

OWENS & MINOR INC/VA/
Form DEF 14A
March 14, 2008
Table of Contents

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of the
Securities Exchange Act of 1934

(Amendment No.)

Filed by the Registrant Filed by a Party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement

Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material Pursuant to §240.14a-12

Owens & Minor, Inc.

(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):

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Table of Contents

**Notice of
2008
Annual Meeting
and
Proxy Statement**

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

Owens & Minor, Inc.

9120 Lockwood Boulevard

Mechanicsville, Virginia 23116

Table of Contents

(804) 723-7000

March 12, 2008

Dear Shareholders:

It is a pleasure to invite you to our Annual Meeting of Shareholders on Friday, April 25, 2008 at 10:00 a.m. The meeting will be held at the corporate headquarters of Owens & Minor, Inc., 9120 Lockwood Boulevard, Mechanicsville, Virginia 23116. Directions to our offices are on the last page of the proxy statement. Morning refreshments will be served, and complimentary valet parking will be available to shareholders attending the annual meeting.

The primary business of the meeting will be to (i) elect six directors, (ii) approve amendments to our articles of incorporation to declassify our Board of Directors, (iii) approve amendments to our articles of incorporation to eliminate provisions authorizing a series of preferred stock that is no longer outstanding and (iv) ratify the appointment of KPMG LLP as our independent registered public accounting firm for 2008. In addition to considering these matters, we will review significant accomplishments and events since our last shareholders meeting as well as future opportunities and initiatives we intend to pursue. Our Board of Directors and management team will be there to discuss items of interest and answer any questions.

This year, we are pleased to be using the new Securities and Exchange Commission rule that allows companies to furnish their proxy materials over the Internet. As a result, we are mailing to our shareholders a notice instead of a paper copy of this proxy statement and our 2007 Annual Report. The notice contains instructions on how to access those documents over the Internet. The notice also contains instructions on how each of our shareholders can receive a paper copy of our proxy materials, including this proxy statement, our 2007 Annual Report and a form of proxy card. We believe that this new process will conserve natural resources and reduce the costs of printing and distributing our proxy materials.

You may vote your shares by the Internet or by telephone, or if you prefer, you may request paper copies of the proxy materials and submit your vote by mail by following the instructions on the proxy card. **We encourage you to vote via the Internet.** Whichever method you choose, your vote is important so please vote as soon as possible. All of us at Owens & Minor appreciate your continued interest and support.

Warm regards,

CRAIG R. SMITH

President & Chief Executive Officer

Table of Contents

Proxy Statement

Table of Contents	Page
<u>Notice of Annual Meeting of Shareholders</u>	1
<u>About the Meeting</u>	2
<u>Corporate Governance</u>	4
<u>Report of the Governance & Nominating Committee</u>	5
<u>Board Meetings</u>	6
<u>Committees of the Board</u>	6
<u>Director Compensation</u>	7
<u>Director Nominating Process</u>	10
<u>Communications with the Board of Directors</u>	10
<u>Proposal 1: Election Of Directors</u>	11
<u>Nominees for Election</u>	11
<u>Directors Continuing in Office</u>	13
<u>Proposal 2: Approval of Amendments to the Company s Articles of Incorporation to Declassify the Board of Directors</u>	15
<u>Proposal 3: Approval of Amendments to the Company s Articles of Incorporation to Eliminate Provisions Authorizing the Series B Cumulative Preferred Stock</u>	16
<u>Proposal 4: Ratification Of Independent Registered Public Accounting Firm</u>	16
<u>Fees Paid to Independent Registered Public Accounting Firm</u>	17
<u>Report of the Audit Committee</u>	17
<u>Stock Ownership Information</u>	19
<u>Compliance with Section 16(a) Reporting</u>	19
<u>Stock Ownership Guidelines</u>	19
<u>Stock Ownership by Management and the Board of Directors</u>	20
<u>Stock Ownership by Certain Shareholders</u>	21
<u>Equity Compensation Plan Information</u>	21
<u>Executive Compensation</u>	22
<u>Compensation Discussion and Analysis</u>	22
<u>Report of the Compensation & Benefits Committee</u>	34
<u>Summary Compensation Table</u>	35
<u>Grants of Plan Based Awards Table</u>	37
<u>Outstanding Equity Awards at Fiscal Year-End Table</u>	39
<u>Option Exercises and Stock Vested Table</u>	40
<u>Retirement Plans</u>	41
<u>Pension Benefits Table</u>	42
<u>Nonqualified Deferred Compensation Plan</u>	43
<u>Potential Payments Upon Termination or Change in Control</u>	44
<u>Certain Relationships and Transactions</u>	47
<u>Shareholder Proposals</u>	47
<u>Other Matters</u>	48
<u>Appendix A Independence Determination Guidelines for Board of Directors</u>	A-1
<u>Appendix B Amendments to the Amended and Restated Articles of Incorporation to Declassify the Board of Directors</u>	B-1
<u>Appendix C Amendments to the Amended and Restated Articles of Incorporation to Eliminate Provisions Authorizing the Series B Cumulative Preferred Stock</u>	C-1
<u>Appendix D Audit Committee Approval Policies and Procedures for Services by Independent Auditors</u>	D-1

