

TECH OPS SEVCON INC
Form DEF 14A
December 29, 2008

TECH/OPS SEVCON, INC.

155 NORTHBORO ROAD, SOUTHBOROUGH, MASSACHUSETTS 01772
TELEPHONE (508) 281-5510

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

Notice is hereby given that the annual meeting of the stockholders of Tech/Ops Sevcon, Inc., a Delaware corporation, will be held at the offices of Edwards Angell Palmer & Dodge LLP, 20th Floor, 111 Huntington Avenue at Prudential Center, Boston, Massachusetts, at 5:00 p.m. on Tuesday, January 27, 2009, for the following purposes:

1. To elect as directors the two persons named in the Company's proxy statement for the meeting, each to hold office for a term of three years.
2. To transact such other business as may properly come before the meeting.

Only stockholders of record at the close of business on December 12, 2008 are entitled to notice of the meeting or to vote thereat.

IT IS IMPORTANT THAT YOUR SHARES BE REPRESENTED AT THE MEETING. THEREFORE, WHETHER OR NOT YOU PLAN TO ATTEND THE MEETING, PLEASE COMPLETE YOUR PROXY AND RETURN IT IN THE ENCLOSED ENVELOPE, WHICH REQUIRES NO POSTAGE IF MAILED IN THE UNITED STATES. IF YOU ATTEND THE MEETING AND WISH TO VOTE IN PERSON, YOUR PROXY WILL NOT BE USED.

By order of the Board of Directors,

MATTHEW C. DALLET
Secretary

Dated December 29, 2008

PROXY STATEMENT

Approximate Date of Mailing: December 29, 2008

INFORMATION CONCERNING THE PROXY SOLICITATION

The enclosed proxy is solicited by and on behalf of the Board of Directors of Tech/Ops Sevcon, Inc. (the “Company”) for use at the annual meeting of stockholders of the Company to be held on Tuesday, January 27, 2009, at 5:00 p.m. at the offices of Edwards Angell Palmer & Dodge LLP, 20th Floor, 111 Huntington Avenue at Prudential Center, Boston, Massachusetts, or any adjournments or postponements thereof. It is subject to revocation at any time prior to the exercise thereof by giving written notice to the Company, by submission of a later dated proxy or by voting in person at the meeting. The costs of solicitation, including the preparation, assembly and mailing of proxy statements, notices and proxies, will be paid by the Company. Such solicitation will be made by mail and in addition may be made by the officers and employees of the Company personally or by telephone or e-mail. Forms of proxies and proxy material will also be distributed, at the expense of the Company, through brokers, custodians and other similar parties to beneficial owners.

On December 12, 2008, the Company had outstanding 3,276,322 shares of Common Stock, \$.10 par value, which is its only class of stock outstanding and entitled to vote at the meeting. Stockholders of record at the close of business on December 12, 2008 will be entitled to vote at the meeting. With respect to all matters which will come before the meeting, each stockholder may cast one vote for each share registered in his name on the record date. The shares represented by every proxy received will be voted, and where a choice has been specified, the shares will be voted in accordance with the specification so made. If no choice has been specified on the proxy, the shares will be voted FOR the election of the nominees as directors.

BENEFICIAL OWNERSHIP OF COMMON STOCK

The following table provides information as to the ownership of the Company’s Common Stock as of December 12, 2008 by (i) persons known to the Company to be the beneficial owners of more than 5% of the Company’s outstanding Common Stock, (ii) the executive officers named in the Summary Compensation Table below, and (iii) all current executive officers and directors of the Company as a group. Beneficial ownership by individual directors and nominees for director is shown in the table on pages 4 and 5 below.

