

# OWENS & MINOR INC/VA/

## FORM DEF 14A (Proxy Statement (definitive))

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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

**Owens & Minor, Inc.**

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(Name of Registrant as Specified In Its Charter)

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(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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**Notice of  
2004  
Annual Meeting  
and  
Proxy Statement**

**WHETHER OR NOT YOU PRESENTLY PLAN TO ATTEND THE MEETING IN  
PERSON, THE BOARD OF DIRECTORS URGES YOU TO VOTE.**

**Owens & Minor, Inc.  
4800 Cox Road  
Glen Allen, Virginia 23060-6292**



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**Owens & Minor, Inc.**

4800 Cox Road, Post Office Box 27626  
Glen Allen, Virginia 23060-6292  
(804) 747-9794 FAX (804) 270-7281

March 12, 2004

Dear Shareholders:

It is a pleasure to invite you to our Annual Meeting of Shareholders on Thursday, April 29, 2004 at 10:00 a.m. The meeting will be held at the Lewis Ginter Botanical Garden, 1800 Lakeside Avenue, Richmond, Virginia. Directions are on the last page of the Proxy Statement. Morning refreshments will be served.

The primary business of the meeting will be to (i) elect four directors, and (ii) ratify the appointment of KPMG LLP as our independent auditors for 2004. In addition to considering these matters, we will review major developments since our last shareholders meeting as well as future opportunities. Our Board of Directors and management team will be there to chat with you and answer any questions.

Our new voting options this year allow you to vote your shares by the Internet, by telephone or by mailing the enclosed proxy card in the postage-paid envelope provided. Whichever method you choose, your vote is important so please vote as soon as possible. All of us at Owens & Minor appreciate your continued interest and support.

Warm regards,

A handwritten signature in black ink that reads "G. Gilmer Minor, III". The signature is written in a cursive style with a long horizontal stroke at the end.

G. GILMER MINOR, III  
Chairman and Chief Executive Officer

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### YOUR VOTE IS IMPORTANT

**Whether or not you plan to attend the Annual Meeting, please vote your shares promptly by the Internet, by telephone or by completing, signing and mailing your proxy card in the enclosed envelope. Instructions for all three voting options are set forth on your proxy card.**



**NOTICE OF ANNUAL MEETING OF SHAREHOLDERS**

**To Be Held Thursday, April 29, 2004**

T O T H E S H A R E H O L D E R S O F O W E N S & M I N O R , I N C . :

The Annual Meeting of Shareholders of Owens & Minor, Inc. (the "Company" or "Owens & Minor") will be held on Thursday, April 29, 2004 at 10:00 a.m. at the Lewis Ginter Botanical Garden, 1800 Lakeside Avenue, Richmond, Virginia.

The purposes of the meeting are:

1. To elect four directors to serve until the Annual Meeting of Shareholders in 2007;
2. To ratify the appointment of KPMG LLP as independent auditors for 2004; and
3. To transact any other business properly before the Annual Meeting.

Shareholders of record as of March 3, 2004 will be entitled to vote at the Annual Meeting.

Your attention is directed to the attached Proxy Statement. This Proxy Statement, proxy card and Owens & Minor's 2003 Annual Report are being distributed on or about March 12, 2004.

B Y O R D E R O F T H E B O A R D O F D I R E C T O R S

G R A C E R. D E N H A R T O G  
Senior Vice President, General Counsel  
& Corporate Secretary



**Street Address**  
4800 Cox Road  
Glen Allen, Virginia 23060-6292

**Mailing Address**  
P.O. Box 27626  
Richmond, Virginia 23261-7626

**PROXY STATEMENT**  
**Annual Meeting of Shareholders**  
**to be held on April 29, 2004**

**ABOUT THE MEETING**

**What You Are Voting On**

Proxies are being solicited by the Board of Directors for purposes of voting on the following proposals and any other business properly brought before the meeting:

**Proposal 1:** Election of the following four directors, each for a three-year term:  
A. Marshall Acuff, Jr., Henry A. Berling, James B. Farinholt, Jr. and Anne Marie Whittemore.