YOUR VOTE IS IMPORTANT

Whether or not you plan to attend the annual meeting, please vote your shares promptly, as instructed in the Notice of Internet Availability of Proxy Materials, by the Internet or by telephone. You may also request a paper proxy card to submit your vote by mail, if you prefer. We encourage you to vote via the Internet.

Table of Contents

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

To Be Held Friday, April 25, 2008

TO THE SHAREHOLDERS OF OWENS & MINOR, INC.:

The Annual Meeting of Shareholders of Owens & Minor, Inc. (the Company or Owens & Minor) will be held on Friday, April 25, 2008 at 10:00 a.m. at the offices of Owens & Minor, 9120 Lockwood Boulevard, Mechanicsville, Virginia.

The purposes of the meeting are:

1. To elect six directors;
2. To approve amendments to the Company s Amended and Restated Articles of Incorporation to declassify the Board of Directors;
3. To approve amendments to the Company s Amended and Restated Articles of Incorporation to eliminate provisions authorizing the Series B Cumulative Preferred Stock, which is no longer outstanding;
4. To ratify the appointment of KPMG LLP as the Company s independent registered public accounting firm for 2008; and
5. To transact any other business properly before the annual meeting.

Shareholders of record as of March 4, 2008 will be entitled to vote at the annual meeting.

Your attention is directed to the attached proxy statement. The Notice of Internet Availability of Proxy Materials is being distributed on or about March 12, 2008. This proxy statement, the proxy card and Owens & Minor s 2007 Annual Report are being furnished on the Internet on or about March 12, 2008.

BY ORDER OF THE BOARD OF DIRECTORS

GRACE R. DEN HARTOG

Senior Vice President, General Counsel

& Corporate Secretary

Table of Contents

Street Address

9120 Lockwood Boulevard
Mechanicsville, Virginia 23116

Mailing Address

P.O. Box 27626
Richmond, Virginia 23261-7626

PROXY STATEMENT

Annual Meeting of Shareholders

to be held on April 25, 2008

ABOUT THE MEETING

What You Are Voting On

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

Proposal 1: Election of the following six directors, each for a two-year term and until their respective successors are elected, if proposal 2 is approved; however, if proposal 2 is not approved, then each for a three-year term and until their respective successors are elected: G. Gilmer Minor, III, J. Alfred Broaddus, Jr., Eddie N. Moore, Jr., Peter S. Redding, Robert C. Sledd and Craig R. Smith.

Proposal 2: Approval of amendments to the Company's Amended and Restated Articles of Incorporation (the Articles of Incorporation) to declassify the Board of Directors.

Proposal 3: Approval of amendments to the Company's Articles of Incorporation to eliminate provisions authorizing the Series B Cumulative Preferred Stock, which is no longer outstanding.

Proposal 4: Ratification of KPMG LLP as the Company's independent registered public accounting firm.

Who is Entitled to Vote

Shareholders of Owens & Minor, Inc. (the Company or Owens & Minor) as of the close of business on March 4, 2008 (the Record Date) are entitled to vote. Each share of the Company's common stock (Common Stock) is entitled to one vote. As of March 4, 2008, 40,931,264 shares of Common Stock were issued and outstanding.

How to Vote

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

By Internet. You may vote by the Internet at <http://www.proxyvote.com> by following the specific instructions on the Notice of Internet Availability of Proxy Materials. Shareholders who have requested a paper copy of a proxy card by mail may submit proxies over the Internet by following the instructions on the proxy card. **We encourage you to register your vote via the Internet.** If your shares are held by your broker or bank in street name, please contact your broker or bank to determine whether you will be able to vote by the Internet.