Name and Address Of Beneficial Owner	Amount Beneficially Owned (1)	Percent of Class
Mario J. Gabelli/GGCP, Inc./GAMCO Investors, Inc. One Corporate Center Rye, NY 10580-1435	608,100 (2)	18.6%
Dr. Marvin G. Schorr 330 Beacon Street Boston, MA 02116	362,278	11.1%
Wachovia Corporation Wachovia Securities LLC (4) One Wachovia Center Charlotte, NC 28288-0137	273,729	8.4%

Bernard F. Start Dotland Grange Hexham, NE46 2JY, United Kingdom	240,477	7.3%
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Name and Address Of Beneficial Owner	Amount Beneficially Owned (1)	Percent of Class
Paul D. Sonkin/Hummingbird Management LLC/Hummingbird Capital, LLC (5) 460 Park Avenue, 12th Floor New York, New York 10022	211,925	6.5%
Matthew Boyle Tech/Ops Sevcon, Inc. 155 Northboro Road Southborough, MA 01772	58,400 (3)	1.8%
Paul N. Farquhar Tech/Ops Sevcon, Inc. 155 Northboro Road Southborough, MA 01772	17,000	(#)
All current executive officers and directors as a group (8 persons)	804,135 (3)	24.5%

(#)Less than 1%

(1)Unless otherwise indicated, each owner has sole voting and investment power with respect to the shares listed or shares that power with his spouse.

(2)As reported on Schedule 13D/A filed with the Securities and Exchange Commission (“SEC”) on November 4, 2008, each of Mr. Gabelli, GGCP, Inc. and GAMCO Investors, Inc. is the beneficial owner of the shares shown, which are held in investment advisory accounts of various subsidiaries of GAMCO Investors, Inc. As reported in that Schedule 13D/A, and based on information subsequently received by the Company, GAMCO Asset Management, Inc., a subsidiary of GAMCO Investors, Inc., has sole voting and investment power with respect to 368,100 of such shares (11.2% of the class), and Gabelli Funds, LLC, a subsidiary of GAMCO Investors, Inc., has sole voting and investment power with respect to 200,000 of such shares (6.1% of the class). Teton Advisors, Inc., of which GAMCO Investors, Inc. is the largest shareholder, has sole voting and investment power with respect to 40,000 of such shares (1.2% of the class).

(3)Includes the following shares subject to stock options exercisable within sixty days: Mr. Boyle (22,000), all current executive officers and directors as a group (24,500).

(4)As reported on Schedule 13G/A filed with the SEC on February 4, 2008 and based on information subsequently received by the Company. As reported in that Schedule 13G/A, the shares shown are held by Wachovia Securities LLC, an investment adviser subsidiary of Wachovia Corporation.

(5)

As reported on Schedule 13D/A filed with the SEC on May 7, 2007, Mr. Sonkin is the managing member and control person of Hummingbird Management, LLC and of Hummingbird Capital, LLC, which are the investment manager and general partner, respectively, of two investment funds that hold the shares shown. Hummingbird Management, LLC and Hummingbird Capital, LLC each disclaims beneficial ownership of such shares.

ELECTION OF DIRECTORS

Board of Directors and Nominees for Election

The Company's Board of Directors has fixed the number of directors at seven. Members of the Board of Directors are divided into three classes serving staggered three-year terms. The terms of two of the Company's current directors, Paul B. Rosenberg and Bernard F. Start, expire at the annual meeting. Based on the recommendation of its Nominating and Governance Committee, the Board has nominated Messrs. Rosenberg and Start for re-election to new three-year terms. Each nominee has consented to serve if elected, and the Company is not presently aware of any reason that would prevent any nominee from serving as a director. If a nominee should become unavailable for election, the proxies will be voted for another nominee selected by the Board.

Pursuant to the Company's by-laws, directors will be elected by a plurality of the votes properly cast at the annual meeting. Abstentions, votes withheld and broker non-votes will not be treated as votes cast and will not affect the outcome of the election.

The following table contains information on the nominees for election at the annual meeting and each other person whose term of office as a director will continue after the meeting. The nominees for election at the meeting are indicated by an asterisk.

