

UFP TECHNOLOGIES INC  
Form DEF 14A  
April 30, 2009

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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

**UFP TECHNOLOGIES, 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.
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(1) Amount Previously Paid:

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(4) Date Filed:

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**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 3, 2009*

The Annual Meeting of Stockholders of UFP Technologies, Inc. (the "Company") will be held on June 3, 2009, at 10:00 a.m., local time, at the Sheraton Ferncroft, 50 Ferncroft Road, Danvers, Massachusetts 01923, for the following purposes:

1. To consider and act upon the election of the three Class I directors identified in the accompanying proxy statement to serve until the 2012 Annual Meeting of Stockholders and until their successors are duly elected.
2. To consider and act upon a proposal to amend and restate the Company's 1998 Director Stock Option Incentive Plan.
3. If submitted to a vote of the Company's stockholders, to consider and act upon an adjournment of the annual meeting, including, if necessary, to solicit additional proxies in favor of the foregoing proposals if there are not sufficient votes for those proposals.
4. To transact such other business as may properly come before the Meeting or any adjournment thereof.

The Board of Directors has fixed April 17, 2009 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, 2009

**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.**

**IMPORTANT NOTICE REGARDING AVAILABILITY OF PROXY MATERIALS FOR THE COMPANY'S ANNUAL MEETING OF STOCKHOLDERS TO BE HELD ON JUNE 3, 2009:**

This Proxy Statement, the Company's Annual Report for the fiscal year ended December 31, 2008 and the Proxy Card are available at the Company's website, [www.ufpt.com](http://www.ufpt.com).

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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 3, 2009*

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 3, 2009, 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, 2009. 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 17, 2009 will be entitled to receive notice of, and to vote at, the Meeting. As of that date, there were outstanding and entitled to vote 5,787,482 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 (i) the election of the nominees identified herein as directors and (ii) the amendment and restatement of the 1998 Director Stock Option Incentive Plan as described herein. 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 2012 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 Company currently has three Class I directors, two Class II directors, and three Class III directors. The terms of the Class I directors, R. Jeffrey Bailly, David B. Gould and Marc Kozin, expire at the Meeting. Each of Messrs. R. Jeffrey Bailly, Gould and Kozin are being nominated for election as Class I directors, to hold office until the 2012 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	47	President, Chief Executive Officer and Chairman of the Board of Directors	1995	2012, Class I
Richard L. Bailly	74	Secretary and Director	1963	2011, Class III
Kenneth L. Gestal	60	Director	1996	2010, Class II
David B. Gould*	55	Director	2003	2012, Class I
Thomas Oberdorf*	51	Director	2004	2010, Class II
Marc Kozin	47	Director	2006	2012, Class I
David K. Stevenson**,	66	Director	2007	2011, Class III
Robert W. Pierce, Jr.	55	Director	2008	2011, Class III

\*  
Member of the Audit Committee

\*\*  
Chairman of the Audit Committee

Member of the Compensation Committee

Chairman of the Compensation Committee

Mr. R. Jeffrey Bailly has served as Chairman of the Company since October 2006 and as Chief Executive Officer, President, and a director since January 1, 1995. He joined the Company in 1988 and served as a Division Manager (1989-1992), General Manager Northeast Operations (1992-1994), and as its Vice President of Operations (1994-1995). From 1984 through 1988, Mr. Bailly, a certified public accountant, was employed by Coopers & Lybrand. Mr. Bailly is a member of Young Presidents' Organization and the Chairman of its New England Chapter.

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. Bailly is the father of R. Jeffrey Bailly, the Chairman, Chief Executive Officer, and President of the Company.

Mr. Gestal has served as a director of the Company since 1996. In June 2007, Mr. Gestal rejoined Decision Capital, L.P. as president and managing partner; Decision Capital is an alternative investment money management group, which Mr. Gestal had served previously as chief executive officer from 1998 through July 2005. From August 2005 through June 2007, Mr. Gestal served as Chief Operating Officer of Tricordia, LLC, an institutional marketing company. 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 Chairman, Chief Executive Officer, and President of the Company.

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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. Kozin has served as a director of the Company since 2006. 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. Previously, Mr. Kozin served on the Board of Directors of Brandwise, Inc. from December 2002 to December 2005, Lynx Therapeutics, Inc. from July 2002 to March 2005, and Assurance Medical, Inc. from October 1999 to July 2001.

Mr. Oberdorf has served as a director of the Company since 2004. Since December 2008, Mr. Oberdorf has been Executive Vice President and Chief Financial Officer of infoGROUP, which provides business and consumer databases for sales leads and mailing lists, database marketing services, data processing services, e-mail marketing, market research, and sales and marketing solutions. From June 2006 through 2008, Mr. Oberdorf was Senior Vice President, Chief Financial Officer and Treasurer of Getty Images Inc., the world's leading creator and distributor of still imagery, footage and multi-media products, as well as a recognized provider of other forms of premium digital content, including music. From March 2002 through June 2006, Mr. Oberdorf was Senior Vice President, Chief Financial Officer and Treasurer of CMGI, Inc., a supply chain management, marketing distribution and ecommerce 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.

Mr. Stevenson has served as a director of the Company since March 2007. Mr. Stevenson served as a director of Chirex, Inc., a Nasdaq listed biotechnology company, from April 2000 until its acquisition by Rhodia SA in September 2000. Mr. Stevenson has also served as a Trustee from 1999 to 2008 and as Board Chair in 2007 of Beth Israel Deaconess Hospital Needham, an affiliate of Beth Israel Deaconess Medical Center. Mr. Stevenson has also served as a director of Elderhostel, Inc., the leading provider of lifelong educational programs to people over 55, since May 2001. He currently chairs the Audit Committees of Elderhostel, Inc. and Beth Israel Deaconess Hospital Needham. He has served as a director of various U.S. insurance subsidiaries of Sun Life Financial, Inc. (NYSE: SLF) since February 2002. Mr. Stevenson currently chairs the Audit and Nominating Committee of Sun Life Insurance and Annuity Company of New York. He is also a director of two private companies. Mr. Stevenson, a CPA, was a partner at Arthur Andersen, LLP during his 33 year career in public accounting.

Mr. Pierce has served as a director of the Company since June 2008. Mr. Pierce serves as Chief Executive Officer, Chairman, and Co-Owner of Pierce Aluminum Companies, Inc. Pierce Aluminum supplies aluminum raw stock and finished goods to the marine, aerospace, medical, transportation, and defense industries. Over the last 39 years, Mr. Pierce has overseen the growth of the company from a small operating warehouse in Canton, Massachusetts to a state of the art 150,000 square foot production facility and distribution center in Franklin, Massachusetts and six regional warehouses across the country. Mr. Pierce is a past board member of the National Association of Aluminum Distributors and Mass General Hospital for Children Business Advisory Board.

Directors are elected by a plurality of the votes cast by stockholders entitled to vote at the Meeting.

**THE BOARD OF DIRECTORS RECOMMENDS THAT STOCKHOLDERS VOTE "FOR" THE NOMINEES LISTED ABOVE.**

## CORPORATE GOVERNANCE

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

The Board of Directors of the Company held four meetings during 2008. 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. Seven of the Company's directors were in attendance at the Company's 2008 Annual Meeting.

### **Independence and Board Committees**

#### *Independence*

The Company's common stock is listed on the NASDAQ Stock Market LLC, or Nasdaq, and Nasdaq's listing standards relating to director independence apply to the Company. The Board of Directors has determined that the following current directors are independent under applicable Nasdaq listing standards: Messrs. Stevenson, Gould, Kozin, Oberdorf and Pierce.

#### *Nominating Committee*

The Board of Directors does not have a nominating committee. Director nominees are selected by a majority of the Company's independent directors. 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 2009 Annual Meeting of Stockholders, it must follow the procedures described in "Stockholder Proposals and Recommendations For Director."

#### *Compensation Committee*

The Board of Directors has a Compensation Committee, which met on three occasions in 2008, and is currently composed of Messrs. Kozin, Oberdorf and Stevenson. The Compensation Committee operates pursuant to a written charter (the "Compensation Committee Charter") that was adopted by the Board of Directors and that complies with applicable Nasdaq listing standards. The Compensation Committee Charter is available at the Company's website, [www.ufpt.com](http://www.ufpt.com). Under the provisions of the Compensation Committee Charter, the primary functions of the Compensation Committee include determining salaries for the Company's named executive officers, individuals to whom stock options, other equity awards and cash awards are granted, and the terms upon which such grants and awards are made, incentive plans, benefits and overall compensation. For a further description of the Company's determination of executive and director compensation, see "Executive Compensation," below.

***Audit Committee***

The Board of Directors has an Audit Committee established in accordance with Section 3(a)(58)(A) of the Securities Exchange Act of 1934. The Audit Committee met five times in 2008, and is currently composed of Messrs. Stevenson, 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. The Audit Committee Charter, as amended, is available at the Company's website, [www.ufpt.com](http://www.ufpt.com). 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 accounting and financial reporting processes, internal controls and audits of the Company's financial statements 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, applicable SEC rules, and Nasdaq listing standards. The Board of Directors has determined that Messrs. Stevenson and Oberdorf qualify as "audit committee financial experts," as defined by applicable SEC rules, and that Messrs. Stevenson and Oberdorf satisfy Nasdaq's financial sophistication listing standards.

***Audit Fees.*** The Company incurred an aggregate of approximately \$150,000 in fees for audit services from CCR LLP, for the year ended December 31, 2008. The Company incurred an aggregate of approximately \$141,000 in fees and expenses for audit services from CCR LLP for the fiscal year ended December 31, 2007. 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 the Company's assessment of internal controls, registration statements, consents and assistance with and review of documents filed with the SEC.

***Audit-Related Fees.*** The Company incurred \$9,633 and \$4,350 in audit-related fees in the fiscal years ended December 31, 2008 and 2007, respectively, from CCR LLP, relating to due diligence procedures and the review of SEC filings in connection with an acquisition.

***Tax Fees.*** The Company incurred \$31,325 and \$8,595 in tax fees for the fiscal years ended December 31, 2008 and 2007, respectively, from CCR LLP, relating to tax research which was done to assist management in its implementation of and ongoing compliance with newly applicable accounting standards as well as assistance determining qualifying tax credits.

***All Other Fees.*** The Company incurred no other fees for the fiscal years ended December 31, 2008 and 2007, respectively, from CCR 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.

**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.



**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, 2008;

Discussed with CCR 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 applicable requirements of the Public Company Accounting Oversight Board regarding the auditor's communications with the Audit Committee concerning independence, 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, 2008 for filing with the Securities and Exchange Commission.

By the Audit Committee of the Board of Directors:

David K. Stevenson, Chair  
Thomas Oberdorf  
David B. Gould

**Independent Auditors**

CCR LLP has continuously served as the Company's independent public accountants since its engagement on July 5, 2005. The Audit Committee has appointed CCR LLP, independent accountants, to be the Company's independent registered public accounting firm and to audit the consolidated financial statements of the Company for the year ending December 31, 2009. The Company is advised that no member of CCR LLP has any direct financial interest or material indirect financial interest in the Company since the date of its engagement, July 5, 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 CCR 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.

## SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth certain information as of April 17, 2009, with respect to the beneficial ownership of the Company's Common Stock by each director, each nominee for director, each named executive officer in the Summary Compensation Table under "Executive Compensation" below, all executive officers and directors as a group, and each person known by the Company to be the beneficial owner of 5% or more of the Company's Common Stock. This information is based upon information received from or on behalf of the named individuals. Unless otherwise indicated, (i) each person identified possesses sole voting and investment power with respect to the shares listed and (ii) the address for each person named below is: c/o UFP Technologies, Inc., 172 East Main Street, Georgetown, MA 01833.