By Telephone. You may vote by telephone by calling 1-800-690-6903 and following the instructions. Shareholders will need to have the control number that appears on their notice available when voting. Shareholders who have requested a paper copy of a proxy card by mail may vote by telephone by following the

Table of Contents

instructions on the proxy card. If your shares are held by your broker or bank in street name, please contact your broker or bank to determine whether you will be able to vote by telephone.

By Mail. Shareholders who have requested a paper copy of a proxy card by mail may submit proxies by completing, signing and dating the enclosed proxy card and returning it in the postage-paid envelope provided.

However you choose to vote, you may revoke a proxy prior to the meeting by (1) submitting a subsequently dated proxy by any of the methods described above, (2) giving notice in writing to the Corporate Secretary of the Company or (3) voting in person at the meeting (attendance at the meeting will not itself revoke a proxy).

What Happens if You Do Not Make Selections on Your Proxy

If your proxy contains specific voting instructions, those instructions will be followed. However, if you sign and return your proxy card by mail or submit your proxy by telephone or via the Internet without making a selection on one or more proposals, you give authority to the individuals designated on the proxy card to vote on the proposal(s) for which you have not made specific selections or given instructions and any other matter that may arise at the meeting. If no specific selection is made or instructions given, it is intended that all proxies that are signed and returned or submitted via telephone or Internet will be voted FOR the election of all nominees for director, FOR the approval of amendments to the Company's Articles of Incorporation to declassify the Board of Directors, FOR the approval of amendments to the Company's Articles of Incorporation to eliminate provisions authorizing the Series B Cumulative Preferred Stock and FOR the ratification of the appointment of KPMG LLP.

Whether Your Shares Will be Voted if You Don't Provide Your Proxy

Whether your shares will be voted if you do not provide your proxy depends on how your ownership of shares of Common Stock is registered. If you own your shares as a registered holder, which means that your shares of Common Stock are registered in your name, and you do not provide your proxy, your shares will not be represented at the meeting, will not count toward the quorum requirement, which is explained below, and will not be voted.

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

The Company believes that the election of directors and the ratification of the appointment of KPMG LLP as the Company's independent registered public accounting firm are considered routine matters for which brokerage firms may vote shares for which they don't receive voting instructions from the beneficial owner thereof with regard to those proposals. The Company believes, however, that the approval of the proposed amendments to the Company's Articles of Incorporation is not considered a routine matter. When a proposal is not a routine matter and the brokerage firm has not received voting instructions from the beneficial owner of the shares with respect to that proposal, the brokerage firm cannot vote the shares on that proposal. This is called a broker non-vote.

Abstentions, broker non-votes and, with respect to the election of directors, withheld votes, will not affect the outcome of the vote on the election of directors and the ratification of the appointment of KPMG LLP as the Company's independent registered public accounting firm. Abstentions, failures to vote and broker non-votes will have the same effect as a vote against the proposals to amend the Company's Articles of Incorporation.

What Constitutes a Quorum

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

Table of Contents

The Vote Required to Approve Each Item

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

Approval of Amendments to the Company's Articles of Incorporation to Declassify the Board of Directors. The approval of the amendments to the Company's Articles of Incorporation to declassify the Board of Directors requires the affirmative vote of more than two-thirds of the outstanding shares of Common Stock. Abstentions, failures to vote and broker non-votes will have the same effect as a vote against the proposal.

Approval of Amendments to the Company's Articles of Incorporation to Eliminate Provisions Authorizing the Series B Cumulative Preferred Stock. The approval of the amendments to the Company's Articles of Incorporation to eliminate provisions authorizing the Series B Cumulative Preferred Stock requires the affirmative vote of a majority of the outstanding shares of Common Stock. Abstentions, failures to vote and broker non-votes will have the same effect as a vote against the proposal.

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

How May I Obtain a Paper Copy of the Proxy Materials?

Shareholders will find instructions about how to obtain a paper copy of the proxy materials on the notice they received in the mail about the Internet availability of proxy materials.

What it Means if You Get More Than One Notice about the Internet Availability of Proxy Materials?

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

Costs of Soliciting Proxies

Owens & Minor will pay all costs of this proxy solicitation. The Company has retained Georgeson, Inc. to aid in the distribution and solicitation of proxies for approximately \$6,000 plus expenses. The Company will reimburse stockbrokers and other custodians, nominees and fiduciaries for their expenses in forwarding proxy and solicitation materials.