Name	Term Expires	Business Experience During Past Five Years and Other Directorships	Has Been a Director of the Company or its Predecessor Tech/Ops, Inc. Since	No. of Common Shares of the Company Beneficially Owned and Percent of Class (†)
Matthew Boyle (3) Age – 46	2011	President and Chief Executive Officer of the Company since November 1997. Vice President and Chief Operating Officer of the Company from November 1996 to November 1997.	1997	58,400 (1.8%)(1)
Maarten D. Hemsley (4)(5) Age – 59	2010	Chief Financial Officer (until August 2007) and a director since 1988 of Sterling Construction Company, Inc., a NASDAQ listed Texas-based civil construction company. Senior fund manager at North Atlantic Value LLP, part of the J. O. Hambro Capital Management Group, London, England, since 2001. President of Bryanston Management Ltd.,	2003	10,500 (#)(2)

a specialized financial services company, since 1993. Director of a number of UK privately-held companies.

*Paul B. Rosenberg (4)(6) Age - 76	2009	Former Treasurer of the Company.	1988 92,480 (2.8%)
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Name	Term Expires	Business Experience During Past Five Years and Other Directorships	Has Been a Director of the Company or its Predecessor Tech/Ops, Inc. Since	No. of Common Shares of the Company Beneficially Owned and Percent of Class (†)
Dr. Marvin G. Schorr (3)(5)(6) Age – 83	2010	Chairman of the Company's Board of Directors from January 1988 until January 2005. Prior to that, Chairman of the Board of Directors and President of Tech/Ops, Inc., the Company's predecessor. Also a director emeritus of Brooks Automation, Inc.	1951	362,278 (11.1%)
*Bernard F. Start Age – 70	2009	Vice-Chairman of the Board since November 1997. President and Chief Executive Officer of the Company from January 1988 to November 1997.	1988	240,477 (7.3%)
David R. A. Steadman (3)(4)(6) Age – 71	2010	Chairman of the Company's Board of Directors since January 2005. President of Atlantic Management Associates, Inc., a management services firm, since 1988. Director of Aavid Thermal Technologies, Inc., a director of Sterling Construction Company, Inc. and a director of several privately held companies.	1997	15,000 (#)
Paul O. Stump (4)(5) Age – 56	2011	Former President and Chief Executive Officer of Telequip Corporation.	2005	8,000 (#)

†Unless otherwise indicated, each person has sole voting and investment power with respect to the shares listed or shares that power with his spouse.

(#)Less than 1%

(1)Includes 22,000 shares subject to stock options exercisable within sixty days.

(2)Includes 2,500 shares subject to stock options exercisable within sixty days.

(3)Member of the Executive Committee.

(4)Member of the Audit Committee.

(5)Member of the Compensation Committee.

(6)Member of the Nominating and Governance Committee.

Director Independence

The Board has determined that all directors, other than Mr. Boyle, are independent under the NASDAQ Capital Market rules, based on information known to the Company and on the annual questionnaire completed by each director. The Company may from time to time have arms-length commercial dealings with companies of which its directors may be officers and/or directors. To the Company's knowledge, during fiscal 2008, there were no such dealings and none of the independent directors had any other business, financial, family or other type of relationship with the Company or its management other than as a director and stockholder.

Board Meetings

During the fiscal year ended September 30, 2008, the Board of Directors held a total of seven meetings. The Board regularly holds meetings at which only independent directors are present. All Board members are expected to attend the annual meeting of stockholders, subject to special circumstances. All of the Board members attended the annual meeting of stockholders in 2008. During the fiscal year ended September 30, 2008, Mr. Start attended 71% of all meetings of the Board.

Communications to the Board

Stockholders may communicate with the Board of Directors by mailing a communication to the entire Board or to one or more individual directors, in care of the Corporate Secretary, Tech/Ops Sevcon, Inc., 155 Northboro Road, Southborough, Massachusetts 01772. All communications from stockholders to Board members (other than communications soliciting the purchase of products and services) will be promptly relayed to the Board members to whom the communications are addressed.

