an adjustment in the term to which an individual director shall be elected is made because of a change in the number of directors.

The Certificate of Incorporation, as amended, provides that the number of directors that will constitute the whole Board of Directors shall be fixed by, or in the manner provided in, the Bylaws. The Board of Directors has fixed the total number of its members at nine. The terms of R. Jeffrey Bailly, David B. Gould and William C. Curry expire at the Meeting. Mr. Curry has elected to not run for re-election and the Board of Directors has nominated Mr. Marc Kozin to fill the Class I vacant spot. Mr. Kozin's nomination was recommended by a Director. Messrs. Bailly, Gould and Kozin are being nominated for election as Class I directors, each to hold office until the 2009 Annual Meeting of Stockholders and until their successors have been elected and qualified.

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It is the intention of the persons named as proxies to vote for the election of the nominees. In the unanticipated event that any such nominee should be unable to serve, the persons named as proxies will vote the proxy for such substitutes, if any, as the present Board of Directors may designate. The nominees have not been nominated pursuant to any arrangement or understanding with any person.

The following table sets forth certain information with respect to the nominees and each of the directors whose term extends beyond this Meeting, including the year in which the nominees' terms would expire, if elected. When used below, positions held with the Company include positions held with the Company's predecessors and subsidiaries:

Name	Age	Position	Director Since	Year Term Expires If Elected/Class
R. Jeffrey Bailly	44	President, Chief Executive Officer and Director	1995	2009, Class I
William H. Shaw	78	Chairman of the Board of Directors	1963	2007, Class II
Richard L. Bailly	71	Secretary and Director	1963	2008, Class III
Kenneth L. Gestal	57	Director	1996	2007, Class II
Peter R. Worrell	49	Director	1997	2008, Class III
Michael J. Ross(2)	51	Director	1998	2008, Class III
David B. Gould(1)	52	Director	2003	2009, Class I
Thomas W. Oberdorf(1)(2)	48	Director	2004	2007, Class II
Marc Kozin	45	Director		2009, Class I

- (1) Member of the Company's Audit Committee
- (2) Member of the Company's Compensation Committee

Mr. R. Jeffrey Bailly has served as the President, Chief Executive Officer and a director of the Company since January 1, 1995. He joined the Company in 1988 and served as a Division Manager from 1989 to 1992, General Manager Northeast Operations from 1992 to 1994 and as its Vice President of Operations from 1994 to 1995. From 1984 through 1988, Mr. Bailly, a certified public accountant, was employed by Coopers & Lybrand. Mr. Bailly is a director of Children's Friends and Family Services, a not for profit organization located in Salem, Massachusetts. Mr. Bailly is also a member of Young Presidents Organization and an officer of its New England Chapter. Mr. Bailly is the son of Richard L. Bailly, a cofounder and a director of the Company.

Mr. Shaw, a cofounder of the Company and its Chairman of the Board, served as the Chief Executive Officer, President and Treasurer of the Company from its organization in 1963 through his retirement at the end of 1994. Mr. Shaw also has served as a director of the Company since 1963. Mr. Shaw is a member of the Board of Directors of Re-Source America, Inc., a package recycling company.

Mr. Richard L. Bailly, a cofounder of the Company, has served as a director of the Company since its organization in 1963. Mr. Bailly served as the Executive Vice President of the Company from 1963 until his retirement on June 1, 1999. Mr. Bailly is the author of many of the Company's patents, including patents covering the forming and lamination of foam plastics, packaging, conversion technology and moisture transmission.

Mr. Kozin is a new nominee for director of the Company. Mr. Kozin has been President of the North American practice of L.E.K. Consulting since January 1997; he has served L.E.K. Consulting in various capacities since July 1987. Mr. Kozin has been on the Board of Directors of CrunchTime! Information Systems, Inc., an information systems company serving the restaurant and food service industry, since December 2002. Mr. Kozin has been on the Board of Directors of Brandwise, Inc., a company that provides software solutions for suppliers sales channels, since December 2002. Mr. Kozin has served on

the Board of Governors of New England Medical Center since February 2000. Mr. Kozin previously served on the Board of Directors of Lynx Therapeutic, Inc. from July 2002 through March 2005 and Assurance Medical, Inc. from October 1999 through July 2001.