Name	Shares of Common Stock Beneficially Owned	Percentage of Class
R. Jeffrey Bailly(1)	1,007,430	16.0%
Richard L. Bailly(1)(2)	118,671	2.0%
Kenneth L. Gestal(1)	103,537	1.8%
Mitchell C. Rock(1)	83,323	1.4%
Ronald J. Lataille(1)	115,169	2.0%
Richard LeSavoy(1)	86,819	1.5%
Daniel J. Shaw, Jr.(1)	45,126	*
David B. Gould(1)(3)	74,675	1.3%
Thomas Oberdorf(1)	46,934	*
Marc Kozin(1)	23,066	*
David K. Stevenson(1)(4)	18,758	*
Robert W. Pierce, Jr.(1)	6,560	*
Dalton, Greiner, Hartman, Maher & Co 565 Fifth Avenue Suite 2101 New York, NY 10017	533,600	9.2%
Renaissance Technologies LLC 800 Third Avenue New York, NY 10022	423,500	7.3%
All executive officers and directors as a group (12 persons) (1)(2)(3)(4)(5)	1,730,068	26.1%

\*  
Less than one percent

(1) Includes shares issuable pursuant to stock options currently exercisable or exercisable within the next 60 days, as follows: 495,000 for R. Jeffrey Bailly, 23,500 for Richard L. Bailly, 93,537 for Kenneth L. Gestal, 15,000 for Mitchell C. Rock, 25,000 for Ronald J. Lataille, 30,000 for Richard LeSavoy, 15,000 for Daniel J. Shaw, Jr., 58,675 for David B. Gould, 46,934 for Thomas Oberdorf, 23,066 for Marc Kozin, 14,258 for David K. Stevenson and 4,560 for Robert W. Pierce, Jr.

(2)

Includes 89,734 shares held by the Bailly Living Trust, over which Mr. Richard L. Bailly has shared voting and dispositive power (together with his spouse) and 5,437 shares held in an IRA account,

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over which Mr. Richard L. Bailly has sole voting and dispositive power. Excludes 1,007,430 shares attributable to R. Jeffrey Bailly, Mr. Richard L. Bailly's son, as to which Mr. Richard L. Bailly disclaims beneficial ownership.

- (3) Includes 16,000 shares owned by Mr. Gould's spouse, as to which Mr. Gould disclaims beneficial ownership.
- (4) Includes 1,000 shares owned by Mr. Stevenson's spouse, as to which Mr. Stevenson disclaims beneficial ownership.
- (5) Includes an aggregate of 844,530 shares that the executive officers and directors have the right to acquire within 60 days pursuant to the exercise of options.

### CODE OF ETHICS

Pursuant to Section 406 of the Sarbanes-Oxley Act of 2002, the Company has adopted a Code of Ethics for Senior Financial Officers that applies to the Company's principal executive officer and its principal financial officer, principal accounting officer and controller, and other persons performing similar functions. The Code of Ethics, as amended, is available at the Company's website, [www.ufpt.com](http://www.ufpt.com). If the Company makes any substantive amendments to this Code of Ethics or grants any waiver, including any implicit waiver, from a provision of this Code of Ethics to the company's principal executive officer, principal financial officer, principal accounting officer, controller or other persons performing similar functions, the Company will disclose the nature of such amendment or waiver, the name of the person to whom the waiver was granted and the date of waiver in a report on Form 8-K.

### EXECUTIVE OFFICERS

The names of the Company's executive officers who are not directors of the Company, and certain biographical information furnished by them, are set forth below:

Name	Age	Title
Mitchell C. Rock	42	Vice President of Sales and Marketing
Ronald J. Lataille	47	Vice President, Treasurer and Chief Financial Officer
Richard LeSavoy	53	Vice President of Manufacturing
Daniel J. Shaw, Jr.	48	Vice President of Engineering

Mr. Rock initially joined the Company in 1991 and served as Director, Sales and Marketing of the Company's Moulded Fibre division (now "Molded Fiber"). From May 1999 through October 2000, Mr. Rock served as Vice President Sales and Business Development of Esprocket, an internet start-up company. Mr. Rock rejoined the Company in April 2001 as Vice President, Sales and Marketing of the Company's Moulded Fibre subsidiary and has served as Vice President, Sales and Marketing for the entire Company since May 2002.

Mr. Lataille joined the Company in November 1997 as its Chief Financial Officer. Prior to joining the Company, Mr. Lataille served as Vice President, Treasurer and Chief Financial Officer of Little Switzerland, Inc. from 1991 through October 1997. He also served as interim President and Chief Executive Officer of Little Switzerland from October 1994 through October 1995. Mr. Lataille is a director of Seacoast United Soccer Club, a not for profit organization located in Hampton, New Hampshire.

Mr. LeSavoy initially joined the Company in 1983 and served as Materials Manager and then Operations Manager through 1987. From 1988 through 1995 Mr. LeSavoy served as Purchasing Manager and then Manufacturing Manager for the USCI Division of C.R. Bard, Inc., a multi-national

developer, manufacturer and marketer of healthcare products. Mr. LeSavoy rejoined the Company in 1995 as Director of Operations for the Northeast Region and has served as Vice President, Manufacturing since February 2003.

Mr. Shaw initially joined the Company in 1983 and served as a Corporate Industrial Engineer through September, 1992. From October 1992 through September, 1996 Mr. Shaw served as Manager of Product Development and from October 1996 through May, 2000 as Director of Product Development. From June 2000 through May 2002 Mr. Shaw served as a Divisional Vice President of the Specialty Components Division. Since May 2002 Mr. Shaw has served as corporate Vice President, Engineering.

Executive officers are chosen by and serve at the discretion of the Board of Directors of the Company.

## EXECUTIVE COMPENSATION

The Company's compensation programs are determined by the Compensation Committee of the Board of Directors, which has the ongoing responsibility for establishing, implementing, and monitoring the Company's executive compensation programs. In 2008, the Compensation Committee engaged DolmatConnell & Partners, a Massachusetts-based compensation consulting firm, to perform a comprehensive comparative market study of the compensation programs offered to peer company chief executives and other executive officers. The Compensation Committee used this information in establishing 2009 base salaries, incentive bonuses and other stock-based incentives for its named executive officers. The chief executive officer also makes recommendations to the Compensation Committee about the compensation of the Company's other named executive officers. The Compensation Committee considered the chief executive's recommendations before making a final determination of the compensation programs for the named executive officers.

UFP Technologies, Inc. operates in a highly competitive and dynamic industry. The key objectives of its executive compensation programs are to attract, motivate and retain superior talent to enable the Company to achieve its business objectives and to align the financial interests of its executives with the stockholders of the Company. The compensation of named executive officers consists of (1) base salary, (2) incentive bonus, (3) long-term incentives and (4) other benefits and perquisites. In addition, the Company has an employment agreement with its chief executive officer.

*Base Salary.* Base salaries are determined based upon a variety of factors, including the executive's scope of responsibilities, a market competitive assessment of similar roles at other companies, and a comparison of salaries paid to peers within the Company. Base salaries are reviewed annually and may be adjusted after considering the above factors.

*Incentive Bonus.* In the past and for the Company's fiscal year ended 2008, the Company's named executive officers earned incentive bonuses. Bonuses are determined based on a combination of qualitative and quantitative, Company and individual measures, the details of which are established annually in the form of business objectives. The business objectives may vary for each executive based upon his or her responsibilities and may include financial and/or strategic measures.

In 2008, bonuses for our named executive officers were largely based upon the Company achieving certain EBIT targets, which were based upon the Company's internal budgets, with the bonus amounts set to fluctuate up or down based on the extent to which the Company achieved, did not achieve, or exceeded the EBIT target. The bonus amounts for 2008 were also based in part on strategic objectives established for each named executive officer. The bonus amounts awarded for 2008 reflect the fact that the Company exceeded its EBIT target for 2008.

At its discretion, the Compensation Committee may allow any executive officer to receive a portion of certain of these bonuses in the form of Company Common Stock. In these situations, the

Compensation Committee may also provide the named executive officer, at its discretion, an additional cash award in the form of a gross-up, in order to pay the income taxes associated with receiving the Company Common Stock. The goal in allowing the Company's named executive officers to receive a portion of their bonus in stock is to further align their interest with those of the Company's shareholders. The Compensation Committee retained sole discretion over all matters relating to the 2008 bonus payments, including, without limitation, the decision to pay any bonuses, the amount of each bonus, if any, the ability to increase or decrease any bonus payment and make changes to any financial and/or strategic measures, discretion over the payment of partial awards in the event of employment termination, and the decision whether to allow recipients to receive a portion and if so, how much of their bonuses in the form of Company Common Stock.

*Long-term Incentives.* It is the philosophy of the Company to provide executives with long-term incentives and, thus, align their financial interests with those of the Company's shareholders. Among the Company's various plans, the Company maintains two plans the Company's 1993 Employee Stock Option Plan and the Company's 2003 Incentive Plan that provide long-term rewards and incentives to the Company's named executive officers, as well as other participants.

Beginning in 2006, the Company implemented a stock unit award program for the named executive officers under the 2003 Incentive Plan. The stock unit awards represent a right to receive shares of the Company's Common Stock in varying amounts based on the achievement of financial performance objectives for the Company and, in certain instances, time-based vesting requirements. Based upon the Company's financial results for its 2008 fiscal year, the Compensation Committee determined that all of the financial performance targets relating to stock unit awards granted in 2008 had been achieved.

Named executive officers have stock options outstanding under the Company's 1993 Employee Stock Option Plan. The stock options allow the named executive officers, as well as other key employees, the right to acquire shares of Company stock at a price equal to the fair market value of the Company's stock on the date of grant. With the exception of the chief executive officer, whose stock options vested immediately upon grant, the stock options are subject to a vesting period. In 2008, no stock options were granted to named executive officers.

#### **Other Benefits and Perquisites**

*CEO Stock Awards* For the past several years, and again in 2008, the Company has granted to Mr. R. Jeffrey Bailly, its Chief Executive Officer, an award of Common Stock as a component of his overall compensation. The objective of this equity component is to greater align the chief executive officer's interests with those of the Company's shareholders. The Compensation Committee retains sole discretion over all matters relating to this award of Common Stock, including, without limitation, the decision to make such award and the amount of the award, if any. The stock is typically issued to the chief executive officer on the last day of the fiscal year, assuming the chief executive officer remains employed by the Company on that date. The chief executive officer is also typically granted an additional cash award to pay the income taxes associated with receiving the Company's Common Stock (a "gross-up"). In 2008, consistent with the terms of his employment agreement, the chief executive officer was granted 25,000 shares and the gross-up associated with this grant amounted to approximately \$95,220.

*Deferred Compensation Plan* In 2006, the Company implemented the UFP Technologies Executive Nonqualified Excess Plan ("Deferred Comp Plan"). Under the Deferred Comp Plan, named executive officers and other key employees are eligible to defer up to 90% of base salary and 100% of bonus and/or commissions into the Plan. Investments of the deferrals are directed by the participants and returns on the deferrals are determined accordingly. Employer contributions into the Plan are discretionary and determined by the Compensation Committee. No employer contributions were made in 2008.

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*Supplemental Disability Insurance* Beginning in 2007, named executive officers received long-term disability insurance coverage to supplement the Company's group long-term disability plan. The objective is to provide named executive officers with sufficient coverage to replace a significant portion of his or her wages in the event of disability. The premiums are paid for by the Company and will amount to approximately \$14,000 for all named executive officers in 2008.

*Profit Sharing/401(K) Plan* All employees, including named executive officers, who meet certain criteria are eligible to participate in the UFP Technologies, Inc. Profit Sharing Plan ("PSP"). Participants in the PSP can defer up to 20% of their gross compensation, subject to IRS limitations on a pre-tax basis. The Company matches employee deferrals at a discretionary rate, which was 50% of employee deferrals up to a maximum of 2% of an employee's gross wages in 2008. In addition, the Company may make an additional discretionary profit sharing contribution which was 2.25% of gross wages in 2008. No employee deferrals are required to receive an allocated portion of the profit sharing contribution.