Committees of the Board

The Board of Directors has an Audit Committee, a Compensation Committee and a Nominating and Governance Committee, all the members of which are independent, as defined by Securities and Exchange Commission rules and NASDAQ Capital Market listing standards, as applicable. In addition to the meetings described below, the members of each committee communicate regularly amongst themselves and with management on Company matters.

Each of the Audit Committee, the Compensation Committee and the Nominating and Governance Committee operates under a written charter that is available on the Company's web site: www.techopssevcon.com.

Audit Committee. The Audit Committee is composed of four directors. The Board has determined that at least one of the members of the Committee, Mr. Rosenberg, is an "audit committee financial expert," as defined by the Securities and Exchange Commission. The Committee selects, evaluates and oversees the Company's independent auditors, approves any engagement of the independent auditors to perform non-audit services, and oversees the Company's internal accounting and financial controls. It reviews the audited financial statements and discusses them, as well as the adequacy and quality of the Company's financial reporting principles and procedures, with management and the auditors together and in separate executive sessions. It also reviews and approves related person transactions. The Audit Committee met six times during the fiscal year ended September 30, 2008. The Committee's report appears on page 11.

Compensation Committee. The Compensation Committee is composed of three directors. Generally all compensation and fringe benefit programs of the Company are subject to the review and approval of the Committee, which also reviews and determines the base salary and incentive compensation of the executive officers and a group of senior managers, as well as grants of equity compensation to all employees. The Chief Executive Officer provides a detailed

performance assessment and compensation recommendation for each executive officer (other than himself), which the Committee considers in making its decisions. The Compensation Committee usually makes annual equity grants to executives in its December meeting each year. Other compensation decisions are made throughout the year as circumstances warrant. All compensation actions taken by the Committee are reported to the full Board of Directors, and are subject to the approval of the Board, excluding management. The Committee did not use the services of any compensation consultants during the past fiscal year.

The Committee also reviews and makes recommendations to the Board on director compensation and equity awards, on policies and programs for the development of management personnel, as well as management structure and organization. The Compensation Committee met once during the fiscal year ended September 30, 2008.

Nominating and Governance Committee. The Nominating and Governance Committee is composed of three directors. It considers nominations to the Board and recommends to the Board of Directors' action related to Board composition, size and effectiveness and management succession plans for the positions of Chairman of the Board and Chief Executive Officer. The Nominating and Governance Committee met once during the fiscal year ended September 30, 2008.

Director Nominations

In identifying potential candidates and selecting nominees for directors, the Nominating and Governance Committee does not foreclose any sources. The Committee reviews candidates recommended by stockholders in the same manner and using the same general criteria as candidates recruited by the Committee or recommended by the Board.

The Nominating and Governance Committee does not rely on a fixed set of qualifications for director nominees. The Committee's primary objective for director nominees is to create a Board with a broad range of skills and attributes that is aligned with the Company's strategic needs.

The minimum qualifications for director nominees are that they:

- a) be able to dedicate time and resources sufficient for the diligent performance of the duties required of a member of the Board,
- b) not hold positions or interests that conflict with their responsibilities to the Company,
- c) comply with any other minimum qualifications for either individual directors or the Board as a whole mandated by applicable laws or regulations.

Additionally, at least a majority of members of the Board of Directors must qualify as independent directors in accordance with NASDAQ Capital Market independence rules.

The Nominating and Governance Committee's process for evaluating nominees for director, including nominees recommended by stockholders, is to consider their skills, character and professional ethics, judgment, leadership experience, business experience and acumen, familiarity with relevant industry issues, national and international experience, and other relevant criteria as they may contribute to the Company's success. This evaluation is performed in light of the Committee's views as to what skill set and other characteristics would most complement those of the current directors, including the diversity, age, skills and experience of the Board as a whole.

