

RETRACTABLE TECHNOLOGIES INC
Form PRE 14A
November 02, 2016
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**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

SCHEDULE 14A INFORMATION

**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 under §240.14a-12

Retractable Technologies, Inc.

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

- No fee required.
 Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.
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| (1) | Title of each class of securities to which transaction applies: |
| (2) | Aggregate number of securities to which transaction applies: |
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- (1) Amount Previously Paid:
 - (2) Form, Schedule or Registration Statement No.:
 - (3) Filing Party:
 - (4) Date Filed:
-

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RETRACTABLE TECHNOLOGIES, INC.

NOTICE OF SPECIAL MEETING OF SHAREHOLDERS

TO BE HELD ON DECEMBER 27, 2016

To the Shareholders of Retractable Technologies, Inc.:

You are cordially invited to attend Retractable Technologies, Inc.'s Special Meeting which will be held at 11:00 a.m. Central time on December 27, 2016 at the Little Elm Town Hall located at 100 West Eldorado Parkway, Little Elm, Texas 75068.

Further information regarding the Special Meeting is set forth in the attached Proxy Statement, which was first delivered to security holders on November 17, 2016.

At the Special Meeting, you will be asked to vote on the approval of a stock option grant.

We hope you will be able to attend the Special Meeting, but if you cannot do so, it is important that your shares be represented. We urge you to read the Proxy Statement carefully and to vote in accordance with the Board of Directors' recommendations by telephone or Internet, or by signing, dating, and returning the enclosed proxy card in the postage-paid envelope provided, whether or not you plan to attend the Special Meeting.

Thank you for your continued support.

Sincerely,

THOMAS J. SHAW
CHAIRMAN, PRESIDENT, AND CHIEF EXECUTIVE OFFICER

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TO BE HELD ON DECEMBER 27, 2016

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Retractable Technologies, Inc.

511 Lobo Lane

Little Elm, TX 75068-5295

PROXY STATEMENT

SPECIAL MEETING OF SHAREHOLDERS

DECEMBER 27, 2016

The Board of Directors of Retractable Technologies, Inc. solicits the enclosed proxy for the Special Meeting to be held at the Little Elm Town Hall located at 100 West Eldorado Parkway, Little Elm, Texas 75068 on the 27th day of December, 2016 at 11:00 a.m. Central time and for any adjournment thereof.

A Notice of Internet Availability of Proxy Materials and other appropriate proxy materials (to those requesting paper copies) were mailed to shareholders on November 17, 2016.

What is the purpose of the Special Meeting?

The Board of Directors is seeking approval of a stock option grant to Thomas J. Shaw.

VOTING INFORMATION

How do I vote?

You may vote your shares in any of the following four ways:

Vote in Person

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At the meeting, you may deliver your ballot to the Inspector of Elections. To obtain directions, please call the Company at (888) 806-2626.

Vote by Internet

To vote now by internet, go to www.proxyvote.com. Have your 16-digit control number available and follow the instructions.

Vote by Mail

You can vote by mail by requesting a paper copy of the materials, which will include a proxy card.

Vote by Phone

You can vote by phone by calling 1-800-690-6903. Have your 16-digit control number available and follow the instructions.

Your 16-digit control number is located in a box with an arrow pointing to it on the enclosed proxy card or the Notice of Internet Availability of Proxy Materials. If you received more than one Notice or proxy card, this means you, or persons with whom you share an address, have more than one account. If you do not plan to vote in person, we encourage you to vote using all your proxy cards and/or control numbers.

Who may vote?

All shareholders of record of Common Stock on November 7, 2016, the record date, are entitled to vote.

May I change my vote?

You may change your vote even after you have submitted your proxy by (1) voting again by Internet or telephone; (2) sending a written statement revoking your proxy to the Secretary of the Company; (3) submitting a properly signed proxy with a later date; or (4) voting in person at the Special Meeting.

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How does the Board recommend I vote?

The Board of Directors recommends that you vote for the approval of the stock option grant to Thomas J. Shaw.