**Proposal 2:** Ratification of KPMG LLP as Owens & Minor's independent auditors.

**Who is Entitled to Vote**

Shareholders as of the close of business on March 3, 2004 (the "Record Date") are entitled to vote. Each share of the Company's Common Stock ("Common Stock") is entitled to one vote. As of March 3, 2004, 39,207,676 shares of Common Stock were issued and outstanding.

**How to Vote**

You can vote by the Internet, by telephone or by mail.

By Internet. You may vote by the Internet by following the specific instructions on the enclosed proxy card. If your shares are held in "street name" (through a broker), please contact your broker to determine whether you will be able to vote electronically.

By Telephone. You may vote by telephone using the toll-free number and following the instructions listed on the enclosed proxy card. If your shares are held in "street name", please contact your broker to determine whether you will be able to vote by telephone.

By Mail. You may vote by mail by completing, signing and dating the enclosed proxy card and returning it in the postage-paid envelope provided.

However you choose to vote, you may revoke a proxy prior to the meeting by (1) submitting a subsequently dated proxy, (2) giving notice in writing to the Corporate Secretary of the Company or (3) voting in person at the meeting.

**What Happens if You Don't Make Selections on Your Proxy Card**

If you properly vote your proxy card and do not make a selection on one or more proposals, you give authority to the individuals designated on the proxy card to vote on such proposal(s) and any other matter

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that may arise at the meeting. If no specific instructions are given, it is intended that all proxies that are signed and returned will be voted “FOR” the election of all nominees for director and “FOR” the ratification of the appointment of KPMG LLP.

### **What it Means if You Get More Than One Proxy Card**

Your shares are probably registered differently or are held in more than one account. Sign and return or otherwise vote all proxy cards to ensure that all your shares are voted. Please have all of your accounts registered in the same name and address. You may do this by contacting our transfer agent, The Bank of New York, at 1-800-524-4458.

### **What Constitutes a Quorum**

A majority of the outstanding shares, present or represented by proxy, constitutes a quorum. A quorum is required to conduct the Annual Meeting. If you vote your proxy card, you will be considered part of the quorum. Abstentions and shares held by brokers or banks in street name that are voted on any matter are included in the quorum. Broker shares that are not voted on any matter will not be included in determining whether a quorum is present.

### **The Vote Required to Approve Each Item**

Election of Directors. The affirmative vote of a plurality of the votes cast at the meeting is required for the election of directors. A properly executed proxy marked “Withhold authority” with respect to the election of one or more directors will not be voted with respect to the director or directors indicated, although it will be counted for purposes of determining whether there is a quorum.

Ratification of Appointment of KPMG LLP. The ratification of the appointment of KPMG LLP requires that the votes cast in favor of the ratification exceed the number of votes cast opposing the ratification.

### **Whether Your Shares Will be Voted if You Don’t Provide Your Proxy**

Whether your shares will be voted if you don’t provide your proxy depends on how your ownership of shares of Common Stock is registered. If you own your shares as a registered holder, which means that your shares of Common Stock are registered in your name, your unvoted shares will not be represented at the meeting and will not count toward the quorum requirement, which is explained above. If a quorum is obtained, your unvoted shares will not affect whether a proposal is approved or rejected.

If you own your shares of Common Stock in “street name”, which means that your shares are registered in the name of your broker, your shares may be voted even if you do not provide your broker with voting instructions. Brokers have the authority under New York Stock Exchange rules to vote shares for which their customers do not provide voting instructions on certain “routine” matters.

The election of directors and the ratification of the designation of KPMG LLP as independent auditors of the Company are considered routine matters for which brokerage firms may vote unvoted shares. When a proposal is not a routine matter and the brokerage firm has not received voting instructions from the beneficial owner of the shares with respect to that proposal, the brokerage firm cannot vote the shares on that proposal. This is called a broker non-vote.

Abstentions, broker non-votes and, with respect to the election of directors, withheld votes will not be included in the vote totals and will not affect the outcome of the vote.

### **Costs of Soliciting Proxies**

Owens & Minor will pay all costs of this proxy solicitation. The Company has retained Georgeson Shareholder Communications, Inc. to aid in the distribution and solicitation of proxies for approximately \$5,000 plus expenses. The Company will reimburse stockbrokers and other custodians, nominees and fiduciaries for their expenses in forwarding proxy and solicitation materials.