In order to recommend a candidate for consideration by the Nominating and Governance Committee, a stockholder must provide the Committee with the candidate's name, background and relationship with the proposing stockholder, a brief statement outlining the reasons the candidate would be an effective director of the Company and information relevant to the considerations described above. Such information should be sent to the Nominating and Governance Committee of Tech/Ops Sevcon, Inc., 155 Northboro Road, Southborough, Massachusetts 01772, Attention: Corporate Secretary. The Committee may seek further information from or about the candidate, or the stockholder making the recommendation, including information about all business and other relationships between the candidate and the stockholder.

Director Compensation

Directors of the Company (except Mr. Boyle) are each paid \$18,000 per year for their services. Mr. Steadman, the Chairman of the Board of Directors, and each committee chairman, Mr. Rosenberg (Chairman of the Audit Committee), Mr. Hemsley (Chairman of the Compensation Committee) and Dr. Schorr (Chairman of the Nominating and Governance Committee) receives an additional \$3,000 per year for their duties as Chair of the relevant committee.

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Consistent with past practice, the Compensation Committee granted 2,000 shares of restricted stock to each of the non-employee directors on January 22, 2008. Restricted shares may not be sold, assigned, transferred, pledged or otherwise disposed of by the recipient until they vest. Such restricted shares will fully vest the day before the 2009 annual meeting of stockholders or, if earlier, upon the recipient's death or disability or upon a change in control of the Company. If the recipient's service as a director of the Company is terminated for any reason other than the recipient's death or disability, any unvested shares will be forfeited and returned to the Company, unless the Committee determines otherwise in its discretion.

The following table shows compensation paid to all non-employee directors who served during fiscal 2008:

Name	Fees Earned or Paid in Cash (\$)	Stock Awards (\$)(1)(2)	Option Awards (\$)(1)(2)	Total(\$)
Maarten D. Hemsley	21,000	13,903	1,580	36,483
Paul B. Rosenberg(3)	21,000	13,903	-	34,903
Marvin G. Schorr	21,000	13,903	-	34,903
Bernard F. Start	18,000	13,903	-	31,903
David R.A. Steadman	21,000	13,903	-	31,903
Paul O. Stump	18,000	13,903	-	31,903

(1)Represents the compensation expense incurred by the Company relating to restricted stock awards and stock options held by the director during fiscal 2008, determined in accordance with FAS 123(R) using the assumptions described in Note (1) E to the Company's Financial Statements included in the fiscal 2008 Form 10-K, which assumed that there would be no forfeitures of awards.

(2)As of September 30, 2008, the non-employee directors held restricted stock and options as follows:

Name	Restricted Stock		Outstanding Options	
	# Shares	# Shares	# Shares	# Shares Vested
Maarten D. Hemsley	2,000	5,000	2,500	
Paul B. Rosenberg	2,000	-	-	
Marvin G. Schorr	2,000	-	-	
Bernard F. Start	2,000	-	-	
David R.A. Steadman	2,000	-	-	
Paul O. Stump	2,000	-	-	

(3)Mr. Rosenberg is a participant in the Company's Directors Retirement Plan, which was terminated in 1997. The change in value of his accumulated benefit under the Plan in 2008 was \$1,440.

Stock Ownership Policy

In 2004, the Board adopted Equity Compensation Guidelines in which it established a target level of stock ownership for directors of twice the level of annual cash compensation. Grants of restricted stock will be intended in part to assist in reaching these levels of ownership over time. Shares held by members of a person's immediate family or a trust for his or their sole benefit may be counted towards the ownership requirement. Each director is required to refrain from selling Company stock acquired as restricted stock (other than to make required tax payments related to a

grant) if the value, based on current market price, of his Company stock after the sale would be below his designated ownership level. The Compensation Committee has discretion to make exceptions in extraordinary circumstances where not contrary to Company goals, such as cases of significant personal hardship.

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EXECUTIVE COMPENSATION

Compensation Tables

The following tables provide information for the last fiscal year concerning the compensation of each of the executive officers of the Company whose total compensation exceeded \$100,000 in the most recent fiscal year.