*Perquisites* The Company provides welfare benefits to its named executive officers at no cost to the executives. The chief executive officer is also eligible for additional perquisites including club memberships, life insurance and Company paid tax preparation fees. These chief executive officer perquisites are offered principally to facilitate the chief executive officer's role as a Company representative within the community, and to entertain customers.

### **Policy on Stock Option Timing and Pricing**

The Company's Board of Directors adopted a policy whereby stock options are to only be granted by majority vote of members of the Compensation Committee at a regularly scheduled Committee meeting. The Company's policy is to permit trading of Company securities commencing 48 hours after the release of quarterly or annual earnings, assuming that, at such time, there is, in the opinion of the Directors, no material inside information pending. The Company has amended its 1993 Employee Stock Option Plan and its 2003 Incentive Plan to establish fair market value as the closing price on the date of grant of any equity security, including stock options, granted pursuant to such plans. Previously, the Company used the closing price on the day preceding the grant date as the fair market value.

### **Tax Considerations**

As part of its role, the Compensation Committee reviews and considers the deductibility of executive compensation under Section 162(m) of the Internal Revenue Code, which provides that the Company may not deduct compensation of more than \$1,000,000 that is paid to certain individuals. The Company believes that compensation paid under the management incentive plans are generally fully deductible for federal income tax purposes. However, in certain situations, the Committee may approve compensation that will not meet these requirements in order to ensure competitive levels of total compensation for its named executive officers. In this regard, for 2008, no named executive officer received a base salary in excess of \$1,000,000 and, therefore, the Company believes that all executive compensation is deductible for federal income tax purposes.

## SUMMARY COMPENSATION TABLE

Name and Principal Position	Year	Salary(1)	Stock Awards(2)	Non-Equity Incentive Plan Compensation (\$)(3)	All Other Compensation (\$)(4)	Total
R. Jeffrey Bailly, President, Chief Executive Officer and Chairman	2008	\$ 315,000	\$ 775,200	\$ 537,266	\$ 147,490	\$ 1,774,956
	2007	\$ 300,000	\$ 185,379	\$ 399,755	\$ 326,707	\$ 1,211,841
	2006	\$ 275,000	\$ 156,516	\$ 295,400	\$ 254,586	\$ 981,502
Ronald J. Lataille  Vice President, Treasurer and Chief Financial Officer	2008	\$ 210,000	\$ 80,418	\$ 95,000	\$ 46,776	\$ 432,194
	2007	\$ 200,000	\$ 14,418	\$ 84,000	\$ 42,293	\$ 340,711
	2006	\$ 185,000	\$ 17,524	\$ 64,750	\$ 37,192	\$ 304,466
Richard LeSavoy  Vice President of Manufacturing	2008	\$ 210,000	\$ 80,418	\$ 105,000	\$ 50,376	\$ 445,794
	2007	\$ 200,000	\$ 14,418	\$ 90,000	\$ 44,453	\$ 348,871
	2006	\$ 190,000	\$ 17,524	\$ 66,500	\$ 39,635	\$ 313,659
Mitchell C. Rock  Vice President of Sales and Marketing	2008	\$ 195,000	\$ 80,418	\$ 95,000	\$ 46,776	\$ 417,194
	2007	\$ 185,000	\$ 14,418	\$ 74,000	\$ 38,693	\$ 312,111
	2006	\$ 175,000	\$ 17,524	\$ 70,000	\$ 40,592	\$ 303,116
Daniel J. Shaw, Jr.  Vice President of Engineering	2008	\$ 160,000	\$ 67,015	\$ 72,000	\$ 38,198	\$ 337,213
	2007	\$ 150,000	\$ 12,016	\$ 60,000	\$ 25,641	\$ 247,657
	2006	\$ 135,000	\$ 14,603	\$ 40,500	\$ 20,661	\$ 210,764

(1)

On February 8, 2008, the Compensation Committee approved increases in the base salaries of its named executive officers effective January 1, 2008. The new base salaries are as follows: \$315,000, \$210,000, \$210,000, \$195,000 and \$160,000 for Messrs. Bailly, Lataille, LeSavoy, Rock and Shaw, respectively. On February 24, 2009, the Compensation Committee froze base salaries for all named executive officers for 2009.

(2)

For 2006, 2007 and 2008 represents stock unit awards of 75,000, 18,000, 18,000, 18,000 and 15,000 awarded to Messrs. Bailly, Lataille, LeSavoy, Rock and Shaw, respectively. The 2006 stock unit awards were granted on June 8, 2006 and valued at \$6.15, the closing price of the Company's stock on the date immediately preceding the date of grant. 50,000 of the 2007 stock unit awards were granted on February 26, 2007 and valued at \$4.64 and the remaining 94,000 stock unit awards were granted on June 6, 2007 and valued at \$5.06, in both cases the closing price of the Company's common stock on the date of grant. The 2008 stock unit awards were granted on February 21, 2008 and valued at \$6.35, the closing price of the Company's common stock on the date of grant. Amounts reflected in the table represent the portion of value of the stock unit awards that was amortized as compensation expense in 2006, 2007, and 2008 in accordance with SFAS 123 (R). In the case of Mr. Bailly, these amounts also include (i) for 2006, 25,000 shares of the Company's common stock that was granted to him on April 26, 2006 and issued on January 3, 2007 valued at \$3.34, the closing price of the Company's common stock on the date immediately preceding the date of grant, (ii) for 2007, 25,000 shares of the Company's common stock that was granted to him on February 26, 2007 and issued on January 2, 2008 valued at \$4.64, the closing price of the Company's common stock on the grant date, and (iii) for 2008, 25,000 shares of the Company's common stock that was granted to him on February 8, 2008 and issued on December 31, 2008 valued at \$6.18 the closing price of the Company's stock on the grant date.

(3)

Represents bonuses earned in 2006, 2007 and 2008 that were paid in March, 2007, 2008 and 2009, respectively. Consistent with past practices, the named executive officers were allowed to take up to 50% of their earned bonuses in the form of Company common stock with the number of shares determined as the bonus amount divided by the closing price of the Company's common stock on the date of grant. For 2006, 2007 and 2008 the dates of grant of the common stock portion of the bonuses were February 26, 2007, February 8, 2008 and February 24, 2009, respectively, and the fair-market value of the common stock was \$4.64, \$6.18 and \$4.24, respectively. Bonuses earned in 2006 and paid in 2007



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were as follows: \$147,700 and 31,832 shares of stock for Mr. Bailly, \$34,750 and 6,466 shares of stock for Mr. Lataille, \$33,250 and 7,166 shares of stock for Mr. LeSavoy, \$35,000 and 7,543 shares of stock for Mr. Rock and \$30,375 and 2,182 shares of stock for Mr. Shaw. Bonuses earned in 2007 and paid in 2008 were as follows: \$199,878 and 32,343 shares of stock for Mr. Bailly, \$42,000 and 6,796 shares of stock for Mr. Lataille, \$45,000 and 7,282 shares of stock for Mr. LeSavoy, \$37,000 and 5,987 shares of stock for Mr. Rock and \$40,000 and 3,236 shares of stock for Mr. Shaw. Bonuses earned in 2008 and paid in 2009 were as follows: \$537,266 for Mr. Bailly, \$47,500 and 11,203 shares of stock for Mr. Lataille, \$52,500 and 12,382 shares of stock for Mr. LeSavoy, \$47,500 and 11,203 shares of stock for Mr. Rock and \$36,000 and 8,491 shares of stock for Mr. Shaw.

(4)

Represents (i) for Mr. Bailly, Company reimbursement for club fees, tax preparation services and life insurance premiums; (ii) for each of the named executive officers compensation for the taxes attributable to stock awards and shares issued in lieu of cash bonuses in 2006 of \$207,504, \$21,600, \$23,940, \$25,200 and \$7,290 for Messrs. Bailly, Lataille, LeSavoy, Rock and Shaw, respectively, in 2007 of \$283,612, \$30,240, \$32,400, \$26,640 and \$14,400 for Messrs. Bailly, Lataille, LeSavoy, Rock and Shaw, respectively, and in 2008 of \$95,220, \$34,200, \$37,800, \$34,200 and \$25,920 for Messrs. Bailly, Lataille, LeSavoy, Rock and Shaw, respectively; and (iii) for each of the named executive officers, car allowances and 401(k) contributions in 2006, 2007 and 2008, and medical coverage in 2006.

### Employment Contract

On October 8, 2007, the Company entered into a new employment agreement with Mr. R. Jeffrey Bailly, the Company's President and Chief Executive Officer and the Chairman of the Company's Board of Directors. The Agreement supersedes Mr. Bailly's prior employment agreement with the Company, dated April 3, 2000, and is terminable by either party at any time, as provided below.

The employment agreement provides that Mr. Bailly will receive a minimum annual salary of \$300,000 and consideration for discretionary bonuses. Pursuant to the agreement, Mr. Bailly will receive an annual stock grant award (the "Annual Stock Grant Award") on or about January 1 of each year entitling him to receive on or before December 31 (the "Issue Date") of each year an aggregate of 25,000 shares of the Company's common stock, provided that Mr. Bailly remains employed with the Company through the Issue Date of each such year. Subject to applicable "golden-parachute" rules, the Company has agreed to reimburse Mr. Bailly for the amount of federal and state income taxes attributable to the Annual Stock Grant Award. Annual Stock Grant Awards are to be made under the Company's 2003 Incentive Plan. Mr. Bailly's agreement prohibits him from competing with the Company for a period of eighteen months following the termination of his employment for any reason. The employment agreement provides Mr. Bailly with certain other benefits, including the opportunity to participate in the Company's stock option plans, insurance plans and other employment benefits as may be generally available to senior executives of the Company, as well as for the direct payment or reimbursement of tax preparation fees, certain dues and fees relating to club memberships and other fringe benefits.

Under the terms of the Agreement, if (i) Mr. Bailly's employment with the Company is terminated by the Company without cause, (ii) if Mr. Bailly terminates his employment with the Company for good reason (including a reduction in his base salary, the amount of the Annual Stock Grant Award or certain other benefits, removal from his position as president or chief executive officer, required relocation outside the greater Boston, Massachusetts area or a material reduction in his overall level of responsibility), or (iii) Mr. Bailly voluntarily terminates his employment within six months of a change of control of the Company, then the Company is required to pay Mr. Bailly a lump sum amount equal to three times his average annual compensation for the two years preceding. However, these termination payments shall be limited to an amount that would not result in the imposition of an excise tax or denial of a tax deduction for the Company under the tax code's golden parachute rules. If Mr. Bailly's employment with the Company is terminated by the Company without cause, or if Mr. Bailly terminates his employment with the Company for good reason, or upon a change of control

of the Company, then (i) any shares in the Annual Stock Grant Award not issued to Mr. Bailly to which he would otherwise be entitled as of the next Issue Date following such change of control or such termination will be immediately issued to him and (ii) any of Mr. Bailly's other earned but unvested Stock Rights, as defined in the Agreement, will immediately vest in full. If Mr. Bailly's employment with the Company is terminated by the Company without cause, or if Mr. Bailly terminates his employment with the Company for good reason, the Company will continue to pay Mr. Bailly's health insurance for up to thirty-six months.