Mr. Gestal has served as a director of the Company since 1996. Since August 2005, Mr. Gestal has served as Chief Operating Officer of Tricordia, LLC, an institutional marketing company. From 1998 through July 2005, Mr. Gestal served as the chief executive officer of Decision Capital, L.P., an alternative investment money management group. From November 1997 through December 1998, Mr. Gestal served as president of the Alternative Asset Management Group at Swiss Bank Corporation. Prior to that, Mr. Gestal was chairman of Institutional Global Finance Corp., a money management firm from 1996 through October 1997. From 1991 to 1995, Mr. Gestal served Swiss Bank Corporation, a securities firm, first as president of SBCI Futures, then as president of SBC Government Securities Inc. and as a director of both firms. Prior to joining Swiss Bank Corporation, Mr. Gestal served as the president of Sanwa-BGK, a securities firm, and as chairman of its futures operations. Mr. Gestal is the brother-in-law of R. Jeffrey Bailly, the President, Chief Executive Officer and a director of the Company.

Mr. Worrell has served as a director of the Company since 1997. Since October, 1993, Mr. Worrell has served as the managing director of The Bigelow Company, LLC, a private investment bank with offices in Portsmouth, NH, and Seattle, WA. Mr. Worrell is a director of several privately owned companies.

Mr. Ross has served as a director of the Company since 1998. Mr. Ross has served as a director of St. Andrews Energy, Ltd., an oil and gas reserves company, since March 2006. Since April 2005, Mr. Ross has also served as a director of both EDPP, Ltd., a commercial property investments company, and Northmont Ltd., a UK property investment company. From January 2003 until October 2004, Mr. Ross served as a director of Energy North Sea Ltd., a UK company that invests in oil and gas reserves. Since June 2001, Mr. Ross has served as chairman and a director of Dalriada Ltd., an investment and development company based in the UK. From October 2000 to June 2001, Mr. Ross served as chairman and as a director of Ixpanse Inc., a telecommunications infrastructure company. From 1996 to February 2003, Mr. Ross served as the chairman and as a director of Glassbox Inc., which advises organizations in the UK on corporate and public issues. Since 1992, Mr. Ross has been a partner of ADM Properties, a company that invests in and develops property in the UK. From 1992 to 1996, Mr. Ross was international executive director and a board member of The Body Shop International, PLC, a worldwide cosmetics manufacturer and retailer of consumer products.

Mr. Gould has served as a director of the Company since 2003. Mr. Gould has been president of Westfield Inc., an industrial real estate development company since June, 1999. Prior to that Mr. Gould was president and chief executive officer of Wood Structures, Inc., a manufacturer of structural building components for the construction industry from May 1991 through June 1999. Mr. Gould is an active member on numerous businesses boards of advisors and directors as well as a member of several community organizations.

Mr. Oberdorf has served as a director of the Company since 2004. Since March 2002, Mr. Oberdorf has been Senior Vice President, Chief Financial Officer and Treasurer of CMGI, Inc., a supply chain management, marketing distribution and e-commerce solutions company, where he served as a consultant from November 2001 through February 2002. From February, 1999 through October 2001, Mr. Oberdorf was Senior Vice President and Chief Financial Officer of Bertelsmann AG's subsidiary, BeMusic Direct, a direct-to-consumer music sales company. From January 1981 through January 1999, Mr. Oberdorf served in various capacities at Readers Digest Association, Inc., most recently as Vice President Global Books & Home Entertainment-Finance.

### **Meetings of the Board of Directors**

The Board of Directors of the Company held six meetings during 2005. With the exception of Mr. Ross, each director attended at least 75% of the aggregate number of all meetings of the Board of Directors and its committees during such fiscal year. All of the Company's directors are encouraged to attend the Company's annual meeting of stockholders. Eight of the Company's directors were in attendance at the Company's 2005 annual meeting.

### **Committees**

The Board of Directors does not have a nominating committee. Director nominees are selected by a majority of the independent directors, as defined by the listing standards of the Nasdaq Stock Market. The Company's current independent directors are Messrs. William C. Curry, Peter R. Worrell, Michael J. Ross, David B. Gould and Thomas W. Oberdorf. The Board of Directors has determined that Marc Kozin, if elected, will qualify as an independent director. The Board of Directors believes that it is appropriate for the Company not to have a nominating committee because all its independent directors lead the nomination process and the establishment of a nominating committee would be redundant. The Board of Directors does not have a charter for nomination of directors.

The independent members of the Company's Board of Directors may consider candidates recommended by stockholders as well as from other sources such as other directors or officers, third party search firms or other appropriate sources. For all potential candidates, the independent members of the Company's Board of Directors may consider all factors it deems relevant, such as a candidate's personal integrity and sound judgment, business and professional skills and experience, independence, possible conflicts of interest, diversity, the extent to which the candidate would fill a present need on the Board, and concern for the long-term interests of the stockholders. In general, persons recommended by stockholders will be considered on the same basis as candidates from other sources. If a stockholder wishes to recommend a candidate for director for election at the 2006 Annual Meeting of Stockholders, it must follow the procedures described in *Stockholder Proposals and Recommendations For Director*.