CORPORATE GOVERNANCE

General. The Company is managed under the direction of the Board of Directors, which has adopted Corporate Governance Guidelines to set forth certain corporate governance practices. Each year, the Company reviews its corporate governance policies and practices relative to the policies and practices recommended by groups and authorities active in corporate governance as well as the requirements of the Sarbanes-Oxley Act of 2002 and rules promulgated thereunder or adopted by the Securities and Exchange Commission ("SEC") and the NYSE, the exchange on which the Common Stock is listed.

Corporate Governance Materials. The Company's Bylaws, Corporate Governance Guidelines, Code of Honor and the charters of the Audit, Compensation & Benefits, and Governance & Nominating Committees are available on the Company's website at <http://www.owens-minor.com> under "Corporate Governance" and are available in print to any shareholder upon request to the Corporate Secretary, Owens & Minor, Inc., 9120 Lockwood Boulevard, Mechanicsville, VA 23116.

Table of Contents

Code of Honor. The Board of Directors has adopted a Code of Honor that is applicable to all employees of the Company, including the principal executive officer, the principal financial officer and the principal accounting officer, as well as the members of the Board of Directors. The Company intends to post any amendments to or waivers from its Code of Honor (to the extent applicable to the Company's chief executive officer, principal financial officer, principal accounting officer, any other executive officer or any director) on its website.

Director Independence. The Board of Directors has determined that the following ten members of its twelve-member Board are independent within the meaning of the NYSE listing standards and the Company's Corporate Governance Guidelines: A. Marshall Acuff, Jr., J. Alfred Broaddus, Jr., John T. Crotty, Richard E. Fogg, Eddie N. Moore, Jr., Peter S. Redding, James E. Rogers, Robert C. Sledd, James E. Ukrop and Anne Marie Whittemore. To assist it in making determinations of independence, the Board has adopted categorical standards, which are included in this proxy statement as Appendix A. The Board has determined that all directors identified as independent in this proxy statement meet these standards.

REPORT OF THE GOVERNANCE & NOMINATING COMMITTEE

The Governance & Nominating Committee is composed of five directors, all of whom are independent. The Governance & Nominating Committee met four times during 2007. In performing the various duties and responsibilities outlined in its charter, the Governance & Nominating Committee, among other things, conducted a review of the Company's amended shareholders' rights plan (which requires a review of the plan by such Committee at least once every three years) with the assistance and advice of the Company's outside counsel; studied and strengthened the Board's self-assessment process and questionnaire; implemented an evaluation procedure for committee self-assessment; and actively engaged in identifying and recruiting potential board members.

The Governance & Nominating Committee continued its discussions in 2007 of various corporate governance policies relating to its board structure and election criteria, culminating in the decision by the Board in January 2008 to seek shareholder approval to amend the Company's Articles of Incorporation to institute annual elections of each director effective with the 2010 annual meeting of shareholders. In addition, the Governance & Nominating Committee recommended, and the Board approved, amendments to the Company's Bylaws and Corporate Governance Guidelines raising the maximum age for eligibility to be elected or appointed as a director from 69 years to 72 years.

The Governance & Nominating Committee is a strong proponent of continuing education programs for directors, believing that director education programs serve to enhance the skills of directors as well as inform them of new developments. During 2007, every member of the Board attended a continuing director education program or conference, all of which were accredited by Institutional Shareholder Services.

The Governance & Nominating Committee will continue to monitor and support implementation of corporate governance best practices at Owens & Minor.

THE GOVERNANCE & NOMINATING COMMITTEE

A. Marshall Acuff, Jr., Chairman

J. Alfred Broaddus, Jr.

Eddie N. Moore, Jr.

James E. Ukrop

Anne Marie Whittemore

Table of Contents

BOARD MEETINGS

The Board of Directors held six meetings during 2007. All directors attended at least 75% of the meetings of the Board and committees on which they served. The Company's Corporate Governance Guidelines provide that, absent unusual or unforeseen circumstances, directors are expected to attend each annual meeting of shareholders. All directors, other than Mr. Sledd who was not a director at the time, attended the 2007 annual meeting of shareholders.