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### **CORPORATE GOVERNANCE**

**General.** The Company is managed under the direction of the Board of Directors, which has adopted Corporate Governance Guidelines to set forth certain corporate governance practices. During 2003, the Company continued to review its corporate governance policies and practices relative to the policies and practices recommended by groups and authorities active in corporate governance as well as the requirements of the Sarbanes-Oxley Act of 2002 and rules promulgated thereunder or proposed by the Securities and Exchange Commission (“SEC”) and the New York Stock Exchange (“NYSE”), the exchange on which the Company’s common stock is listed. As part of this ongoing effort, the Company revised the charters of each of its Audit Committee, Governance & Nominating Committee and Compensation & Benefits Committee in 2003. The Company also revised its Corporate Governance Guidelines and Code of Honor. For a description of the Governance & Nominating Committee’s function with respect to corporate governance, see the Report of the Governance & Nominating Committee below.

**Corporate Governance Materials.** The Company’s Corporate Governance Guidelines, Code of Honor and the charters of the Audit, Compensation & Benefits, and Governance & Nominating Committees are available on the Company’s website at [www.owens-minor.com/investor relations/corporate governance](http://www.owens-minor.com/investor relations/corporate governance) and are available in print to any shareholder upon request to Corporate Secretary, Owens & Minor, Inc., 4800 Cox Road, Glen Allen, VA 23060.

**Code of Honor.** The Board of Directors has adopted a Code of Honor that is applicable to all employees of the Company, including the principal executive officer, the principal financial officer and the principal accounting officer, as well as the members of the Board of Directors. The Code of Honor is available on the Company’s website at [www.owens-minor.com/investor relations/corporate governance](http://www.owens-minor.com/investor relations/corporate governance). The Company intends to post any amendments to or waivers from its Code of Honor (to the extent applicable to the Company’s chief executive officer, principal financial officer, principal accounting officer, any other executive officer or any director) on its website.

**Director Independence.** The Board of Directors determined in 2003 that the following nine members of its 11-member Board are independent (within the meaning of NYSE listing standards and the Company’s Corporate Governance Guidelines): A. Marshall Acuff, Jr., John T. Crotty, James B Farinholt, Jr., Richard E. Fogg, Vernard W. Henley, Peter S. Redding, James E. Rogers, James E. Ukrop and Anne Marie Whittemore. To assist it in making determinations of independence, the Board has adopted categorical standards (which are contained in Section I of the Company’s Corporate Governance Guidelines included in this proxy statement as Annex A). The Board has determined that all directors identified as independent in this proxy statement meet these standards.

### **REPORT OF THE GOVERNANCE & NOMINATING COMMITTEE**

The Governance & Nominating Committee was formed by the Board of Directors in 1996 to promote good corporate governance practices. Composed of five independent directors who met five times during 2003, the Governance & Nominating Committee has adopted a charter that sets forth the committee’s purpose: (i) to assist the Board by identifying and recommending nominees for election to the Board; (ii) to oversee the governance of the Company including recommending to the Board corporate governance guidelines for the Company; (iii) to lead the Board in its annual review of the Board’s performance; and (iv) to recommend to the Board director nominees for each Board committee and each committee chairperson. The Governance & Nominating Committee also reviews the Company’s responsibilities and performance as a corporate citizen. The Company’s Corporate Governance Guidelines are included in this proxy statement as Annex A, and the Governance & Nominating Committee’s charter together with the Corporate Governance Guidelines can be viewed on the Company’s website.

Because of its past and continuing activities in studying and implementing good corporate governance practices at Owens & Minor, the Governance & Nominating Committee believes that the Company anticipated many of the requirements of the Sarbanes-Oxley Act of 2002, and rules and proposed rules of the SEC and the

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NYSE, involving corporate governance matters. The Governance & Nominating Committee welcomes these efforts to refine corporate governance practices and will continue to fully cooperate in their implementation at Owens & Minor.

### THE GOVERNANCE & NOMINATING COMMITTEE

Anne Marie Whittemore, Chairperson  
A. Marshall Acuff, Jr.  
Vernard W. Henley  
James E. Rogers  
James E. Ukrop

## BOARD MEETINGS

The Board of Directors held six meetings during 2003. Each director attended all of the meetings of the Board and committees on which he or she served. The Company has not established a written policy regarding director attendance at its annual meetings of shareholders, but directors are expected to and generally do attend the annual meeting. All directors attended the 2003 Annual Meeting of Shareholders.