#### Grants of Plan-Based Awards

Name	Grant Date	Estimated Future payouts Under Equity Incentive Plan Awards			All Other Stock Awards: Number of Shares of Stock or Units (#)	Grant Date Fair Value Of Stock And Option Awards (\$)(1)
		Threshold (#)(2)(3)	Target (#)(2)(3)	Maximum (#)(2)(3)		
R. Jeffrey Bailly(4)	2/21/2008	25,000	25,000	25,000		476,250
R. Jeffrey Bailly(4)	2/8/2008				25,000	154,500
Ronald J. Lataille(4)	2/21/2008	6,000	6,000	6,000		114,300
Richard LeSavoy(4)	2/21/2008	6,000	6,000	6,000		114,300
Mitchell C. Rock(4)	2/21/2008	6,000	6,000	6,000		114,300
Daniel J. Shaw, Jr.(4)	2/21/2008	5,000	5,000	5,000		95,250

- (1) Amount shown does not reflect compensation actually received by the named executive officer nor does it necessarily reflect the actual value that will be recognized by the named executive officer. Instead, the amount shown is the stock based compensation expense of restricted stock granted to the named executive officer as determined pursuant to SFAS 123 (R). The assumptions used to calculate the value of restricted stock awards are set forth under Note 1(n) Share-Based Compensation, to the Company's consolidated financial statements included in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2008.
- (2) With respect to the named executive officers other than R. Jeffrey Bailly, the stock unit awards listed under the "Threshold", "Target" and "Maximum" columns above are subject to a (i) time-based vesting requirement and (ii) a Company financial performance requirement, which is discussed in footnote 3, below. One-third of these awards vest on February 24, 2010, one-third of awards vest on February 24, 2011 and one-third of these awards vest on February 24, 2012, provided that the recipient remains continuously employed by the Company through each such vesting date. Stock awards listed under the "Threshold", "Target" and "Maximum" columns for Mr. Bailly vested in full and were issued to Mr. Bailly on February 24, 2009, the date the Compensation Committee determined the financial performance objectives for the fiscal year ended December 31, 2008 had been satisfied.
- (3) The stock unit awards listed under the "Threshold", "Target" and "Maximum" columns above were also subject to the Company achieving specified financial performance objectives. The performance objectives were based on the Company's earnings before interest and taxes ("EBIT") for calendar year 2008 relative to EBIT targets established by the Compensation Committee. Based upon the Company's financial results for its 2008 fiscal year, the Compensation Committee determined that all of these targets had been achieved. Accordingly, the Compensation Committee awarded stock unit awards to each of the named executive officers in an amount equal to the sum of all of the awards listed in the "Threshold," "Target" and "Maximum" columns above, for each such officer.
- (4) Reflects grants of stock unit awards to the named executive officers pursuant to the Company's 2003 Incentive Plan. Recipients of the stock unit awards will have no rights as stockholders of the Company, including, without limitation, the right to vote or to receive dividends, until and to the extent such stock unit awards have vested and the issuance of the shares of common stock in respect of the stock unit awards has been appropriately evidenced. Any unvested stock unit awards shall terminate upon the cessation of a recipient's employment with the Company. In the event of a change in control of the Company (as defined in the stock unit award agreement evidencing the award) at any time, the stock unit awards listed in the "Threshold" column above, to the extent not already vested, shall become fully vested immediately prior to the effective date of such change in control. In the event of a change in control of the Company (as defined in the stock unit award agreement evidencing the award) on or after January 1, 2008, the applicable number of stock unit awards listed in the "Target" and "Maximum" columns above, to the extent not already vested, shall become fully vested

immediately prior to the effective date of such change in control.

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*1993 Stock Option Plan.* Effective October 1993, the Company adopted the 1993 Stock Option Plan (the "1993 Plan"). The purpose of the 1993 Plan is to benefit the Company through the maintenance and development of its businesses by offering certain present and future key individuals a favorable opportunity to become holders of stock in the Company over a period of years, thereby giving them a permanent stake in the growth and prosperity of the Company. As of April 17, 2009, there are 322,293 shares of Common Stock available for issuance under the 1993 Plan. The 1993 Plan may be administered by the Board of Directors of the Company or by a committee appointed by the Board of Directors. Employees of the Company (including officers and directors of the Company who are also employees), as well as certain consultants and advisors of the Company, are eligible to receive grants of options under the 1993 Plan. Under the 1993 Plan, the Company may grant both incentive stock options intended to qualify under Section 422 of the Internal Revenue Code of 1986 ("incentive stock options") and other options which are not qualified as incentive stock options. Unless otherwise determined by the Board of Directors or the committee, all options granted under the 1993 Plan vest at the rate of 25% per year, with the first installment vesting at the end of one year from the date of grant.

### Outstanding Equity Awards at Fiscal Year-End

Name	Option Awards				Stock Awards	
	Number of Securities Underlying Unexercised Options (#)(1) Exercisable	Number of Securities Underlying Unexercised Options (#)(1) Unexercisable	Option Exercise Price (\$)(2)	Option Expiration Date	Number of Shares of Stock That Have Not Vested (#)	Market Value of Shares or Units of Stock That Have Not Vested (\$)(3)
R. Jeffrey Bailly	125,000		2.75	4/3/2010	183,334	969,837
	50,000		0.81	2/11/2012		
	20,000		1.12	1/29/2013		
	46,620		1.00	3/25/2013		
	53,380		1.00	3/25/2013		
	44,444		2.25	4/2/2014		
	55,556		2.25	4/2/2014		
	58,159		2.39	12/14/2015		
41,841		2.39	12/14/2015			
Ronald J. Lataille	10,000		3.28	9/8/2009	44,000	232,760
	12,000	3,000	3.31	5/16/2012		
Richard LeSavoy	10,000		3.28	9/8/2009	44,000	232,760
	16,000	4,000	3.31	5/15/2012		
Mitchell C. Rock	12,000		3.31	5/16/2012	44,000	232,760
		3,000				
Daniel J. Shaw, Jr.	5,000		3.28	9/8/2009	35,666	188,673
	8,000	2,000	3.31	5/16/2012		

- (1) Represents stock options granted pursuant to the Company's 1993 Employee Stock Option Plan. Options granted to Mr. Bailly have a 10 year life and vest immediately. Options granted to Messrs. Lataille, LeSavoy, Rock and Shaw have lives ranging from five to seven years and vest over periods ranging from three to five years.
- (2) Exercise prices for all options granted to the named executive officers represents the closing price of the Company's common stock on the business date immediately preceding the date of grant.
- (3) The market value of the stock unit awards that have not vested is calculated using the closing market price of the Company's Common Stock at the end of the Company's last completed fiscal year. Accordingly, this value was determined based on the closing market price of the Company's Common Stock on Nasdaq as of December 31, 2008, which was \$5.29.



## Option Exercises and Stock Vested

Name	Option Awards		Stock Awards	
	Number of Shares Acquired on Exercise (#)	Value Realized on Exercise (\$)	Number of Shares Acquired on Vesting(1) (#)	Value Realized on Vesting(1) (\$)
R. Jeffrey Bailly		\$	33,333	\$ 337,997
Ronald J. Lataille(2)	30,000	\$ 117,700	8,000	\$ 81,120
Richard LeSavoy(3)	5,000	\$ 29,950	8,000	\$ 81,120
Mitchell C. Rock		\$	8,000	\$ 81,120
Daniel J. Shaw, Jr.(4)	10,000	\$ 59,900	6,667	\$ 67,603

- (1) On July 1, 2008, previously issued stock unit awards covering 33,333, 8,000, 8,000, 8,000 and 6,667 shares of the Company's common stock vested in full for each of Messrs. Bailly, Lataille, LeSavoy, Rock and Shaw, respectively. The value realized upon the vesting of the stock unit awards is based upon the closing price of \$10.14 on July 1, 2008.
- (2) Mr. Lataille exercised options covering 10,000 shares of stock on January 15, 2008. These options were granted on February 7, 2003 at an exercise price \$1.15 per share. The value realized upon exercise of these options was \$5.99 per share, or \$59,900 in the aggregate based upon the closing price of our Company stock on the date of exercise. Mr. Lataille also exercised options covering 20,000 shares of stock on October 8, 2008. These options were granted on November 12, 2003 at an exercise price of \$1.94 per share. The value realized upon exercise of these options was \$2.89 per share, or \$57,800 in the aggregate based upon the closing price of our Company stock on the date of exercise.
- (3) Mr. LeSavoy exercised options covering 5,000 shares of stock on January 15, 2008. These options were granted on February 7, 2003 at an exercise price of \$1.15 per share. The value realized upon exercise of these options was \$5.99 per share, or \$29,950 in the aggregate based upon the closing price of our Company stock on the date of exercise.
- (4) Mr. Shaw exercised options covering 10,000 shares of stock on January 15, 2008. These options were granted on February 7, 2003 at an exercise price of \$1.15 per share. The value realized upon exercise of these options was \$5.99 per share, or \$59,900 in the aggregate based upon the closing price of our Company stock on the date of exercise.

## Potential Payments upon Termination or Change of Control and Severance Plans

Mr. R. Jeffrey Bailly may be entitled to payment upon his termination or upon a change of control of the Company, as described above. If Mr. Bailly is terminated without cause or if he terminates his employment for good reason or within six months of a change of control of the Company, then Mr. Bailly is entitled to a lump sum amount equal to three times his average annual compensation for the two years preceding, as limited by applicable IRS golden parachute regulations. Accordingly, assuming the triggering event occurred on December 31, 2008, Mr. Bailly would have been entitled to receive \$2,602,750.

In September 1993, the Company adopted a policy that all named executive officers of the Company not otherwise a party to an employment agreement with the Company will receive a severance benefit should the employee's employment with the Company be terminated by the Company other than for cause in connection with a change in control of the Company, in the form of a base salary continuation for a period equal to the sum of (i) four months plus (ii) one month for each year of service with the Company up to a maximum of 18 months. Accordingly, assuming termination of

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such named executive officers on December 31, 2008, such officers would have been entitled to the following payments:

Name	Severance Payment (\$)
Ronald J. Lataille	262,500
Richard LeSavoy	297,500
Mitchell C. Rock	178,750
Daniel J. Shaw, Jr.	240,000

### Director Compensation

Name	Year	Fees Earned or Paid in		Total (\$)
		Cash (\$)(1)	Option Awards (\$)(2)(3)	
Richard L. Bailly	2008	12,500	9,336	21,836
Kenneth L. Gestal	2008	6,500	15,336	21,836
David B. Gould	2008	6,500	20,003	26,503
Marc Kozin	2008	6,500	20,503	27,003
Thomas Oberdorf	2008	6,500	19,336	25,836
Michael J. Ross	2008	1,200	2,556	3,756
David K. Stevenson	2008	8,875	19,878	28,753
Robert W. Pierce, Jr.	2008	3,600	12,780	16,380

- (1) For 2008, 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 \$1,200 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. On March 18, 2009, the Company's Board of Directors approved certain changes to Director compensation to take effect as of June 1, 2009. In addition to the travel reimbursement listed in (iii) above, nonemployee directors will be entitled to receive: (i) an annual retainer of \$20,000, payable 50% in cash and 50% in the form of options, (ii) an annual committee retainer of \$5,000 in cash, and an additional \$2,500 if the nonemployee director serves as committee chair, (iii) an annual lead outside director retainer of \$5,000 for the individual serving in that position. Currently, David B. Gould serves as the Company's lead outside director.
- (2) Nonemployee directors also receive stock options pursuant to the terms of the Company's 1998 Director Stock Option Incentive Plan. Under this Plan, stock options are granted in three possible ways: (1) automatic grants, (2) discretionary grants and (3) options in lieu of Director fees. On March 18, 2009, the Company's Board of Directors approved the amendment and restatement of the Company's 1998 Director Stock Option Incentive Plan, as renamed the 2009 Non-Employee Director Stock Incentive Plan. This amendment and restatement is the subject of Proposal No. 2 of this Proxy Statement.
- (3) On June 4, 2008, the Company granted non-qualified stock options to acquire UFP common stock in the amounts of 1,846, 2,462, 2,615, 3,077, 786, 2,423 and 1,060 to Messrs. Gestal, Gould, Kozin, Oberdorf, Ross, Stevenson and Pierce, respectively. Each option was issued at the discretion of the Director in lieu of cash compensation and has a ten-year life with an exercise price of \$12.37, the closing price of the company's common stock on June 4, 2008. Each stock option had a value of \$3.25 as determined by a binomial lattice model in compliance with SFAS 123 (R). On July 1, 2008, the Company granted non-qualified stock options to acquire UFP common stock in the amounts of 3,500, 3,500, 4,500, 4,500, 3,500, 4,500 and 3,500 to Messrs. Bailly, Gestal, Gould, Kozin, Oberdorf, Stevenson and Pierce, respectively. Each option was granted pursuant to an automatic grant provision with the 1993 Director Option Plan as well as an additional discretionary grant based upon Committee involvement as permitted by the Plan, and has a ten-year life with an exercise price of \$10.14, the closing price of the company's common stock on July 1, 2008. Each stock option has a value of \$2.67 as determined by a binomial model in compliance with SFAS 123 (R).