### **Compensation**

The Board of Directors has a Compensation Committee, which met on seven occasions in 2005, and is currently composed of Messrs. Curry, Ross, and Oberdorf. The functions of the Compensation Committee include determining salaries, individuals to whom stock options are granted, and the terms upon which option grants are made, incentive plans, benefits and overall compensation.

### **Audit**

The Board of Directors has an Audit Committee, which met five times in 2005, and is currently composed of Messrs. Curry, Gould and Oberdorf. The Audit Committee operates pursuant to a written charter (the *Audit Committee Charter*) that was adopted by the Board of Directors and that complies with currently applicable SEC and Nasdaq rules. Under the provisions of the *Audit Committee Charter*, the primary functions of the Audit Committee are to assist the Board of Directors with the oversight of (i) the Company's financial reporting process, accounting functions and internal controls and (ii) the qualifications, independence, appointment, retention, compensation and performance of the Company's registered public accounting firm. The Audit Committee is also responsible for the maintenance of *whistle-blowing* procedures, and the oversight of certain other compliance matters. See *Report of the Audit Committee* below.

The Board of Directors has determined that the current members of the Audit Committee are independent directors, as defined by the *Audit Committee Charter* and the current listing standards of the Nasdaq Stock Market. The Board of Directors has determined that Mr. Oberdorf qualifies as an *audit*

committee financial expert, as defined by applicable SEC rules, and satisfies the financial sophistication standards of the Nasdaq Stock Market.

*Audit Fees.* The Company incurred an aggregate of \$115,000 and \$34,125 in fees and expenses for audit services from Carlin, Charron and Rosen, LLP and PricewaterhouseCoopers LLP, respectively, for the year ended December 31, 2005. The Company incurred \$160,000 in fees and expenses for audit services from PricewaterhouseCoopers LLP for the fiscal year ended December 31, 2004. Audit fees include fees and expenses for professional services rendered in connection with the audit of the Company's financial statements for those years, reviews of the financial statements included in each of the Company's Quarterly Reports on Form 10-Q during those years and fees for services related to registration statements, consents and assistance with and review of documents filed with the SEC.

*Audit-Related Fees.* The Company did not incur any audit-related fees in the fiscal years ended December 31, 2005 and December 31, 2004 from Carlin, Charron and Rosen, LLP or PricewaterhouseCoopers LLP.

*Tax Fees.* The Company did not incur any tax fees for the fiscal years ended December 31, 2005 and December 31, 2004 from Carlin Charron & Rosen, LLP or PricewaterhouseCoopers LLP.

*All Other Fees.* The Company incurred no other fees for the fiscal years ended December 31, 2005 and December 31, 2004 from Carlin Charron & Rosen, LLP or PricewaterhouseCoopers LLP.

The Audit Committee has considered whether the provision of non-audit services by the Company's independent auditor is compatible with maintaining auditor independence, and believes that the provision of such services is compatible.

#### **Report of the Audit Committee**

The Audit Committee has:

- Reviewed and discussed with management the Company's audited financial statements as of and for the year ended December 31, 2005;
- Discussed with Carlin Charron & Rosen, LLP, the Company's independent auditor, the matters required to be discussed by Statement on Auditing Standards 61, Communication with Audit Committees, as amended, by the Auditing Standards Board of the American Institute of Certified Public Accountants;
- Received and reviewed the written disclosures and the letter from the independent auditor required by Independence Standard No. 1, Independence Discussions with Audit Committees, as amended, by the Independence Standards Board, and discussed with the auditor the auditor's independence; and
- Based on the review and discussions referred to above, recommended to the Board of Directors that the audited financial statements referred to above be included in the Company's Annual Report on Form 10-K for the year ended December 31, 2005 for filing with the Securities and Exchange Commission.

By the Audit Committee of the Board of Directors:

Thomas W. Oberdorf  
William C. Curry  
David B. Gould





### **Audit Committee Policy on Pre-Approval of Services of Independent Auditors**

The Audit Committee's policy is to pre-approve all audit and permissible non-audit services provided by the independent auditors. These services may include audit services, audit-related services, tax services and other services.