Under the Company's Corporate Governance Guidelines, non-management directors meet in executive session following each regularly scheduled Board meeting. These meetings are chaired by a Lead Director who is elected annually by the non-management directors following each Annual Meeting of Shareholders. James E. Rogers currently serves as Lead Director and presides over these executive sessions. As Lead Director, Mr. Rogers is also invited to participate in meetings of all Board committees but is permitted to vote only in the meetings of committees of which he is a member. Shareholders and other interested parties may contact the Lead Director by following the procedures set forth in "Communications with the Board of Directors" on page 7.

## COMMITTEES OF THE BOARD

The Board of Directors has the following committees:

**Audit Committee :** Oversees (i) the integrity of the Company's financial statements, (ii) the Company's compliance with legal and regulatory requirements, (iii) the qualification and independence of the Company's independent auditors; (iv) the performance of the Company's independent auditors and internal audit functions and (v) issues involving the Company's ethical and legal compliance responsibilities. The Audit Committee has sole authority to appoint, retain, compensate, evaluate and terminate the Company's independent auditor (subject, if applicable, to shareholder ratification). All members of the Audit Committee are independent.

**Compensation & Benefits Committee :** Administers executive compensation programs, policies and practices. Advises the Board on salaries and compensation of the executive officers and makes other studies and recommendations concerning compensation and compensation policies. All members of the Compensation & Benefits Committee are independent.

**Governance & Nominating Committee :** Considers and recommends nominees for election as directors and officers and nominees for each Board committee. Reviews and evaluates the procedures, practices and policies of the Board and its members and leads the Board in its annual self-review. Oversees the governance of the Company, including recommending Corporate Governance Guidelines. All members of the Governance & Nominating Committee are independent.

**Executive Committee :** Exercises limited powers of the Board when the Board is not in session.

**Strategic Planning Committee :** Reviews and makes recommendations for the strategic direction of the Company.

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**BOARD COMMITTEE MEMBERSHIP**

Director	Board	Audit	Compensation &		Governance &	Strategic
			Benefits	Executive	Nominating	Planning
A. Marshall Acuff, Jr.	X	X			X	X
Henry A. Berling	X			X		X
John T. Crotty	X	X	X			X*
James B. Farinholt, Jr.	X	X*		X		X
Richard E. Fogg	X	X	X			
Vernard W. Henley	X	X	X		X	
G. Gilmer Minor, III	X*			X*		X
Peter S. Redding	X	X	X			X
James E. Rogers	X		X*	X	X	
James E. Ukrop	X		X		X	X
Anne Marie Whittemore	X		X	X	X*	
No. of meetings in 2003 *Chairperson	6	8	5	2	4	2

**DIRECTOR COMPENSATION**

**Employee directors** receive no additional compensation other than their normal salary for serving on the Board or any of its committees.

**Non-employee directors** receive the following annual cash and stock compensation:

**DIRECTOR COMPENSATION TABLE**

Type of Compensation	Cash	Stock
Annual Retainer	\$15,000	\$15,000
Additional Retainer for Lead Director	\$10,000	
Additional Retainer for Audit Committee Chair	\$ 5,000	
Additional Retainer for Other Committee Chairs	\$ 4,000	
Board or Committee Attendance Fee (per meeting, other than Audit Committee)	\$ 1,200*	
Audit Committee Attendance Fee (per meeting)	\$ 1,500*	
Board or Committee Telephone Conference (per meeting, other than Audit Committee)	\$ 800	
Audit Committee Telephone Conference (per meeting)	\$ 1,000	
Board Retreat (annual 2-day meeting)	\$ 1,800	
Stock Options		Option for 5,000 shares

\*The attendance fee for an audit committee meeting on the same day as a Board meeting is \$1,000 and for any other committee meeting held on the same day as a Board meeting is \$800.

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Directors may defer the receipt of all or part of their director fees. Amounts deferred are “invested” in bookkeeping accounts that measure earnings and losses based on the performance of a particular investment. Directors may elect to defer their fees into the following two subaccounts: (i) an account based upon the price of the Common Stock and (ii) an account based upon the current interest rate of the Company’s fixed income fund in its 401(k) plan. Subject to certain restrictions, a director may take cash distributions from a deferred fee account either prior to or following the termination of his or her service as a director. Directors are also permitted to receive payment of their director fees in Common Stock.