**SECURITIES AUTHORIZED FOR ISSUANCE UNDER EQUITY COMPENSATION PLANS**

The following table discloses the securities authorized for issuance under the Company's equity compensation plans as of December 31, 2008. Each of these plans and their amendments have been approved by the Company's stockholders, other than the proposed amendment and restatement of the 1998 Director Stock Option Incentive Plan, which has been approved by the Company's Board of Directors but remains subject to stockholder approval, and which is the subject of Proposal No. 2 of this Proxy Statement.

	Number of shares of UFPT common stock to be issued <sup>(1)</sup>	Weighted average exercise price of outstanding options	Number of shares of UFPT common stock remaining available for future issuance
1993 Employee Stock Option Plan	634,375	2.36	322,293
1993 Director Plan	0	0	0
1998 Director Plan	338,808	4.11	334,890
Total Option Plans	973,183	2.97	657,183
1998 Employee Stock Purchase Plan	0	0	0
2003 Incentive Plan	352,000	0	461,321
Total All Stock Plans	1,325,183	0	1,118,504

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(1) Will be issued upon exercise of outstanding options or vesting of stock unit awards.

**CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS**

*United Development Company Limited.* The Company owns an approximate 26.3% limited partnership interest in United Development Company Limited, a real estate limited partnership ("United Development"), which owns and leases to the Company the Kissimmee, Florida and Decatur, Alabama properties. Richard L. Bailly, a director and stockholder of the Company, owns an approximately 21% general partnership interest in United Development. The late William H. Shaw, who, until he passed away on August 30, 2006, was also a director and stockholder of the Company, also owned an approximately 21% general partnership interest in United Development. Mr. Shaw's estate now holds his interest in United Development, but as a limited partner.

*Kissimmee, Florida Property.* Effective January 1, 2007, the term of the lease with United Development of the Company's Kissimmee, Florida manufacturing facility was again extended until December 31, 2011. Monthly rent for the lease is \$13,713, plus the payment of certain expenses and taxes. The Company believes that the terms of its lease are comparable to those available in the market for real estate in Kissimmee, Florida.

*Decatur, Alabama Property.* Effective January 1, 2007, the term of the lease with United Development of the Company's Decatur, Alabama manufacturing facility was again extended until December 31, 2011. Monthly rent for the lease is \$8,663, plus the payment of certain expenses and taxes. The Company believes that the terms of this lease are comparable to those available in the market for real estate in Decatur, Alabama.



**PROPOSAL NO. 2**  
**AMENDMENT AND RESTATEMENT OF THE COMPANY'S**  
**1998 DIRECTOR STOCK OPTION INCENTIVE PLAN**

Effective July 15, 1998, the Company adopted the 1998 Director Stock Option Incentive Plan (as amended, the "Director Plan"). The purpose of the Director Plan is to maximize long-term stockholder value by aligning the interests of non-employee directors of the Company with those of its stockholders by offering non-employee directors ownership of the Company's Common Stock. The Company proposes, subject to stockholder approval, to amend and restate the Director Plan to permit the grant of additional types of equity-based incentive awards. The Company changed the name of the Director Plan from the "1998 Director Stock Option Incentive Plan" to the "2009 Non-Employee Director Stock Incentive Plan," in part to reflect the proposed amendment and restatement described above. The following is a summary description of the Director Plan and is qualified in its entirety by reference to the full text of the Director Plan, a copy of which is attached hereto as *Appendix A*.

**Description of the Director Plan**

The Director Plan will be administered by the Board of Directors or by any committee of the Board of Directors, including the Compensation Committee (any such committee or the full board, the "Committee"). Subject to the express provisions of the Director Plan, the Committee has the authority to interpret and construe the Director Plan and to adopt rules and regulations for administering the Director Plan. Such powers of the Committee include, except as otherwise provided in the Director Plan, to determine the aggregate amount, type, size, and terms of the awards to be made to non-employee directors, and to determine the time when awards will be granted and how they will vest. Only non-employee directors are eligible to receive grants of awards under the Director Plan.

Awards may be granted in the form of any or a combination of the following:

Stock Options nonqualified options entitling the recipient to acquire shares of Common Stock upon payment of the exercise price;

Stock Appreciation Rights ("SARs") rights entitling the holder upon exercise to receive Common Stock equal to a function (determined by the Committee using such factors as it deems appropriate) of the amount by which the Common Stock has appreciated in value since the date of the award;

Restricted Stock an award of Common Stock subject to forfeiture if specified events are not satisfied;

Unrestricted Stock an award of Common Stock not subject to any restrictions under the Director Plan;

Stock Unit Awards awards payable in Common Stock that may, but are not required to, include awards subject to performance criteria;

Stock-Based Awards awards that are denominated or payable in, valued in whole or in part by reference to, or otherwise based on or related to shares of Common Stock as deemed by the Committee to be consistent with the purposes of the Director Plan;

Unless the Committee expressly provides otherwise, (A) an award requiring exercise by the holder will not be deemed to have been exercised until the Committee receives a written notice of exercise (in form acceptable to the Committee) signed by the appropriate person and accompanied by any payment required under the award; and (B) if the award is exercised by any person other than the participant, the Committee may require satisfactory evidence that the person exercising the award has the right to do so. The Committee shall determine the exercise price of each Stock Option or SAR; provided, that each Stock Option or SAR must have an exercise price that is not less than the fair market value of the Stock subject to the Stock Option, determined as of the date of grant. Where the exercise of an

award is to be accompanied by payment, the Committee may determine the required or permitted forms of payment.

The restrictions on Restricted Stock awards may include, without limitation, restrictions on the right of the grantee to sell, assign, transfer or encumber shares while such shares are subject to other restrictions imposed under the Director Plan, the duration of such restrictions; the events (which may, in the discretion of the Committee, include performance-based events or objectives) the occurrence of which would cause a forfeiture of the Restricted Stock in whole or in part; and such other terms and conditions as the Committee in its discretion deems appropriate. Restricted Stock awards shall be effective upon execution of the applicable Restricted Stock agreement by the Company and the participant. Following a Restricted Stock award and prior to the lapse or termination of the applicable restrictions, the share certificates for such Restricted Stock shall be held in escrow by the Company. Upon the lapse or termination of the applicable restrictions (and not before such time), the certificates for the Restricted Stock shall be issued or delivered to the participant. From the date a Restricted Stock award is effective, the participant shall be a shareholder with respect to all the shares represented by such certificates and shall have all the rights of a shareholder with respect to all such shares, including the right to vote such shares and to receive all dividends and other distributions paid with respect to such shares, subject only to the restrictions imposed by the Committee.

Stock Unit Awards shall be evidenced by a written agreement in the form prescribed by the Committee in its discretion, which shall set forth the number of shares of Common Stock to be awarded pursuant to the award, the restrictions imposed thereon (which may include, without limitation: restrictions on the right of the grantee to sell, assign, transfer or encumber the award prior to vesting, and, in the discretion of the Committee, certain continued service requirements and terms under which the vesting of such awards might be accelerated) and such other terms and conditions as the Committee in its discretion deems appropriate. Stock Unit Awards shall be effective upon execution of the applicable Stock Unit Award Agreement by the Company and the participant. Upon a determination of satisfaction of the applicable performance-related conditions and satisfaction of the applicable continued service requirements (and not before such time), shares of Stock shall be issued to the participant pursuant to the award. The participant shall not have any rights of a shareholder of the Company with respect to such shares prior to such issuance.

The Committee shall have the authority in its discretion to grant to eligible participants Unrestricted Stock and other Stock-Based Awards and shall determine the terms and conditions, if any, of any other Stock-Based Awards made under the Director Plan.

A maximum of 975,000 shares of Common Stock, subject to adjustments for stock splits, stock dividends, mergers, consolidations, and similar transactions as provided in the Director Plan, may be delivered in satisfaction of Stock-Based Awards under the Director Plan. Currently, 334,890 shares of Common Stock remain available for issuance under the Director Plan, which amount includes all stock options previously granted under the Director Plan under its former name, except to the extent any such former option was canceled prior to having been exercised.

The Committee may adopt reasonable counting procedures to ensure appropriate counting, avoid double counting and make adjustments if the number of shares of Stock actually delivered differs from the number of shares previously counted in connection with an award. To the extent that an award expires or is canceled, forfeited, settled in cash or otherwise terminated or concluded without a delivery to the participant of the full number of shares to which the award related, including, without limitation, any option granted under the Plan under its former name and terminated without have been exercised, the undelivered shares will again be available for grant. Shares withheld in payment of the exercise price or taxes relating to an award and shares equal to the number surrendered in payment of any exercise price or taxes relating to an award shall be deemed to constitute shares not delivered to the participant and shall be deemed to again be available for awards under the Director Plan; provided, however, that, where shares are withheld or surrendered more than ten years after the date of the most

recent stockholder approval of the Director Plan or any other transaction occurs that would result in shares becoming so available, such shares shall not become available if and to the extent that it would constitute a material revision of the Director Plan subject to stockholder approval under then applicable rules of the national securities exchange on which the Stock is listed. Common Stock delivered by the Company under the Director Plan may be authorized but unissued Common Stock or previously issued Common Stock acquired by the Company and held in treasury. No fractional shares of Common Stock will be delivered under the Director Plan.

In the event of any change in the Company's outstanding Common Stock by reason of any stock dividend or split, recapitalization, merger, consolidation, combination or exchange of shares, or other similar corporate change, an equitable adjustment shall be made, as determined by the Committee, so as to preserve, without increasing or decreasing, the value of awards and authorizations, in (i) the maximum number or kind of shares issuable or awards which may be granted under the Director Plan, (ii) the maximum number, kind or value of any Director Plan awards which may be awarded or paid in general or to any one employee or to all employees in a fiscal year, (iii) the performance-based events or objectives applicable to any Director Plan awards, (iv) any other aspect or aspects of the Director Plan or outstanding awards made thereunder as specified by the Committee, or (v) any combination of the foregoing. Such adjustments shall be made by the Committee and shall be conclusive and binding for all purposes of the Director Plan.

Except as may otherwise be provided in an award agreement, upon certain fundamental corporate events described in the Director Plan, in lieu of providing the adjustment set forth above, the Committee may, in its discretion, cancel any or all vested and/or unvested awards as of the consummation of such corporate event, and provide that holders of awards so canceled will receive a payment in respect of cancellation of their awards based on the amount of the per share consideration being paid for the Common Stock in connection with such corporate event, less, in the case of Stock Options and other awards subject to exercise, the applicable exercise price, subject to and as set forth in the Director Plan.

The holder of a Director Plan award shall have no rights as a Company shareholder with respect thereto unless and until the date as of which shares of Common Stock shall have been issued in respect of such award.

Except as the Committee shall otherwise determine, no Director Plan award or any rights or interests therein of the recipient thereof shall be assignable or transferable by such recipient except upon death to his or her designated beneficiary or by will or the laws of descent and distribution, and, except as aforesaid, during the lifetime of the recipient, a Director Plan award shall be exercisable only by, or payable only to, as the case may be, such recipient or his or her guardian or legal representative.

The Board may at any time terminate or from time to time amend or suspend the Director Plan in whole or in part in such respects as the Board may deem advisable in order that awards granted thereunder shall conform to any change in the law, or in any other respect which the Board may deem to be in the best interests of the Company; provided, however, that no amendment of the Director Plan shall be made without shareholder approval if shareholder approval of the amendment is at the time required by applicable law, or by the rules of any stock exchange on which Common Stock may be listed.