If appointed by you, the proxy holders will vote your shares as you direct with regard to the matters described in this Proxy Statement. In the absence of your direction, they will vote your shares as recommended by the Board of Directors.

What if I do not provide voting instructions to my broker?

If you are a beneficial owner and do not provide voting instructions to your broker, your broker will not be permitted to vote on your behalf. For your vote to be counted, you need to communicate your voting decisions to your broker, bank, or other financial institution as soon as possible before December 27, 2016.

How many votes are required?

If a quorum is present and a majority of those that voted or abstained from voting vote for the proposal, then Mr. Shaw's option will be approved.

What constitutes a quorum?

The presence, in person or by proxy, of the holders of a majority of all the outstanding shares of Common Stock entitled to vote is necessary to constitute a quorum at the Special Meeting. Each share of Common Stock entitles the holder to one (1) vote per share. On November 7, 2016, there were outstanding shares of Common Stock.

Abstentions will be considered present for purposes of calculating the vote but will not be considered to have been voted in favor of the matters voted upon, and broker non-votes will not be considered present for purposes of calculating the votes.

Are there any special attendance requirements for attending the meeting in person?

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If you are a record owner of Common Stock or a beneficial owner of Common Stock with a legal proxy, there are no special attendance requirements to attend the meeting in person. If you are a beneficial owner of Common Stock, you may contact your broker or other person holding your shares to request a legal proxy.

Who pays the expenses incurred in connection with the solicitation of proxies?

The Company will pay the cost of soliciting proxies. In addition to the use of the U.S. mail, proxies may be solicited by the Directors, Officers, and employees of the Company without additional compensation, by personal interview, telephone, or other means of electronic communication. Arrangements also may be made with brokerage firms and other custodians, dealers, banks, and trustees, or their nominees who hold the voting securities of record, for sending proxy materials to beneficial owners. Upon request, the Company will reimburse the brokers, custodians, dealers, banks, or their nominees for their reasonable out-of-pocket expenses.

Who may I contact with questions?

Shareholders with questions (including regarding directions) are encouraged to contact the Company's Chief Financial Officer, Mr. Douglas W. Cowan, at 511 Lobo Lane, Little Elm, Texas 75068, or by telephone at (888) 806-2626.

Table of Contents**PROPOSAL****THE APPROVAL OF THE STOCK OPTION GRANT TO THOMAS J. SHAW**

On November 1, 2016, the Compensation and Benefits Committee, a committee of the Board of Directors made up of three independent Directors, granted an option (outside of any pre-approved plan) to purchase up to 3,000,000 shares of Common Stock to Mr. Thomas J. Shaw, the Company's founder, developer of its products, and Chairman, President, Chief Executive Officer, and a Director of the Company. The option vests immediately upon receipt of shareholder approval and terminates on November 1, 2026, unless the agreement specifies earlier termination in certain instances. The exercise price of the option was 100% of the fair market value of the Company's Common Stock on the grant date, by reference to the previous day's closing price, which was \$2.66 per share. The option may be exercised in whole or in part. In the event of termination for cause, the option shall terminate immediately. In the event of death, the option must be exercised both within the remaining term of the option and within one year after death. The option is intended to be a non-qualified stock option. The Board of Directors is seeking shareholder approval of this grant pursuant to the requirements of the stock exchange on which the Company's Common Stock is listed, the NYSE MKT. The New Plan Benefits table is below.

Non-Qualified Stock Option for**Thomas J. Shaw**Thomas J. Shaw
President and CEO**Dollar Value (\$)****Number of Units**

N/A

3,000,000

The market value of the underlying Common Stock was \$ as of November 7, 2016. The Company's Common Stock does not confer preemptive rights.

Pursuant to Section 711 of the NYSE MKT Company Guide, shareholder approval is required for the establishment of a stock option (with certain limited exceptions) which may be acquired by officers regardless of whether such authorization is required by law or by the company's charter. Shareholder approval of this option is not otherwise required. In the event that the grant of this option is not approved by the shareholders by the end of 2016, the option will terminate.