Under the Company's Corporate Governance Guidelines, non-management directors meet in executive session after each regularly scheduled Board meeting, following which the independent directors then meet in executive session. These meetings are chaired by a lead director who is elected annually by the non-management directors following each annual meeting of shareholders. James E. Rogers currently serves as lead director and presides over these executive sessions. As lead director, Mr. Rogers is also invited to participate in meetings of all Board committees but is permitted to vote only in meetings of committees of which he is a member (currently, the Executive Committee). Shareholders and other interested parties may contact the lead director by following the procedures set forth in Communications with the Board of Directors on page 10 of this proxy statement.

COMMITTEES OF THE BOARD

The Board of Directors has the following committees:

Audit Committee: Oversees (i) the integrity of the Company's financial statements, (ii) the Company's compliance with legal and regulatory requirements, (iii) the qualification and independence of the Company's independent registered public accounting firm, (iv) the performance of the Company's independent registered public accounting firm and internal audit functions and (v) issues involving the Company's ethical and legal compliance responsibilities. The Audit Committee has sole authority to appoint, retain, compensate, evaluate and terminate the Company's independent registered public accounting firm (subject, if applicable, to shareholder ratification). The Board of Directors has determined that each of Richard E. Fogg (Chairman of the Audit Committee) and Eddie N. Moore, Jr. is an audit committee financial expert, as defined by SEC regulations, and that each is financially literate, as such term is interpreted by the Board in its business judgment. All members of the Audit Committee are independent as such term is defined under the enhanced independence standards for audit committees in the Securities Exchange Act of 1934 (the Exchange Act) and the rules thereunder as incorporated into the NYSE listing standards.

Compensation & Benefits Committee: Administers executive compensation programs, policies and practices. Advises the Board on salaries and compensation of the executive officers and makes other studies and recommendations concerning compensation and compensation policies. May delegate authority for day-to-day administration and interpretation of compensation plans to certain senior officers of the Company (other than for matters affecting executive officer compensation and benefits). For further information on this committee's processes and procedures, see Compensation Discussion and Analysis on page 22 of this proxy statement. All members of the Compensation & Benefits Committee are independent within the meaning of the NYSE listing standards and the Company's Corporate Governance Guidelines.

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

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

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

Table of Contents**BOARD COMMITTEE MEMBERSHIP**

Director	Board	Compensation &			Governance &	Strategic
		Audit	Benefits	Executive	Nominating	Planning
A. Marshall Acuff, Jr.	X		X	X	X*	
J. Alfred Broaddus, Jr.	X		X		X	
John T. Crotty	X	X				X*
Richard E. Fogg	X	X*		X		X
G. Gilmer Minor, III	X*			X*		
Eddie N. Moore, Jr.	X	X			X	
Peter S. Redding	X	X				X
James E. Rogers	X			X		
Robert C. Sledd	X		X			X
Craig R. Smith	X			X		X
James E. Ukrop	X	X			X	
Anne Marie Whittemore	X		X*	X	X	
No. of meetings in 2007	6	6	5	1	4	3

*Chairman

DIRECTOR COMPENSATION

The Governance & Nominating Committee reviews director compensation annually and it is the responsibility of this committee to recommend to the Board of Directors any changes in director compensation. The Board of Directors makes the final determination with respect to director compensation. The Governance & Nominating Committee has the authority under its charter to retain outside consultants or advisors to assist it in gathering information and making decisions.

During 2006, with the assistance of Frederic W. Cook & Co., Inc., the Governance & Nominating Committee completed a comprehensive review of public company director compensation practices. Based on the results of this review, the Committee recommended increases in the Board retainer fee and Board retreat fee in order to continue to retain and recruit qualified board members. These recommended increases were approved by the Board of Directors effective April 27, 2007. In addition, upon review and recommendation by the Governance & Nominating Committee, the Board increased the value of the annual stock retainer. The annual stock retainer is in the form of a restricted stock grant with a one-year vesting period.

The Company uses a combination of cash and equity compensation to attract and retain qualified candidates to serve on its Board of Directors. In setting director compensation, the Company considers the commitment of time directors must make in performing their duties, the level of skills required by the Company of its Board members and the market competitiveness of its director compensation levels. The table below sets forth the schedule of fees paid to non-employee directors (effective April 27, 2007) for their annual retainer and service in various capacities on Board committees and in Board leadership roles. Employee directors do not receive any additional compensation other than their normal salary for serving on the Board or any of its committees.