The Board shall have the power to amend the Director Plan in any manner deemed necessary or advisable for awards granted under the Director Plan to qualify for exemption from Section 16(b) of the Securities Exchange Act of 1934, or to comply with applicable law, and any such amendment shall, to the extent deemed necessary or advisable by the Board, be applicable to any outstanding awards theretofore granted under the Director Plan notwithstanding any contrary provisions contained in any award agreement. With the consent of the participant affected, the Board may amend outstanding agreements evidencing Director Plan awards in a manner not inconsistent with the terms of the

Director Plan. Unless required by law, no such action or amendment shall adversely affect any rights of participants or obligations of the Company to participants with respect to any award theretofore made under the Director Plan without the consent of the affected participant. The Director Plan shall remain in effect, subject to the right of the Board of Directors to further amend or terminate the Director Plan at any time, until all shares subject to it shall have been purchased or acquired according to the Director Plan's provisions.

### **Federal Income Tax Consequences**

The following discussion of the Federal income tax consequences of the issuance of awards granted under the Director Plan is based upon the provisions of the Internal Revenue Code of 1986, as amended, as in effect on the date hereof (the "Code"), current regulations adopted and proposed thereunder, and existing administrative rulings and pronouncements of the Internal Revenue Service. It is not intended to be a complete discussion of all of the Federal income tax consequences of the Director Plan or of all of the requirements that must be met in order to qualify for the described tax treatment. The Director Plan provides the Company with broad discretion to grant many different types of awards. The discussion below illustrates the Federal income tax consequences of only some of the types of awards the Company is permitted to make under the Director Plan. Depending on the type of award granted under the Director Plan, the Federal income tax consequences to the Company and recipients of awards could materially differ from the discussion below. In addition, because the tax consequences may vary, and certain exceptions to the general rules discussed herein may be applicable, depending upon the personal circumstances and the type of award granted, each recipient should consider his or her personal situation and consult with his or her tax advisor with respect to the specific tax consequences applicable to each recipient. No information is provided in the discussion below about municipal, state, or foreign tax laws.

*Nonqualified Stock Options.* An option holder will not recognize any taxable income upon the grant of a nonqualified option under the Director Plan. Generally, an option holder recognizes ordinary taxable income at the time a nonqualified option is exercised in an amount equal to the excess of the fair market value of the shares of Common Stock on the date of exercise over the exercise price.

However, if the Company imposes transfer restrictions on the shares received in connection with the exercise of a nonqualified option and such shares are subject to a substantial risk of forfeiture (a "risk of forfeiture"), the date on which taxable income (if any) is recognized will be the date on which the stock becomes "freely transferable" or not subject to risk of forfeiture (the "Recognition Date"). If an option holder, upon exercise of a nonqualified option and receipt of the shares, is subject to suit under Section 16(b) of the Securities Exchange Act of 1934 (the short swing profits rule), such shares will be treated as subject to a risk of forfeiture. Where the Company imposes transfer restrictions on the shares and such shares are subject to a risk of forfeiture, the option holder will generally recognize ordinary taxable income on the Recognition Date in an amount equal to the excess of the fair market value of the shares at that time over the exercise price.

Despite this general rule, in the case of a risk of forfeiture, the option holder may make an election pursuant to Section 83(b) of the Code. In this case, the option holder will recognize ordinary taxable income at the time the option is exercised and not on the later date. In order to be effective, the Section 83(b) election must be filed with the Company and the Internal Revenue Service within 30 days of exercise.

The Company will generally be entitled to a deduction for Federal income tax purposes in an amount equal to the ordinary taxable income recognized by the option holder, provided the Company reports the income on a Form 1099, that is timely provided to the option holder and filed with the IRS.

When an option holder subsequently disposes of the shares of Common Stock received upon exercise of a nonqualified option, he or she will recognize long-term or short-term capital gain or loss

(depending upon the holding period), in an amount equal to the difference between (i) the sale price and (ii) the sum of the amount paid for such shares plus the amount of ordinary income recognized by the option holder as a result of the exercise of the nonqualified option. The holding period for the shares generally would begin on the date the shares were acquired and would not include the period of time during which the option was held.

An option holder who pays the exercise price for a nonqualified option, in whole or in part, by delivering shares of Common Stock already owned by him or her will recognize no gain or loss for Federal income tax purposes on the shares surrendered, but otherwise will be taxed according to the rules described above.

Any nonqualified options having an exercise price less than the fair market value of the Common Stock at the time such options are granted may be considered deferred compensation subject to Section 409A of the Code. Section 409A provides rules regarding the timing of deferred compensation payments. Independent of the tax treatment described above, a failure to meet the requirements of Section 409A can result in the acceleration of income recognition, an additional 20% tax obligation, plus penalties and interest.

*Stock Appreciation Rights.* A recipient of a SAR will not be considered to receive any income at the time a SAR is granted, nor will the Company be entitled to a deduction at that time. Upon the exercise of a SAR, the holder will normally recognize taxable ordinary income equal to the fair market value of the shares received upon the exercise. A recipient will recognize gain upon the disposition of any shares received on exercise of a SAR equal to the excess of (i) the amount realized on such disposition over (ii) the ordinary income recognized with respect to such shares under the principles set forth above. At the time a recipient recognizes ordinary income, the Company will be entitled to a tax deduction equal to the amount of ordinary income realized by the holder.

To the extent that a SAR is granted at a price that is less than the fair market value of the Common Stock on the date of grant, such SAR should be considered deferred compensation subject to Section 409A of the Code. Section 409A provides rules regarding the timing of deferred compensation payments. Independent of the tax treatment described above, a failure to meet the requirements of Section 409A can result in the acceleration of income recognition, an additional 20% tax obligation, plus penalties and interest.

*Restricted Stock.* The recipient of restricted stock will generally not recognize income at the time that shares subject to such restrictions are issued, unless a Section 83(b) election (described below) is made. Absent a Section 83(b) election, recipients of restricted shares will recognize income at the time the restrictions are removed from the shares. In such event, recipients will recognize ordinary income on the date the restrictions are removed in an amount equal to the excess of the then fair market value of such shares over the purchase price (if any) paid for such shares. The tax basis in the shares with respect to which restrictions are removed will be equal to the sum of the amount paid for such shares plus the amount of ordinary income recognized by the recipient. The holding period for such shares for purposes of determining whether any capital gain or loss is short term or long term will begin just after the restrictions are removed (absent a Section 83(b) election).

Recipients will generally recognize capital gain or loss on a sale or exchange of the shares. The gain or loss will equal the difference between (i) the proceeds received on such sale or exchange and (ii) the adjusted tax basis in the shares. The gain or loss recognized on a sale or exchange of the shares will be long-term capital gain or loss if the shares are held for more than one year. The deductibility of capital losses is subject to limitation.

If a recipient makes a Section 83(b) election with respect to the shares, the recipient will recognize ordinary income at the time the shares are issued and not when the restrictions are removed from such shares. In such event, the tax basis in the shares would equal their fair market value on the date issued, and the holding period for the shares would begin just after such date. However, if a Section 83(b)

election is made and any shares are forfeited, a recipient will not be entitled to recover any of the taxes paid in connection with the Section 83(b) election described above, nor will the recipient receive any capital loss. The advisability of making a Section 83(b) election will depend on various factors and each recipient's individual circumstances. Recipients are urged to consult with his or her own tax advisors regarding whether, where and how to make a Section 83(b) election. Recipients who decide to do so must make a Section 83(b) election no later than the thirtieth day following the issuance of the shares and, once made, such election generally would be irrevocable by a recipient.

Any distributions that the Company makes in respect of the shares will be treated as a dividend, taxable to recipients as ordinary income, to the extent it is paid out of the Company's current or accumulated earnings and profits. If the distribution exceeds the Company's current or accumulated earnings and profits, such excess will be treated first as a tax-free return of the recipient's investment, up to the recipient's basis in the shares. Any remaining excess will be treated as capital gain.

The Company will generally be entitled to a deduction for Federal income tax purposes in an amount equal to, and at the same time as, the ordinary income recognized by recipients. The Company will report the income on a Form 1099-MISC and will recognize a deduction in such amount.

Restricted stock and performance shares may be considered deferred compensation subject to Section 409A of the Code. Section 409A provides rules regarding the timing of deferred compensation payments. Independent of the tax treatment described above, a failure to meet the requirements of Section 409A can result in the acceleration of income recognition, an additional 20% tax obligation, plus penalties and interest.

*Common Stock.* A person who receives an award of Common Stock generally will have taxable income at the time the shares are received (i) in an amount equal to the excess of the then fair market value of such shares over the purchase price (if any) paid for such shares, if the Common Stock is not subject to restrictions, or (ii) as described in the preceding paragraph for restricted stock, if they are subject to restrictions. The tax treatment of a stock award that consists of other rights will depend on the provisions of the award. It may be immediately taxable if there are no restrictions on the receipt of the cash or other property that the stock award represents, or the tax consequences may be deferred if the receipt of cash or other property for the stock award is restricted, or subject to vesting or performance goals. In those situations in which a participant receives property subject to restrictions, the participant may wish to make a Section 83(b) election, as described above. At the time that the holder of the stock award has ordinary income, the Company will be entitled to a tax deduction equal to the amount of ordinary income realized by the holder.

#### **New Plan Benefits**

The Company's non-employee directors have a general ongoing financial interest in Proposal No. 2 because, if adopted, Proposal No. 2 would increase the types of awards issuable under the Director Plan to such non-employee directors.

The affirmative vote of the holders of a majority of the shares present in person or by proxy at the Meeting and entitled to vote on the proposal to amend and restate the Director Plan is required to amend and restate the Director Plan.

**THE BOARD OF DIRECTORS RECOMMENDS THAT STOCKHOLDERS VOTE "FOR" APPROVAL OF PROPOSAL NO. 2.**

**PROPOSAL NO. 3  
TO ADJOURN THE ANNUAL MEETING OF STOCKHOLDERS  
OF  
UFP TECHNOLOGIES, INC.**

Proposal No. 3 asks the stockholders of the Company to consider and vote upon a proposal to approve an adjournment of the Meeting, if necessary, including adjournments to permit further solicitation of proxies in favor of each of the proposals to elect directors and to amend and restate the 1998 Director Stock Option Incentive Plan.

If a quorum is not present at the Meeting, stockholders of the Company may be asked to vote on the proposal to adjourn the Meeting to solicit additional proxies. If a quorum is present at the Meeting, but there are not sufficient votes at the time of the Meeting to approve one or more of the proposals, stockholders of the Company may also be asked to vote on the proposal to approve the adjournment of the Meeting to permit further solicitation of proxies in favor of the other proposals.

If the adjournment proposal is submitted for a vote at the Meeting, and if stockholders of the Company vote to approve the adjournment proposal, the Meeting will be adjourned to enable the Company's Board of Directors to solicit additional proxies in favor of one or more proposals. If the adjournment proposal is approved, and the Meeting is adjourned, the Company's Board of Directors will use the additional time to solicit additional proxies in favor of any of the proposals to be presented at the Meeting, including the solicitation of proxies from stockholders that have previously voted against the relevant proposal. Among other things, approval of the adjournment proposal could mean that, even though the Company may have received proxies representing a sufficient number of votes against a proposal to defeat it, management of the Company could present the adjournment proposal for a vote of the Company's stockholders and thereby cause the Meeting to be adjourned without a vote on the proposal, and seek during that period to convince the holders of those shares to change their votes to vote in favor of the proposal.

The Company's Board of Directors believes that, if the number of shares of Common Stock voting in favor of any of the proposals presented at the Meeting is insufficient to approve a proposal, it is in the best interests of the Company's stockholders to enable the Company's Board of Directors, for a limited period of time, to continue to seek to obtain a sufficient number of additional votes in favor of the proposal.