Fiscal 2008 Summary Compensation Table

Name and Principal Position	Year	Salary (\$)(1)	Bonus (\$)(1)	Stock Awards (\$)(2)	Option Awards (\$)(2)	All Other Compensation (\$)(1)	Total (\$)
Matthew Boyle President & Chief Executive Officer	2008	\$ 290,172	\$ -	\$ 33,525	\$ 11,954	\$ 12,434	\$ 348,085
Paul N Farquhar Vice President and Chief Financial Officer	2007	\$ 279,308	\$ 71,668	\$ 32,283	\$ 13,232	\$ 1,575	\$ 398,006
Paul A. McPartlin Former Vice President and Chief Financial Officer	2008	\$ 183,017	\$ -	\$ 23,899	\$ -	\$ 6,519	\$ 213,435
	2007	\$ 90,578	\$ 25,247	\$ 10,588	\$ -	\$ 882	\$ 127,295
	2008	\$ 63,456	\$ -	\$ 11,894	\$ 2,401	\$ 56,643(3)	\$ 134,394
	2007	\$ 180,927	\$ 29,938	\$ 5,662	\$ 2,049	\$ 3,003	\$ 221,579

(1) Messrs. Boyle, Farquhar and McPartlin are residents of the United Kingdom and receive their cash compensation in British Pounds. The amounts shown in the table were determined using the exchange rates (ranging from \$1.78 to \$2.05 per Pound during FY2008) in force on the respective payment dates. The following table sets out their cash compensation as actually paid in British Pounds (£):

	Year	Salary (£)(1)	Bonus (£)(1)	All Other Compensation (£)
Mr. Boyle	2008	£ 147,450	£ -	£ 6,879
	2007	£ 141,100	£ 35,183	£ 804
Mr. Farquhar	2008	£ 93,000	£ -	£ 3,592
	2007	£ 45,000	£ 12,394	£ 434
Mr. McPartlin	2008	£ 31,458	£ -	£ 28,608
	2007	£ 91,375	£ 14,697	£ 1,532

(2) The amounts shown in these columns do not reflect compensation actually received by the executive officer. Instead, they represent the compensation expense incurred by the Company relating to restricted stock awards and stock options, respectively, held by the

officer during fiscal 2008. These amounts are determined in accordance with FAS 123(R) using the assumptions described in Note (1) E to the Company's financial statements included in the fiscal 2008 Form 10-K, except that no forfeitures of awards have been assumed.

(3)Mr. McPartlin retired as Vice President and Chief Financial Officer of the Company effective January 22, 2008. This amount includes accrued vacation pay (\$9,603) and a contractual long service award (\$36,935) paid in connection with his retirement.

The amount shown for Mr. McPartlin of \$11,894 in the stock awards column includes \$9,970 attributable to the Board's acceleration of vesting 2,000 shares of restricted stock upon Mr. McPartlin's retirement after 32 years of service.

Outstanding Equity Awards at Fiscal 2008 Year-End

Name	Option Awards				Stock Awards	
	Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable	Option Exercise Price (\$)	Option Expiration Date	Number of Shares that Have Not Vested (#)	Market Value of Shares that Have Not Vested (\$)(†)
Matthew Boyle	8,000	2,000 (1)	\$10.63	Nov 1, 2009		
Matthew Boyle	6,000	4,000 (2)	\$ 9.60	Nov 6, 2011		
Matthew Boyle	6,000	10,000 (3)	\$ 4.37	Apr 30, 2013		
Matthew Boyle					6,000 (4)	\$ 25,800
Matthew Boyle					9,000 (5)	\$ 38,700
Paul N. Farquhar					15,000 (6)	\$ 64,500

(†)Based on the closing sale price (\$4.30) of the Common Stock on September 30, 2008, the last trading day of the fiscal year.

(1)The shares subject to this option vest at 1,000 shares per year, beginning on November 1, 2008.

(2)The shares subject to this option vest at 1,000 shares per year, beginning on November 6, 2008.

(3)The shares subject to this option vest at 2,000 shares per year, beginning on April 30, 2009.