Neither the Company nor Mr. Shaw recognized federal income tax consequences at the time the option was granted, but taxable income will be realized by Mr. Shaw, and the Company will generally be entitled to a deduction, at the time of exercise of the option. The amount of income and the Company's deduction will be equal to the difference between the fair market value of the shares on the date of exercise and the exercise price. The income realized will be taxed to Mr. Shaw at the ordinary income tax rates for federal income tax purposes. Payment of withholding amounts is required upon exercise of the option. On subsequent disposition of the shares acquired upon exercise, capital gain or loss as determined under the normal capital asset holding period rules will be realized in the amount of the difference between the proceeds of sale and the fair market value of the shares on the date of exercise. The Company will recognize stock option expense in the fourth quarter of 2016 equal to \$1.961 per underlying share if the option is approved by the shareholders.

The reason for the grant of the option is compensatory. Please see the Compensation Discussion and Analysis herein for a synopsis of the recommendations of the Company's independent compensation consultant.

Exercise of the option would have a dilutive effect. This option could also have an effect on takeover attempts. The vesting and presumed or actual exercise of the stock option would cause Mr. Shaw's voting percentage to increase from % to % and would cause his investment power to increase from % to %. The rights Mr. Shaw has to the block of shares, if voted in a coordinated effort with the shares controlled by other Board members (another %), may be used to protect stockholders of the Company in the event of an unfair or coercive offer to acquire the Company and provide the Board of Directors with adequate time to evaluate unsolicited offers. This feature of the option grant, however, should not inhibit any potential offeror willing to make an offer at a fair price and otherwise in the best interests of the Company and its stockholders, as determined by the Board of Directors. The option grant should also not interfere with any merger or other business combination approved by the Board of Directors.

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The Company did not receive consideration for granting this stock option. The stock option exercise price and any other amounts payable would be paid by Mr. Shaw to the Company at the time the stock option is exercised. In other words, the Company could receive \$7,980,000 in cash from Mr. Shaw upon Mr. Shaw's discretionary exercise of the entirety of the option. The Company will use any proceeds as additional working capital.

THE BOARD OF DIRECTORS RECOMMENDS THAT YOU VOTE FOR APPROVAL OF THE STOCK OPTION GRANT TO THOMAS J. SHAW.

EQUITY COMPENSATION PLAN INFORMATION

The following table sets forth information relating to our equity compensation plans as of December 31, 2015:

Equity Compensation Plan Information

Plan category	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted average exercise price of outstanding options, warrants and rights (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column(a)) (c)
Equity compensation plans approved by security holders	1,182,569	\$ 1.04	3,100,892
Total	1,182,569	\$ 1.04	3,100,892

The above information has changed since December 31, 2015. The 2015 disclosures first set forth in the Company's annual report on Form 10-K also detailed the equity compensation plan for Thomas J. Shaw not included in the table above. Three million shares were issued to Mr. Shaw in 2009 at an exercise price of \$0.81 per share with a ten-year term and this issuance was later approved by the shareholders. However, as of the date of this proxy statement, all such shares have been exercised. As of November 7, 2016, excluding the grant at issue herein, there are currently 1,137,719 shares underlying outstanding vested options and an additional 500,400 shares underlying options which have not yet vested. 2,600,492 shares remain available for future issuance as of November 7, 2016.

INTEREST OF THOMAS J. SHAW IN MATTER TO BE ACTED UPON

Thomas J. Shaw has a substantial direct interest in the matter to be acted upon and he is the founder, Chairman, President, Chief Executive Officer, and a Director of the Company. The vesting of the stock option would give him increased influence over the Company, increasing his beneficial ownership from % to %. His beneficial ownership includes both voting power and investment power as well as direct and indirect control over the Common Stock of the Company. In the event the stock price rises above

\$2.66, it would also give him profit potential upon sale of resulting shares.