### **DIRECTOR NOMINATING PROCESS**

**Director Candidate Nominations and Recommendations by Shareholders.** The Company’s bylaws provide that any shareholder of record and entitled to vote for the election of directors at the applicable meeting of shareholders may nominate directors by complying with the notice procedures set forth in the bylaws and summarized in “Shareholder Proposals” on page 23. In addition, although the Governance & Nominating Committee has not adopted a formal policy, it will consider director candidate recommendations by shareholders. Shareholders should submit any such recommendations to the Governance & Nominating Committee through the method described under “Communications with the Board of Directors” below.

**Process for Identifying and Evaluating Director Candidates.** The Governance & Nominating Committee evaluates all director candidates in accordance with the director qualification standards described in the Corporate Governance Guidelines. The Governance & Nominating Committee evaluates any candidate’s qualifications to serve as a member of the Board based on the skills and characteristics of individual Board members as well as the composition of the Board as a whole. In addition, the Governance & Nominating Committee will evaluate a candidate’s independence and diversity, age, skills and experience in the context of the Board’s needs. There are no differences in the manner in which the committee evaluates director candidates based on whether the candidate is recommended by a shareholder. The Governance & Nominating Committee did not receive any recommendations from any shareholders in connection with the Annual Meeting.

### **COMMUNICATIONS WITH THE BOARD OF DIRECTORS**

The Board of Directors has approved a process for shareholders to send communications to the Board. Shareholders can send written communications to the Board, any committee of the Board, the Lead Director or any other individual director at the following address: P.O. Box 26383, Richmond, Virginia 23260. All communications will be relayed directly to the applicable director(s), except for communications screened for security purposes.

### **PROPOSAL 1: ELECTION OF DIRECTORS**

The Board of Directors is divided into three classes. One class is elected at each annual meeting to serve for a three-year term. Four directors will be elected at the Annual Meeting to serve for a three-year term expiring at the Company’s Annual Meeting in the year 2007. Each nominee has agreed to serve if elected. If any nominee is not able to serve, the Board may designate a substitute or reduce the number of directors serving on the Board. Proxies will be voted for the nominees shown below (or if not able to serve, such substitutes as may be designated by the Board). The Board has no reason to believe that any of the nominees will be unable to serve.

Information on each nominee and each continuing director, including age and principal occupation during the past five years, is set forth below.

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### NOMINEES FOR ELECTION

#### For Three-Year Term Expiring in 2007:



**A. Marshall Acuff, Jr.**, 64, retired in 2001 as Senior Vice President and Managing Director of Salomon Smith Barney, Inc. where he was responsible for equity strategy as a member of the firm's Investment Policy Committee. Mr. Acuff is a Chartered Financial Analyst. He is a member of the Board of Directors of Sweet Briar College and a number of other private organizations, including the Virginia Foundation for Independent Colleges, the Community Foundation of Richmond, the Jamestown-Yorktown Foundation, Inc., the Endowment Association of the College of William and Mary, the Virginia Theological Seminary and Lewis Ginter Botanical Garden. Mr. Acuff has been a director since 2001.



**Henry A. Berling**, 61, is Executive Vice President of Owens & Minor. From 1995 to 2002, he served as Executive Vice President, Partnership Development. Prior to 1995, he served the Company in various positions, including Executive Vice President, Sales and Customer Development and Senior Vice President, Sales and Marketing. Mr. Berling has been a director since 1998.



**James B. Farinholt, Jr.**, 69, is a Managing Director of Tall Oaks Capital Partners, LLC, which manages an investment fund focused on start-up and early stage businesses in information technology and the life sciences fields. Mr. Farinholt retired in 2002 as Special Assistant to the President for Economic Development of Virginia Commonwealth University ("VCU"). He also serves on the Board of Directors of PharmaNetics, Inc. Mr. Farinholt has been a director since 1974.



**Anne Marie Whittemore**, 57, is a partner and member of the Executive Committee in the law firm of McGuireWoods LLP. Mrs. Whittemore serves on the Boards of Directors of T. Rowe Price Group, Inc. and Albemarle Corporation. She also serves on the Boards of Trustees of Hampden-Sydney College and the VMI Foundation and on the Board of Directors of the Wilderness Conservancy at Mountain Lake, Inc. Mrs. Whittemore has been a director since 1991.