(4)These shares of restricted stock vest as to 3,000 shares per year on the third business day after the Company publicly announces its financial results for fiscal 2008 and the earlier of November 21, 2009, or the third business day after the Company publicly announces its financial results for fiscal 2009.

(5)These shares of restricted stock vest as to 3,000 shares per year on the third business day after the Company publicly announces its financial results for fiscal 2008 and 2009 and the earlier of December 5, 2010, or the third business day after the Company publicly announces its financial results for fiscal 2010.

(6)These shares of restricted stock vest as to 3,000 shares per year on the third business day after the Company publicly announces its financial results for fiscal 2008, 2009, 2010, 2011, and the earlier of December 3, 2012, or the third business day after the Company publicly announces its financial results for fiscal 2012.

Pension Benefits

The executive officers participate in the Company's U.K. Retirement Plan, a defined benefit plan, under which benefits at retirement (normally, age 65) are based upon 1/60th of final U.K. - base salary (as defined in the Plan) for each year of service, subject to a maximum of 2/3rds of final U.K. - base salary. The employee contributes 6% of base salary, with the balance of the cost being met by the Company. Benefits under the U.K. Retirement Plan are computed solely on the U.K. base salary of participants, exclusive of bonuses, incentive and other compensation, and are not reduced

on account of U.K. Social Security entitlement. The compensation of Messrs. Boyle, McPartlin, and Farquhar is entirely U.K. based. A spouse's pension of 50% of the employee's pension is payable beginning at the death of the employee either before or during retirement. Pension payments escalate by at least 3% per year, compounded, and at a higher rate in certain circumstances. In connection with Mr. McPartlin's retirement, he received an amount of £904,701 (\$1,791,308 at the exchange rate in effect when received) from the Company's UK pension plan; this amount included the repayment of Mr. McPartlin's contributions to the pension plan as well as Company-provided benefits and earnings from both, thereon.

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Potential Payments upon Termination or Change in Control

Upon a change in control of the Company, whether or not the officer's employment is terminated, vesting of shares of restricted stock and unvested stock options held by each officer would accelerate. (For this purpose, a "change in control" means a change in control of the Company that would be required by SEC rules to be reported in the Company's proxy statement, including the acquisition by any person of beneficial ownership of securities of the Company representing 25% or more of the combined voting power of the Company's then outstanding securities.) The value of this accelerated vesting for each officer, assuming that a change of control had occurred on September 30, 2008, would have been as follows: Mr. Boyle (\$64,500) and Mr. Farquhar (\$64,500). These amounts consist of (i) the value of the shares of restricted stock for which vesting accelerated, based on the \$4.30 closing sale price of the Company's Common Stock on September 30, 2008, plus (ii) the difference between the exercise prices of the options for which vesting accelerated and \$4.30, multiplied by the respective numbers of option shares. Pursuant to their employment contracts, each of Mr. Boyle and Mr. Farquhar would be entitled to a minimum of 3 months pay on termination of employment. This amounts to £37,250 (\$66,417 at the exchange rate in effect on September 30, 2008) for Mr. Boyle and £23,500 (\$41,901) for Mr. Farquhar. The Company has no other arrangements with any executive officer to provide any other severance or benefits upon termination of employment or a change in control.

AUDIT COMMITTEE REPORT

In the course of its oversight of the Company's financial reporting process, the Audit Committee of the Board of Directors has (i) reviewed and discussed with management the Company's audited financial statements for the fiscal year ended September 30, 2008, (ii) discussed with Vitale, Caturano & Company, Ltd. ("Vitale, Caturano"), the Company's independent auditors, the matters required to be discussed by Statement on Accounting Standard No. 61, Communication with Audit Committees, and (iii) received the written disclosures and the letter from Vitale, Caturano required by applicable requirements of the Public Company Accounting Oversight Board regarding Vitale, Caturano's communications with the Audit Committee concerning independence, and discussed with Vitale, Caturano its independence.