The affirmative vote of the holders of a majority of shares of Common Stock present in person or by proxy at the Meeting and entitled to vote on the proposal to adjourn the Meeting is required to adjourn the Meeting.

**THE BOARD OF DIRECTORS RECOMMENDS THAT STOCKHOLDERS VOTE "FOR" APPROVAL OF PROPOSAL NO. 3.**

## OTHER MATTERS

### Voting Procedures

The votes of stockholders present in person or represented by proxy at the Meeting will be tabulated by an inspector of elections appointed by the Company. A quorum, consisting of a majority of shares of all stock issued, outstanding and entitled to vote at the Meeting, will be required to be present in person or by proxy for consideration of the proposal to elect directors. If a quorum is not present, a vote of a majority of the votes properly cast will adjourn the Meeting.

The nominees for director of the Company who receive the greatest number of votes cast by stockholders present in person or represented by proxy at the Meeting and entitled to vote thereon will be elected directors of the Company. The affirmative vote of the holders of a majority of shares of Common Stock present in person or represented by proxy at the Meeting and entitled to vote thereon is required to approve the amendment and restatement of the 1998 Director Stock Option Incentive Plan and to adjourn the Meeting.

Abstentions will have no effect on the outcome of the vote for the election of directors, but will have the effect of being cast against the other proposals, even though the stockholder so abstaining may intend a different result.

Shares of Common Stock held of record by brokers who do not return a signed and dated proxy will not be considered present at the Meeting, will not be counted towards a quorum and will not be voted in the election of directors or on the other proposals. Shares of Common Stock held of record by brokers who return a signed and dated proxy but who fail to vote (a "broker nonvote") on the election of directors or on the other proposals will count toward the quorum but will have no effect on the proposals not voted.

### Reporting Under Section 16(a) of the Securities Exchange Act of 1934

Section 16(a) of the Securities Exchange Act of 1934 requires the Company's executive officers, directors and persons who own more than 10 percent of the Company's Common Stock to file initial reports of their ownership and changes in ownership of the Company's Common Stock with the SEC. Based solely on the Company's review of the copies of such reports it has received and written representations from certain reporting persons, the Company believes that each person who was required to file such reports complied with the applicable filing requirements during 2008.

### Other Proposed Action

The Board of Directors knows of no matters that may come before the Meeting other than those discussed above. However, if any other matters should properly be presented to the Meeting, the persons named as proxies shall have discretionary authority to vote the shares represented by the accompanying proxy in accordance with their own judgment and applicable laws and regulations.

### Stockholder Communications

Stockholders may contact the Board of Directors of the Company by writing to them c/o Investor Relations, UFP Technologies, Inc., 172 East Main Street, Georgetown, MA 01833. All communications directed to the Board will be delivered to the entire Board of Directors.

### Stockholder Proposals and Recommendations for Director

Stockholder proposals for inclusion in the Company's proxy materials for the 2010 Annual Meeting of Stockholders must be received by the Company no later than January 5, 2010. These proposals must



also meet the other requirements of the rules of the Securities and Exchange Commission and the Company's Bylaws.

The Company's Bylaws establish an advance notice procedure with regard to proposals that stockholders otherwise desire to introduce at the Company's Annual Meeting without inclusion in the Company's proxy statement for that meeting. Written notice of such stockholder proposals for the Company's Annual Meeting of Stockholders in 2010 must be received by the Company's Board of Directors, c/o Secretary, UFP Technologies, Inc., 172 East Main Street, Georgetown, MA 01833, not later than March 6, 2010 and must not have been received earlier than February 4, 2010 in order to be considered timely, and must contain specified information concerning the matters proposed to be brought before such meeting and concerning the stockholder proposing such matters. The matters proposed to be brought before the meeting also must be proper matters for stockholder action. If a stockholder who wishes to present such a proposal fails to notify the Company within this time frame, the proxies that management solicits for the meeting will have discretionary authority to vote on the stockholder's proposal if it is properly brought before the meeting. If a stockholder makes a timely notification, the proxies may still exercise discretionary voting authority under circumstances consistent with the proxy rules of the Securities and Exchange Commission.

Pursuant to the Company's Bylaws, the notice must set forth: (a) for each nominee (i) information as would be required to be included in a proxy statement filed pursuant to the proxy rules of the Securities and Exchange Commission, and (ii) written consent to be named in the proxy statement and serve as director if so elected; (b) a brief description of any proposed business including (i) the text of such proposal and any accompanying resolutions, (ii) the reasons for conducting such business at the meeting, and (iii) any material interest held by the proposing stockholder or any beneficial owner on whose behalf the proposal is made; (c) proposing stockholder and/or beneficial owner information including, (i) name and address, (ii) the class and number of shares of capital stock held, (iii) a description of any agreement, arrangement or understanding with respect to the nomination or proposal with any of their affiliates or associates, and any others acting in concert with the foregoing, (iv) a description of any agreement, arrangement or understanding with respect to shares of the Company's stock entered into by the date of such notice for the purposes of loss mitigation, risk management or derivation of benefit from share price changes and/or redistribution of voting power, (v) a representation that such stockholder is the holder of record, is entitled to vote, and intends to appear in person or by proxy and propose such business or nomination, (vi) a representation of intention to either deliver proxy statements to holders of the necessary percentage of shares or to solicit proxies in support of the proposal, and (vii) any other information relating to such stockholder and/or beneficial owner required to be disclosed in filings made in connection with solicitation of proxies pursuant to the Securities Exchange Act of 1934. The stockholder can alternatively satisfy the notice requirement by submitting proposals in compliance with Securities and Exchange Commission requirements and inclusion of such proposal within a proxy statement prepared by the Company. Compliance with the Company's Bylaws shall be the exclusive means for a stockholder to make nominations or submit other business to the annual meeting (other than matters properly brought in compliance with the rules of the Securities Exchange Act of 1934).

#### **Incorporation By Reference**

To the extent that this Proxy Statement has been or will be specifically incorporated by reference into any filing by the Company under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, the sections of the Proxy Statement entitled "Report of the Audit Committee" shall not be deemed to be so incorporated, unless specifically otherwise provided in any such filing.

**Annual Report on Form 10-K**

Copies of the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2008 as filed with the Securities and Exchange Commission, this Proxy Statement and the Proxy Card are available to stockholders without charge at the Company's website, [www.ufpt.com](http://www.ufpt.com), and upon written request addressed to Investor Relations, UFP Technologies, Inc. at 172 East Main Street, Georgetown, Massachusetts 01833.

**IT IS IMPORTANT THAT PROXIES BE RETURNED PROMPTLY. THEREFORE, STOCKHOLDERS ARE URGED TO FILL IN, SIGN AND RETURN THE ACCOMPANYING FORM OF PROXY IN THE ENCLOSED ENVELOPE.**

**UFP TECHNOLOGIES, INC.**  
**2009 NON-EMPLOYEE DIRECTOR STOCK INCENTIVE PLAN**

1. *Statement of Purpose.* The purpose of this 2009 Non-Employee Director Stock Incentive Plan (formerly known as the 1998 Director Stock Option Incentive Plan and hereinafter referred to as the "Plan") is to benefit non-employee members of the Board of Directors of UFP TECHNOLOGIES, INC. (the "Company") in consideration of their management of the Company by offering to them equity-based incentives, thereby encouraging the continuance of their involvement with the Company and/or its subsidiaries.

2. *Administration of the Plan.* The Plan shall be administered by the Board of Directors of the Company or by any committee of the Board of Directors, including the Compensation Committee (any such committee or the full Board, as the case may be, hereinafter referred to as the "Committee"). The Committee shall have full and plenary authority to interpret the terms and provisions of the Plan. Such powers of the Committee include exclusive authority (within the limitations described and except as otherwise provided in the Plan) to determine the aggregate amount, type, size, and terms of the Awards to be made to eligible Non-employee Directors, and to determine the time when Awards will be granted. The Committee may take into consideration recommendations from the appropriate officers of the Company with respect to making the foregoing determinations as to Plan Awards, administration, and interpretation. The Committee shall have full power and authority to adopt such rules, regulations, agreements and instruments for the administration of the Plan and for the conduct of its business as the Committee deems necessary or advisable. The Committee's interpretations of the Plan and all action taken and determinations made by the Committee pursuant to the powers vested in it hereunder shall be conclusive and binding on all parties concerned, including the Company, its shareholders and any director or employee of the Company or any Subsidiary.

3. *Eligibility.* Non-employee Directors of the Company (individually a "Participant" and collectively the "Participants") shall be eligible to receive grants of Awards under this Plan (individually an "Award" and collectively "Awards") pursuant to the provisions of Section 4 hereof.

4. *Rules Applicable to Awards.*

(a) *All Awards.*

(i) *Awards.* Awards may be granted in the form of any or a combination of the following: Stock Options; SARs; Restricted Stock; Unrestricted Stock; Stock Unit Awards, or other Stock Based Awards.

(ii) *Terms of Awards.* The Committee shall determine the terms of all Awards subject to the limitations provided herein.

(iii) *Vesting, Etc.* The Committee may determine the time or times at which an Award will vest (i.e., become free of forfeiture restrictions) or become exercisable and the terms on which an Award requiring exercise will remain exercisable.

(b) *Awards Requiring Exercise.*

(i) *Time and Manner of Exercise.* Unless the Committee expressly provides otherwise, (A) an Award requiring exercise by the holder will not be deemed to have been exercised until the Committee receives a written notice of exercise (in form acceptable to the Committee) signed by the appropriate person and accompanied by any payment required under the Award; and (B) if the Award is exercised by any person other than the Participant,

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the Committee may require satisfactory evidence that the person exercising the Award has the right to do so.

(ii) *Exercise Price.* The Committee shall determine the exercise price of each Stock Option or SAR; provided, that each Stock Option or SAR must have an exercise price that is not less than the fair market value of the Stock subject to the Stock Option, determined as of the date of grant.

(iii) *Payment of Exercise Price, If Any.* Where the exercise of an Award is to be accompanied by payment, the Committee may determine the required or permitted forms of payment.

(c) *Awards Not Requiring Exercise.*

(i) *Restricted Stock.* Restricted Stock awards shall be evidenced by a written agreement in the form prescribed by the Committee in its discretion, which shall set forth the number of shares of Common Stock awarded, the restrictions imposed thereon (which may include, without limitation, restrictions on the right of the grantee to sell, assign, transfer or encumber shares while such shares are subject to other restrictions imposed under this Section 4), the duration of such restrictions; the events (which may, in the discretion of the Committee, include performance-based events or objectives) the occurrence of which would cause a forfeiture of the Restricted Stock in whole or in part; and such other terms and conditions as the Committee in its discretion deems appropriate. Restricted Stock awards shall be effective upon execution of the applicable Restricted Stock agreement by the Company and the Participant. Following a Restricted Stock award and prior to the lapse or termination of the applicable restrictions, the share certificates for such Restricted Stock shall be held in escrow by the Company. Upon the lapse or termination of the applicable restrictions (and not before such time), the certificates for the Restricted Stock shall be issued or delivered to the Participant. From the date a Restricted Stock award is effective, the Participant shall be a shareholder with respect to all the shares represented by such certificates and shall have all the rights of a shareholder with respect to all such shares, including the right to vote such shares and to receive all dividends and other distributions paid with respect to such shares, subject only to the restrictions imposed by the Committee.

(ii) *Stock Unit Awards.* Stock Unit Awards shall be evidenced by a written agreement in the form prescribed by the Committee in its discretion, which shall set forth the number of shares of Common Stock to be awarded pursuant to the Award, the restrictions imposed thereon (which may include, without limitation: restrictions on the right of the grantee to sell, assign, transfer or encumber the Award prior to vesting, and, in the discretion of the Committee, certain continued service requirements and terms under which the vesting of such Awards might be accelerated) and such other terms and conditions as the Committee in its discretion deems appropriate. Stock Unit Awards shall be effective upon execution of the applicable Stock Unit Award Agreement by the Company and the Participant. Upon a determination of satisfaction of any applicable performance-related conditions and satisfaction of any applicable continued service requirements, (and not before such time), shares of Stock shall be issued to the Participant pursuant to the Award. The Participant shall not have any rights of a shareholder of the Company with respect to such shares prior to such issuance.