**The Board of Directors recommends a vote FOR the election of each nominee as director.**

**DIRECTORS CONTINUING IN OFFICE**

**Terms expiring in 2006:**



**John T. Crotty**, 66, is Managing Partner of CroBern Management Partnership, a healthcare investment firm, and President of CroBern, Inc., a healthcare consulting and advisory firm. Prior to co-founding these businesses, Mr. Crotty held several senior management positions during 19 years with American Hospital Supply Corporation, including corporate vice president of planning and business development and president of the services operating group. He also serves on the Boards of Directors of five private companies in the healthcare industry (including the board of VHA, Inc., the parent company of Novation, LLC, from which he will retire at the end of his term in April 2004). Mr. Crotty has been a director since 1999.



**Richard E. Fogg**, 63, retired in 1997 from Price Waterhouse, LLP (now PricewaterhouseCoopers LLP) where he was a partner for 23 years and served in a variety of leadership positions, including Associate Vice Chairman, Tax. Mr. Fogg is a Certified Public Accountant. Since his retirement in 1997, Mr. Fogg has provided strategic consulting services to several non-public companies. Mr. Fogg has been a director since 2003.



**James E. Rogers**, 58, is President of SCI Investors Inc, a private equity investment firm. Mr. Rogers also serves on the Boards of Directors of Wellman, Inc., Caraustar Industries, Inc., Cadmus Communications Inc. and Ethyl Corp. Mr. Rogers has been a director since 1991.



**James E. Ukrop**, 66, is Chairman of Ukrop's Super Markets, Inc., a retail grocery chain, and Chairman of First Market Bank. Mr. Ukrop also serves on the Board of Directors of Legg Mason, Inc. Mr. Ukrop has been a director since 1987.

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### Terms expiring in 2005:



**Vernard W. Henley, 74**, retired in 2001 as Chairman of the Board and Chief Executive Officer of Consolidated Bank and Trust Company, Richmond, Virginia. Mr. Henley has been a director since 1993.



**G. Gilmer Minor, III, 63**, is Chairman and Chief Executive Officer of Owens & Minor. Mr. Minor also serves on the Board of Directors of SunTrust Banks, Inc. Mr. Minor has been a director since 1980.



**Peter S. Redding, 65**, retired in 2000 as President and Chief Executive Officer of Standard Register Company. He serves on the Board of Directors of Projects Unlimited in Dayton, Ohio and Workflow Management, Inc. in Palm Beach, Florida. Mr. Redding has been a director since 1999.

### **PROPOSAL 2: APPROVAL OF INDEPENDENT AUDITORS**

The Audit Committee has selected KPMG LLP to serve as the Company's independent auditors for 2004, subject to ratification by the shareholders. Representatives of KPMG LLP will be present at the Annual Meeting to answer questions and to make a statement, if they desire to do so.

**The Board of Directors recommends a vote FOR the ratification of the appointment of KPMG LLP to serve as Owens & Minor's independent auditors for 2004.**

### **FEES PAID TO INDEPENDENT AUDITORS**

For each of the years ended December 31, 2002 and 2003, KPMG LLP billed the Company the fees set forth below in connection with professional services rendered by that firm to the Company:

	<u>Year 2002</u>	<u>Year 2003</u>
Audit Fees	\$204,500	\$216,950
Audit-Related Fees	\$ 49,975	\$ 29,500
Tax Fees	\$ 10,025	\$ 12,760
All Other Fees	\$ 0	\$ 0
Total	<u>\$264,500</u>	<u>\$259,210</u>

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**Audit Fees.** These are fees for professional services performed for the audit of the Company's annual financial statements and review of financial statements included in the Company's 10-Q filings as well any services normally provided in connection with statutory and regulatory filings or engagements.

**Audit-Related Fees .** These are fees primarily for the annual audits of the Company's employee benefit plan financial statements and consultations by management related to financial accounting and reporting matters.

**Tax Fees .** These are fees for non-audit related tax services provided to certain officers who selected KPMG LLP to provide personal tax assistance. The Company adopted a policy, effective beginning in 2004, that officers who receive personal tax services paid for by the Company as part of their compensation package may not select KPMG LLP to provide such services.