Table of Contents**Schedule of Director Fees**

Type of Fee	Cash	Equity
Annual Retainer	\$ 30,000	\$30,000(1)
Additional Retainer for Lead Director	\$ 30,000	
Additional Retainer for Non-Executive Chairman	\$ 200,000	
Additional Retainer for Audit Committee Chair	\$ 7,000	
Additional Retainer for Other Committee Chairs	\$ 5,000	
Board or Audit Committee Attendance Fee (per meeting)	\$ 1,500	
Other Committee Attendance Fee (per meeting)	\$ 1,200	
Board or Committee Telephone Conference (per meeting, other than Audit Committee)	\$ 800	
Audit Committee Telephone Conference (per meeting)	\$ 1,200	
Board Retreat (annual 2-day meeting)	\$ 3,000	
Stock Options (2)		Option for 5,000 shares

(1) Restricted stock grant with one-year vesting period.

(2) Exercisable upon grant; expires upon seventh anniversary of grant.

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

Table of Contents**Director Compensation Table**

The table below summarizes the actual compensation paid by the Company to non-employee directors during the year ended December 31, 2007.

(a) Name	(b) Fees Earned or Paid in Cash \$(1)	(c) Stock Awards \$(1)(2)(4)	(d) Option Awards \$(3)(4)	(e) Non-Equity Incentive Plan Compensation (\$)	(f) Change in Pension	(g) Value and Nonqualified Deferred Compensation Earnings (\$)	(h) All Other Compensation (\$)	Total (\$)
A. Marshall Acuff, Jr.	\$ 57,600	\$ 28,350	\$ 50,400					\$ 136,350
J. Alfred Broaddus, Jr.	51,800	28,350	50,400					130,550
John T. Crotty	57,100	28,350	50,400					135,850
Richard E. Fogg	59,900	28,350	50,400					138,650
G. Gilmer Minor, III	241,800	28,350	50,400					320,550
Eddie N. Moore, Jr.	53,300	28,350	50,400					132,050
Peter S. Redding	52,100	28,350	50,400					130,850
James E. Rogers	71,800	28,350	50,400					150,550
Robert C. Sledd (5)	17,700	2,499	26,675					46,874
James E. Ukrop	50,600	28,350	50,400					129,350
Anne Marie Whittemore	53,700	28,350	50,400					132,450

(1) Includes amounts deferred by the directors under the Directors Deferred Compensation Plan.

(2) The amounts included in the Stock Awards column are the dollar amounts of the expense recognized by the Company in 2007 for financial statement reporting purposes in accordance with Statement of Financial Accounting Standards No. 123(R) (SFAS 123(R)) (excluding any estimates for forfeiture related to service-based vesting conditions) and, accordingly, includes amounts from awards granted in both 2006 and 2007. Assumptions used in the calculation of these award amounts are included in Note 10 to the Company's 2007 consolidated financial statements included in the Company's Annual Report on Form 10-K for the year ended December 31, 2007. The stock award granted in 2007 to each of the above directors, other than Mr. Sledd, consisted of 841 shares of Common Stock restricted for a period of one year from the date of grant on April 27, 2007. Mr. Sledd received an award of 380 shares of Common Stock restricted for a period of one year from the date of grant when he joined the Board on November 1, 2007. The grant date fair value of the 2007 stock award computed in accordance with SFAS 123(R) was \$14,995 for Mr. Sledd and \$30,015 for each other director.

(3) The amounts included in the Option Awards column are the dollar amounts of the expense recognized by the Company in 2007 for financial statement reporting purposes in accordance with SFAS 123(R) and reflect a single option grant on April 27, 2007 to each director, other than Mr. Sledd, of immediately exercisable options at a per share exercise price of \$35.69. Mr. Sledd received an option grant upon joining the Board on November 1, 2007 of immediately exercisable options at a per share exercise price of \$39.46. Assumptions used in the calculation of these award amounts are included in Note 10 to the Company's 2007 consolidated financial statements included in the Company's Annual Report on Form 10-K for the year ended December 31, 2007. The grant date fair value of the 2007 option award computed in accordance with SFAS 123(R) was \$26,675 for Mr. Sledd and \$50,400 for each other director.

Table of Contents

(4) As of December 31, 2007, each non-employee director had the following number of stock awards and option awards outstanding:

	Stock Awards	Option Awards
Mr. Acuff	841	28,000
Mr. Broaddus	841	18,750
Mr. Crotty	841	20,000
Mr. Fogg	841	25,000
Mr. Minor	841	50,000
Mr. Moore	841	15,000
Mr. Redding	841	31,000
Mr. Rogers	841	34,000
Mr. Sledd	380	2,500
Mr. Ukrop	841	40,000
Ms. Whittemore	841	40,000

(5) Mr. Sledd was appointed to the Board of Directors effective November 1, 2007 and received a pro rata portion of retainer fees and equity awards based on the portion of the year he would serve until the 2008 annual meeting.