Table of Contents**SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS**

The following table sets forth certain information regarding the beneficial ownership of our capital stock as of November 7, 2016, for each person known by us to own beneficially 5% or more of the voting capital stock. Except pursuant to applicable community property laws, each shareholder identified in the table possesses sole voting and investment power with respect to his or her shares, except as noted below.

Title of Class	Name and Address of Beneficial Owner	Amount and Nature of Beneficial Ownership	Percent of Class (1)
Common Stock			
	Thomas J. Shaw(2) 511 Lobo Lane Little Elm, TX 75068	14,335,642	%
	Suzanne M. August(3) 340 North Julia Circle St. Pete Beach, FL 33706	3,800,000	%
	Lloyd I. Miller, III(4) 222 Lakeview Avenue Suite 160-365 West Palm Beach, FL 33401	2,355,824	%
	Lillian E. Salerno(5) 777 7th Avenue Unit 308 Washington DC 20001	1,646,000	%

(1) The Percent of Class is calculated for the Common Stock class by dividing each beneficial owner's Amount of Beneficial Ownership, as shown in the table above, by the sum of the total outstanding Common Stock (shares) plus that beneficial owner's stock equivalents (options), if any.

(2) 2,770,000 of the shares are owned by the August 2010 Family Trust and the August Gifting Trust but are controlled by Mr. Shaw pursuant to a Voting Agreement. These shares are permanently controlled by Mr. Shaw until such time as they are sold. These shares are included in the share amounts and percentages for both Mr. Shaw and Ms. August in the above table. Mr. Shaw has investment power over 1,500,000 shares of Common Stock as Trustee pursuant to trust agreements for the benefit of family members. Ms. August has voting control over 1,000,000 of such shares as Special Trustee. These 1,000,000 shares are included in the share amounts and percentages for both Mr. Shaw and Ms. August in the above table. The shares shown in the table above do not include the 3,000,000 shares underlying the option which is the subject of the proposal in this proxy statement because the option is not exercisable without the solicited shareholder approval.

(3) 2,770,000 shares of these shares are controlled by Mr. Thomas J. Shaw pursuant to a Voting Agreement and are held by the August 2010 Family Trust and August Gifting Trust, for which Ms. August serves as Trustee. These shares are included in the share amounts and percentages for both Mr. Shaw and Ms. August in the above table. Ms. August has voting control over 1,000,000 shares of Common Stock as Special Trustee pursuant to trust agreements for the benefit of family members. Mr. Shaw has investment power over such 1,000,000 shares as Trustee. These shares are included in the share amounts and percentages for both Mr. Shaw and Ms. August in the above table.

(4) The number of shares held by this person was obtained from a Schedule 13G filed on February 3, 2016. Pursuant to the Schedule 13G, Lloyd I. Miller, III has sole voting and dispositive power for 2,335,624 of the shares and shared voting and dispositive power for 20,200 of the shares.

(5) 25,000 shares identified as Common Stock are shares which are obtainable by the exercise of a stock option. 500,000 shares identified as Common Stock are owned by a trust for which Ms. Salerno serves as trustee.

Table of Contents**SECURITY OWNERSHIP OF MANAGEMENT AND DIRECTORS**

The following table sets forth certain information regarding the beneficial ownership of our capital stock as of November 7, 2016, for each Named Executive Officer specified by Item 402 of Regulation S-K (i.e., our CEO, CFO, and three other highest paid officers) and Director of the Company. Except pursuant to applicable community property laws or as otherwise discussed below, each shareholder identified in the table possesses sole voting and investment power with respect to his or her shares.

Title of Class	Name of Beneficial Owner	Amount and Nature of Beneficial Ownership	Percent of Class(1)
Common Stock			
As a Group	Named Executive Officers and Directors	15,344,920	%
As Individuals	Thomas J. Shaw(2)	14,335,642	%
	Michele M. Larios(3)	561,000	%
	Douglas W. Cowan(4)	200,000	%
	Russell B. Kuhlman(5)	89,450	%
	Marco Laterza(6)	60,000	