### **Independent Auditors**

As previously disclosed on a Form 8-K filed by the Company on July 8, 2005, and in the Company's Annual report on Form 10-K for the year ended December 31, 2005, filed by the Company on March 24, 2006, the Audit Committee of the Board of Directors of the Company, effective on July 5, 2005, dismissed PricewaterhouseCoopers, L.L.P. ( PwC ) as the Company's independent registered public accounting firm. The reports issued by PwC on the Company's financial statements as of December 31, 2003 and December 31, 2004, and for the years ended December 31, 2003 and December 31, 2004, did not contain an adverse opinion or disclaimer of opinion, nor were they qualified or modified as to uncertainty, audit scope or accounting principle. During the years ended December 31, 2003 and December 31, 2004, and through July 5, 2005: (i) there were no disagreements with PwC on any matter of accounting principle or practice, financial statement disclosure, or auditing scope or procedure which, if not resolved to PwC's satisfaction, would have caused them to make reference thereto in their report of the Company's financial statements for such years; and (ii) there were no reportable events as defined in Item 304(a)(1)(v) of Regulation S-K.

Effective as of July 5, 2005 the Company engaged Carlin, Charron & Rosen LLP ( CCR ) to serve as the Company's independent public accountants for the fiscal year ended December 31, 2005. The Audit Committee of the Company approved the engagement of CCR. During the years ended December 31, 2003 and December 31, 2004, and through July 5, 2005, the Company did not consult with CCR with respect to the application of accounting principles to a specified transaction, either completed or proposed, or the type of audit opinion that might be rendered on the Company's consolidated financial statements, or any other matters, including disagreements or reportable events as set forth in Items 304(a)(2)(i) and (ii) of Regulation S-K.

Carlin, Charron & Rosen, LLP has continuously served as the Company's independent public accountants since its engagement, discussed above, on July 8, 2005. The Audit Committee plans to appoint Carlin, Charron & Rosen, LLP, independent accountants, to audit the consolidated financial statements of the Company for the year ending December 31, 2006. The Company is advised that no member of Carlin, Charron & Rosen, LLP has any direct financial interest or material indirect financial interest in the Company since the date of its engagement, July 8, 2005, or has had any connection with the Company in the capacity of promoter, underwriter, voting trustee, director, officer or employee since such date.

A representative of Carlin, Charron & Rosen, LLP is expected to be present at the Meeting and will be given the opportunity to make a statement if so desired. The representative will be available to respond to appropriate questions.

**Compensation of Directors**

Beginning in June 2004, nonemployee directors of the Company were entitled to receive (i) an annual \$6,000 fee, (ii) if applicable, an annual committee membership fee of \$2,000 per year and an additional \$500 annual fee if the nonemployee director served as a Committee Chair, (iii) a fee of \$1,000 plus reimbursement of expenses for each meeting physically attended and (iv) a fee of \$500 plus reimbursement of expenses for each half-day committee meeting attended. Messrs. Gestal, Ross, Gould, Oberdorf, and Worrell elected to receive stock options in lieu of their respective annual Board of Directors fees and committee membership fees pursuant to the Company's 1998 Director Stock Option Incentive Plan (the Director Plan). Mr. Shaw received \$18,000 for his services as Chairman of the Board and \$50,000 in retirement benefits pursuant to a letter agreement with the Company dated January 1, 1995 and an agreement with the Company dated September 1993. Richard L. Bailly received \$50,000 in retirement benefits pursuant to an agreement with the Company dated September 1993. See Consulting Contracts. In addition, each nonemployee director received options to purchase shares of common stock pursuant to the Director Plan described below.

The chart below lists the annual Board of Directors fees, the annual committee membership fees and the attendance fees earned by each nonemployee director in 2005:

Director	Annual Board of Directors Fees (\$)	Annual Committee Membership Fees (\$)	Attendance Fees (\$)	Number of Shares of Common Stock Underlying Stock Options Granted in Lieu of Annual Fees <sup>(1)</sup>
William C. Curry	6,000	4,500	6,000	
Kenneth L. Gestal			5,000	5,769 (2)
Peter R. Worrell			5,000	6,971 (3)
Michael J. Ross			4,000	7,692 (4)
Richard L. Bailly	6,000		6,000	
David B. Gould			6,000	7,692 (4)
William H. Shaw	18,000		0	
Thomas W. Oberdorf			5,000	9,135 (5)

- (1) These options have an exercise price of \$3.12, the fair market value of the Common Stock on the date of grant. The options are immediately exercisable, pursuant to the terms of the 1998 Plan.
- (2) Granted in lieu of additional annual fees of \$6,000 to which the director was entitled.
- (3) Granted in lieu of additional annual fees of \$8,000 to which the director was entitled.
- (4) Granted in lieu of additional annual fees of \$8,000 to which the director was entitled.
- (5) Granted in lieu of additional annual fees of \$9,500 to which the director was entitled.