**All Other Fees .** KPMG LLP did not provide any services other than those described above.

The Audit Committee has established policies and procedures for the approval and pre-approval of audit services and permitted non-audit services. The Audit Committee has the responsibility to engage and terminate the Company's independent auditors, to pre-approve their performance of audit services and permitted non-audit services and to review with the Company's independent auditors their fees and plans for all auditing services. All services provided by and fees paid to KPMG LLP in 2003 were pre-approved by the Audit Committee and there were no instances of waiver of approval requirements or guidelines during this period. The Audit Committee's pre-approval policies and procedures for services by independent auditors are appended to the Audit Committee Charter attached hereto as Annex B.

### REPORT OF THE AUDIT COMMITTEE

The Audit Committee is composed of six directors, each of whom is independent within the meaning of SEC regulations and NYSE listing standards for audit committee members. The Board of Directors has determined that Mr. Farinholt, Chairman of the Audit Committee, is an audit committee financial expert, as defined by SEC regulations. The Audit Committee operates under a written charter adopted by the Board of Directors, a copy of which is included as Annex B to this proxy statement. The Audit Committee reviews its charter at least annually and revises it as necessary to ensure compliance with current regulatory requirements.

The Audit Committee selects the Company's independent auditors, subject to shareholder ratification. Management is responsible for the Company's internal controls and the financial reporting process. The independent auditors are responsible for performing an independent audit of the Company's consolidated financial statements in accordance with generally accepted auditing standards and for issuing a report thereon. The Audit Committee's responsibility is to monitor and review these processes, acting in an oversight capacity relying on the information provided to it and on the representations made by management and the independent auditors. In this context, the Audit Committee has met and held discussions with management and KPMG LLP, the Company's independent auditors.

Management represented to the Audit Committee that the Company's consolidated financial statements were prepared in accordance with generally accepted accounting principles. The Audit Committee has reviewed and discussed the consolidated financial statements with management and KPMG LLP, including the scope of the auditors' responsibilities, critical accounting policies and practices used and significant financial reporting issues and judgments made in connection with the preparation of such financial statements.

The Audit Committee has discussed with KPMG LLP the matters required to be discussed by Statement on Auditing Standards No. 61 (Communication with Audit Committees). The Audit Committee has also received the written disclosures and the letter from KPMG LLP relating to the independence of that firm as required by Independence Standards Board Standard No. 1 (Independence Discussions with Audit Committees), has discussed with KPMG LLP that firm's independence from the Company and considered the compatibility of non-audit services with the auditors' independence.

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Based upon its discussions with management and KPMG LLP and its review of the representation of management and the report of KPMG LLP to the Audit Committee, the Audit Committee recommended that the Board of Directors include the audited consolidated financial statements in the Company's Annual Report on Form 10-K for the year ended December 31, 2003 for filing with the SEC.

### THE AUDIT COMMITTEE

James B. Farinholt, Jr., Chairperson  
A. Marshall Acuff, Jr.  
John T. Crotty  
Richard E. Fogg  
Vernard W. Henley  
Peter S. Redding

## STOCK OWNERSHIP INFORMATION

### Compliance With Section 16(a) Reporting

Section 16(a) of the Securities Exchange Act of 1934 requires the Company's directors and executive officers to file reports with the SEC of holdings and transactions in the Company's Common Stock. Based on the Company's records and information provided by the directors and officers, the Company believes that the filing requirements were satisfied in 2003.

### Stock Ownership Guidelines

Under the Company's Management Equity Ownership Program (MEOP) adopted in 1997, officers are expected, over a five-year period, to achieve the following levels of ownership of Common Stock:

<u>Officer</u>	<u>Value of Common Stock Owned</u>
Chief Executive Officer	4.0 x Base Salary
President	3.0 x Base Salary
Executive Vice Presidents	2.0 x Base Salary
Senior Vice Presidents	1.5 x Base Salary
Vice Presidents, Regional Vice Presidents	1.0 x Base Salary

In addition, the Board of Directors adopted a policy in 1997 that each director achieve, over a five-year period, a level of ownership in Common Stock equal to at least five times the annual retainer fee (including both cash and stock retainer).