DIRECTOR NOMINATING PROCESS

Director Candidate Recommendations and Nominations by Shareholders. The Governance & Nominating Committee charter provides that the Governance & Nominating Committee will consider director candidate recommendations by shareholders. Shareholders should submit any such recommendations to the Governance & Nominating Committee through the method described under Communications with the Board of Directors below. In addition, the Company's Bylaws provide that any shareholder of record entitled to vote for the election of directors at the applicable meeting of shareholders may nominate directors by complying with the notice procedures set forth in the Bylaws and summarized in Shareholder Proposals on page 47 of this proxy statement.

Process for Identifying and Evaluating Director Candidates. The Governance & Nominating Committee evaluates all director candidates in accordance with the director qualification standards and the criteria described in the Corporate Governance Guidelines. The Governance & Nominating Committee evaluates any candidate's qualifications to serve as a member of the Board based on the skills and characteristics of individual Board members as well as the composition of the Board as a whole. In addition, the Governance & Nominating Committee will evaluate a candidate's independence and diversity, age, skills and experience in the context of the Board's needs. The Company's Bylaws provide that no director nominee can stand for election if, at the time of appointment or election, the nominee is over the age of 72. There are no differences in the manner in which the Governance & Nominating Committee evaluates director candidates based on whether the candidate is recommended by a shareholder. The Governance & Nominating Committee did not receive any recommendations from any shareholders for the 2008 annual meeting.

COMMUNICATIONS WITH THE BOARD OF DIRECTORS

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

Table of Contents

PROPOSAL 1: ELECTION OF DIRECTORS

The Board of Directors is divided into three classes. One class is elected at each annual meeting to serve for a specified term. As more fully described under Proposal 2: Approval of Amendments to the Company's Articles of Incorporation to Declassify the Board of Directors, the Board of Directors has adopted, subject to shareholder approval, amendments to the Company's Articles of Incorporation to eliminate the classified Board of Directors. If proposal 2 is approved by the shareholders, the six directors elected at the annual meeting will serve for a two-year term expiring at the Company's annual meeting in 2010. If proposal 2 is not approved by the shareholders, each director elected at the annual meeting will serve for a three-year term expiring at the Company's annual meeting in 2011. Each nominee has agreed to serve if elected. If any nominee is not able to serve, the Board may designate a substitute or reduce the number of directors serving on the Board. Proxies will be voted for the nominees shown below (or if not able to serve, such substitutes as may be designated by the Board). The Board has no reason to believe that any of the nominees will be unable to serve.

Information on each nominee and each continuing director is set forth below.

NOMINEES FOR ELECTION

For Two-Year Term Expiring in 2010, if proposal 2 is approved by shareholders; For Three-Year Term Expiring in 2011, if proposal 2 is not approved by shareholders:

G. Gilmer Minor, III, 67, is Chairman of the Board of Owens & Minor. Mr. Minor, who joined the Company in 1963, has served as Chairman of the Board since 1994 and served as Chief Executive Officer from 1984 until July 2005. Mr. Minor retired from the Company effective November 1, 2005. He also serves on the board of directors of SunTrust Banks, Inc. Mr. Minor has been a director of the Company since 1980.

J. Alfred Broaddus, Jr., 68, is retired. He previously served as President of the Federal Reserve Bank of Richmond from 1993 until his retirement in 2004. During his tenure as President, Mr. Broaddus also served as a rotating member of the Federal Open Market Committee of the Federal Reserve System. He also serves on the boards of directors of Albemarle Corporation, Markel Corporation and T. Rowe Price Group, Inc. Mr. Broaddus has been a director of the Company since 2004.

Eddie N. Moore, Jr., 60, is President of Virginia State University. Prior to assuming this position in 1993, Mr. Moore served as state treasurer for the Commonwealth of Virginia, heading up the Department of the Treasury and serving on fifteen state boards and authorities. He also serves on the board of directors of Universal Corporation. Mr. Moore has been a director of the Company since 2005.