Based on the foregoing review and discussions, the Committee recommended to the Board of Directors that the audited financial statements for the year ended September 30, 2008 be included in the Company's Annual Report on Form 10-K for filing with the Securities and Exchange Commission.

Members of the Audit Committee

Paul B. Rosenberg, Chairman
Maarten D. Hemsley
David R. A. Steadman
Paul O. Stump

AUDITORS

The Audit Committee of the Board of Directors appointed Vitale, Caturano, which is an independent member of Baker Tilly International, as the Company's independent registered public accounting firm to conduct the audit of the Company's financial statements for fiscal 2008 and to provide audit and certain non-audit services during fiscal 2009. Representatives of Vitale, Caturano are expected to be present at the meeting with an opportunity to make a statement if they desire to do so and are expected to be available to respond to appropriate questions.

The fees billed by Company's principal accountant for each of the last two fiscal years are set out below. They include fees billed by independent Baker Tilly International members in the United Kingdom and France relating to the United Kingdom and French subsidiaries of the Company.

	(in thousands)	
	2008	2007
Audit fees	\$ 173	\$ 165
Audit-related fees	6	6
Tax fees	29	23
All other fees	10	11
Total	\$ 218	\$ 205

The audit-related fees in fiscal 2008 and fiscal 2007 relate to the audit of the pension plan for the Company's UK subsidiary. The tax fees for both years are for the filing of the Company's tax returns in both the United States and the United Kingdom and in both years also include fees for tax advice on employee benefits. The other fees disclosed above are for advice in relation to indirect taxes and employment taxes.

All of the above fees were approved by the Audit Committee before the respective engagements were undertaken. The Company has not adopted pre-approval policies and procedures relating to non-audit services.

TRANSACTIONS WITH RELATED PERSONS

During fiscal 2008, no related person transactions requiring disclosure in the proxy statement were identified or submitted to the Audit Committee for approval.

**DEADLINE FOR STOCKHOLDER PROPOSALS FOR 2010 ANNUAL MEETING;
ADVANCE NOTICE PROVISIONS FOR STOCKHOLDER PROPOSALS AND NOMINATIONS**

In order for a stockholder proposal to be considered for inclusion in the Company's proxy materials for the annual meeting in 2010, it must be received by the Company at 155 Northboro Road, Southborough, Massachusetts 01772, Attention: Treasurer, no later than August 29, 2009.

The by-laws of the Company provide that in order for a stockholder to bring business before or propose director nominations at an annual meeting, the stockholder must give written notice to the Secretary or other specified officer of the Company not less than 50 days nor more than 75 days prior to the meeting, except that if notice thereof is mailed to stockholders or publicly disclosed less than 65 days in advance, the notice given by the stockholder must be received not later than the 15th day following the day on which the notice of such annual meeting date was mailed or public disclosure made, whichever occurs first. The notice must contain specified information about the proposed business or each nominee and the stockholder making the proposal or nomination.

The 2010 annual meeting of stockholders will be held on January 26, 2010.

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SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Section 16(a) of the Securities Exchange Act of 1934 requires our directors, executive officers and persons owning more than 10% of our registered equity securities to file with the Securities and Exchange Commission reports of their initial ownership and of changes in their ownership of our Common Stock and to provide us with copies of all Section 16(a) reports they file.

Based on a review of the reports filed by such persons with respect to our last fiscal year, the Company believes that all its executive officers and directors have complied with the Section 16(a) filing requirements.

OTHER BUSINESS

The Board of Directors does not know of any business that will come before the meeting except the matters described in the notice. If other business is properly presented for consideration at the meeting, the enclosed proxy authorizes the persons named therein to vote the shares in their discretion.

Dated December 29, 2008

Note: Please sign exactly as your name or names appear on this Proxy. When shares are held jointly, each holder should sign. When signing as executor, administrator, attorney, trustee or guardian, please give full title as such. If the signer is a corporation, please sign full corporate name by duly authorized officer, giving full title as such. If signer is a partnership, please sign in partnership name by authorized person.

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