(iii) *Unrestricted Stock and Other Stock-Based Awards.* The Committee shall have the authority in its discretion to grant to eligible Participants Unrestricted Stock and other Stock-Based Awards. The Committee shall determine the terms and conditions, if any, of any other Stock Based Awards made under the Plan.

5. *Limits on Awards under the Plan.*

(a) *Number of Shares.* A maximum of 975,000 shares of Common Stock, subject to adjustment as provided in Section 6, may be delivered in satisfaction of Stock-Based Awards under the Plan, which amount includes all stock options previously granted under the Plan under its former name, except to the extent any such former option was canceled prior to having been exercised, as further described in subsection (b) below.

(b) *Share Counting Rules.* The Committee may adopt reasonable counting procedures to ensure appropriate counting, avoid double counting (as, for example, in the case of tandem or substitute awards) and make adjustments if the number of shares of Stock actually delivered differs from the number of shares previously counted in connection with an Award. To the extent that an Award expires or is canceled, forfeited, settled in cash or otherwise terminated or concluded without a delivery to the Participant of the full number of shares to which the Award related, including, without limitation, any option granted under the Plan under its former name and terminated without having been exercised, the undelivered shares will again be available for grant. Shares withheld in payment of the exercise price or taxes relating to an Award and shares equal to the number surrendered in payment of any exercise price or taxes relating to an Award shall be deemed to constitute shares not delivered to the Participant and shall be deemed to again be available for Awards under the Plan; provided, however, that, where shares are withheld or surrendered more than ten years after the date of the most recent stockholder approval of the Plan or any other transaction occurs that would result in shares becoming available under this Section 5(b), such shares shall not become available if and to the extent that it would constitute a material revision of the Plan subject to stockholder approval under then applicable rules of the national securities exchange on which the Stock is listed.

(c) *Type of Shares.* Common Stock delivered by the Company under the Plan may be authorized but unissued Common Stock or previously issued Common Stock acquired by the Company and held in treasury. No fractional shares of Common Stock will be delivered under the Plan.

6. *Adjustments for Recapitalizations, Mergers, Etc.*

(a) *Dilution and Other Adjustments.* Notwithstanding any other provision of the Plan, in the event of any change in the outstanding shares of Common Stock by reason of any stock dividend or split, recapitalization, merger, consolidation, combination or exchange of shares, or other similar corporate change (including a Corporate Event, as defined below), an equitable adjustment shall be made, as determined by the Committee, so as to preserve, without increasing or decreasing, the value of Awards and authorizations, in (i) the maximum number or kind of shares issuable or Awards which may be granted under the Plan, (ii) the maximum number, kind or value of any Plan Awards which may be awarded or paid in general or to any one employee or to all employees in a Fiscal Year, (iii) the performance-based events or objectives applicable to any Plan Awards, (iv) any other aspect or aspects of the Plan or outstanding Awards made thereunder as specified by the Committee, or (v) any combination of the foregoing. Such adjustments shall be made by the Committee and shall be conclusive and binding for all purposes of the Plan.

(b) *Corporate Events.* Notwithstanding the foregoing, except as may otherwise be provided in an Award agreement, upon any Corporate Event, in lieu of providing the adjustment set forth in Section 6(a) above, the Committee may, in its discretion, cancel any or all vested and/or unvested Awards as of the consummation of such Corporate Event, and provide that holders of Awards so cancelled will receive a payment in respect of cancellation of their Awards based on the amount of the per share consideration being paid for the Stock in connection with such Corporate Event, less, in the case of Options and other Awards subject to exercise, the applicable exercise price; provided, however, that holders of Options shall only be entitled to consideration in respect of

cancellation of such Awards if the per share consideration less the applicable exercise price is greater than zero. Payments to holders pursuant to the preceding sentence shall be made in cash, or, in the sole discretion of the Committee, in such other consideration necessary for a holder of an Award to receive property, cash or securities as such holder would have been entitled to receive upon the occurrence of the transaction if the holder had been, immediately prior to such transaction, the holder of the number of shares of Stock covered by the Award at such time.

7. *Miscellaneous Provisions.*

(a) The holder of a Plan Award shall have no rights as a Company shareholder with respect thereto unless, and until the date as of which, shares of Common Stock shall have been issued in respect of such Award.

(b) Except as the Committee shall otherwise determine in connection with determining the terms of Awards to be granted or shall thereafter permit, no Plan Award or any rights or interests therein of the recipient thereof shall be assignable or transferable by such recipient except upon death to his or her Designated Beneficiary or by will or the laws of descent and distribution, and, except as aforesaid, during the lifetime of the recipient, a Plan Award shall be exercisable only by, or payable only to, as the case may be, such recipient or his or her guardian or legal representative.

(c) All Awards granted under the Plan shall be evidenced by agreements in such form and containing and/or incorporating such terms and conditions (not inconsistent with the Plan and applicable law) in addition to those provided for herein as the Committee shall approve.

(d) No shares of Common Stock shall be issued, delivered or transferred upon exercise or in payment of any Award granted hereunder unless and until all legal requirements applicable to the issuance, delivery or transfer of such shares have been complied with to the satisfaction of the Committee and the Company, including, without limitation, compliance with the provisions of the Securities Act of 1933, the Act and the applicable requirements of the exchanges on which the Company's Common Stock may, at the time, be listed. The Committee and the Company shall have the right to condition any issuance of shares of Common Stock made to any Participant hereunder on such Participant's undertaking in writing to comply with such restrictions on his or her subsequent disposition of such shares as the Committee and/or the Company shall deem necessary or advisable as a result of any applicable law, regulation or official interpretation thereof, and certificates representing such shares may be legended to reflect any such restrictions.

(e) The Company shall have the right to make such provision for the withholding of taxes as it deems necessary. In furtherance of the foregoing, the Company shall have the right to require, as a condition of the distribution of Awards in Common Stock, that the Participant or other person receiving such Common Stock either (i) pay to the Company at the time of distribution thereof the amount of any federal, state, or local taxes which the Company is required to withhold with respect to such Common Stock or (ii) make such other arrangements as the Company may authorize from time to time to provide for such withholding including without limitation having the number of the units of the Award cancelled or the number of the shares of Common Stock to be distributed reduced by an amount with a value equal to the value of such taxes required to be withheld.

(f) No employee or director of the Company or a Subsidiary or other person shall have any claim or right to be granted an Award under this Plan. Neither this Plan nor any action taken hereunder shall be construed as giving any Participant any right to continue to serve as a member of the Board of Directors of the Company for any specific period of time.

(g) The costs and expenses of administering this Plan shall be borne by the Company and not charged to any Award or to any employee or Participant receiving an Award.

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(h) In addition to the terms defined elsewhere herein, the following terms as used in this Plan shall have the following meanings:

"Act" shall mean the Securities Exchange Act of 1934 as amended from time to time.

"Corporate Event" means (i) a merger or consolidation involving the Company in which the Company is not the surviving corporation; (ii) a merger or consolidation involving the Company in which the Company is the surviving corporation but the holders of shares of Stock receive securities of another corporation and/or other property, including cash; or (iii) the reorganization or liquidation of the Company.

"Designated Beneficiary" shall mean the person or persons, if any, last designated as such by the Participant on a form filed by him or her with the Company in accordance with such procedures as the Committee shall approve.

"Fair Market Value" of a share of Common Stock of the Company on any date shall mean the closing price of the Common Stock on the trading day coinciding with such date, or if not trading on such date, then the closing price as of the next following trading day. If shares of the Common Stock shall not have been traded on any national exchange or interdealer quotation system for more than 10 days immediately preceding such date or if deemed appropriate by the Committee for any other reason, the fair market value of shares of Common Stock shall be determined by the Committee in such other manner as it may deem appropriate.

"Fiscal Year" shall mean the twelve-month period used as the annual accounting period by the Company and shall be designated according to the calendar year in which such period ends.

"Internal Revenue Code" shall mean the Internal Revenue Code of 1986 and regulations thereunder as amended from time to time. References to particular sections of the Internal Revenue Code shall include any successor provisions.

"Participant" shall mean, as to any Award granted under this Plan and for so long as such Award is outstanding, the director to whom such Award has been granted.

"Restricted Stock" shall mean an Award of Stock subject to forfeiture to the Company if specified conditions are not satisfied.

"SARs" shall mean rights entitling the holder upon exercise to receive Stock equal to a function (determined by the Committee using such factors as it deems appropriate) of the amount by which the Stock has appreciated in value since the date of the Award.

"Stock" shall mean Common Stock of the Company, par value \$.01 per share.

"Stock-based Awards" shall mean such awards that are denominated or payable in, valued in whole or in part by reference to, or otherwise based on or related to, shares of Common Stock as deemed by the Committee to be consistent with the purposes of the Plan, and shall include, without limitation, all Stock Options, SARs, Restricted Stock, and Stock Unit Awards.

"Stock Options" shall mean non-qualified options entitling the recipient to acquire shares of Stock upon payment of the exercise price.

"Stock Unit Awards" shall mean an award payable in shares of Stock.

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"Subsidiary" shall mean any domestic or foreign corporation, partnership, association, joint stock company, trust or unincorporated organization "affiliated" with the Company, that is, directly or indirectly, through one or more intermediaries, "controlling", "controlled by" or "under common control with", the Company.

"Unrestricted Stock" shall mean an Award of Stock not subject to any restrictions under the Plan.

(i) This Plan shall be governed by the laws of the Commonwealth of Massachusetts and shall be construed for all purposes in accordance with the laws of said Commonwealth except as may be required by the General Corporation Law of Delaware or by applicable federal law.

8. *Amendments and Termination; Requisite Shareholder Approval.* The Board may at any time terminate or from time to time amend or suspend the Plan in whole or in part in such respects as the Board may deem advisable in order that Awards granted thereunder shall conform to any change in the law, or in any other respect which the Board may deem to be in the best interests of the Company; provided, however, that no amendment of the Plan shall be made without shareholder approval if shareholder approval of the amendment is at the time required by applicable law, or by the rules of any stock exchange on which Common Stock may be listed. The Board shall have the power to amend the Plan in any manner contemplated by Section 9 deemed necessary or advisable for Awards granted under the Plan to qualify for the exemption provided by Rule 16b-3 (or any successor rule relating to exemption from Section 16(b) of the Act), or to comply with applicable law, and any such amendment shall, to the extent deemed necessary or advisable by the Board, be applicable to any outstanding Awards theretofore granted under the Plan notwithstanding any contrary provisions contained in any Award agreement. In the event of any such amendment to the Plan, the holder of any Award outstanding under the Plan shall, upon request of the Board and as a condition to the exercisability thereof, execute a conforming amendment in the form prescribed by the Board to any Award agreement relating thereto within such reasonable time as the Board shall specify in such request. With the consent of the Participant affected, the Board may amend outstanding agreements evidencing Plan Awards in a manner not inconsistent with the terms of the Plan. Notwithstanding anything contained in this Section 8 or in any other provision of the Plan, unless required by law, no action contemplated or permitted by this Section 8 shall adversely affect any rights of Participants or obligations of the Company to Participants with respect to any Award theretofore made under the Plan without the consent of the affected Participant.

9. *Effective Date and Term of Plan.* This Plan was adopted on March 18, 2009, subject to ratification by the stockholders of the Company at the Annual Meeting of Stockholders to be held on June 3, 2009. The Plan shall remain in effect, subject to the right of the Board of Directors to further amend or terminate the Plan at any time pursuant to Section 8 hereof, until all shares subject to it shall have been purchased or acquired according to the Plan's provisions.













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