Table of Contents

Peter S. Redding, 69, is retired. He previously served as President & Chief Executive Officer of Standard Register Company, a leading document services provider, from 1994 until his retirement in 2000. He also serves on the board of directors of Nietech Corporation. Mr. Redding has been a director of the Company since 1999.

Robert C. Sledd, 55, has served as Chairman of Performance Food Group Co. (PFG), a foodservice distribution company, since 1995. He served as Chief Executive Officer of PFG from 1987 to 2001 and from 2004 to 2006. In addition to serving on the board of directors of PFG, he serves on the board of SCP Pool Corporation. Mr. Sledd was appointed as a director of the Company effective November 1, 2007.

Craig R. Smith, 56, has served as President & Chief Executive Officer of Owens & Minor since 2005. Mr. Smith, who joined the Company in 1989, previously served as President and Chief Operating Officer of the Company from 1999 until 2005 and as Chief Operating Officer of the Company from 1995 to 1999. He also serves on the SunTrust Central Virginia Richmond Advisory Board. Mr. Smith has been a director of the Company since 2005.

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

Table of Contents

DIRECTORS CONTINUING IN OFFICE

Terms expiring in 2010:

A. Marshall Acuff, Jr., 68, is President of AMA Investment Counsel, LLC, a business consulting firm, and is a Chartered Financial Analyst. He also serves as a Managing Director of Cary Street Partners, a financial management and investment banking firm. He retired in 2001 as Senior Vice President and Managing Director of Salomon Smith Barney, Inc. where he was responsible for equity strategy as a member of the firm's Investment Policy Committee. Mr. Acuff has been a director of the Company since 2001.

Anne Marie Whittemore, 61, has been a partner in the law firm of McGuireWoods LLP since 1977. She also serves on the boards of directors of T. Rowe Price Group, Inc. and Albemarle Corporation. Ms. Whittemore has been a director of the Company since 1991.

Table of Contents

Terms expiring in 2009:

John T. Crotty, 70, is Managing Partner of CroBern Management Partnership, a healthcare investment firm, and President of CroBern, Inc., a healthcare consulting and advisory firm. Prior to co-founding these businesses, Mr. Crotty held several senior management positions during 19 years with American Hospital Supply Corporation, a hospital supply distribution company. He also serves on the boards of directors of three private companies in the healthcare industry and one public company, Omnicare, Inc. Mr. Crotty has been a director of the Company since 1999.

Richard E. Fogg, 67, retired in 1997 from the accounting firm of Price Waterhouse, LLP (now PricewaterhouseCoopers LLP) where he was a partner for 23 years and served in a variety of leadership positions, including Associate Vice Chairman, Tax. Mr. Fogg is a Certified Public Accountant. Since his retirement in 1997, Mr. Fogg has provided strategic consulting services to several non-public companies. Mr. Fogg has been a director of the Company since 2003.

James E. Rogers, 62, has served as President of SCI Investors Inc, a private equity investment firm, since 1993. He also serves on the boards of directors of Wellman, Inc., Caraustar Industries, Inc. and NewMarket Corporation. Mr. Rogers has been a director of the Company since 1991.

James E. Ukrop, 70, has served as Chairman of Ukrop's Super Markets, Inc., a retail grocery chain, and Chairman of First Market Bank, a Virginia bank, since 1998. He also serves on the board of directors of Legg Mason, Inc. Mr. Ukrop has been a director of the Company since 1987.

Table of Contents

PROPOSAL 2: APPROVAL OF AMENDMENTS TO THE COMPANY S ARTICLES OF INCORPORATION TO DECLASSIFY THE BOARD OF DIRECTORS

The Company s Articles of Incorporation provide that the Board of Directors shall be divided into three classes, with each class having a three-year term. In January 2008, the Board of Directors adopted, subject to shareholder approval, amendments to the Articles of Incorporation to eliminate the classified Board of Directors. The proposal would allow for the annual election of directors commencing with the 2010 annual meeting. The proposed amendment also provides that the number of directors shall be fixed in the Company s Bylaws and shall consist of no fewer than three and no greater than 15 directors. The Company s Bylaws set the current number of directors at 12. The Board of Directors will retain the authority to change that number by amendment of the Bylaws and to fill any vacancies or, within limits, newly created directorships.

Background of Proposal

Classified or staggered boards have been widely adopted and have a long history in corporate law. Proponents of classified boards assert they promote the independence of directors because directors elected for multi-year terms are less subject to management or outside influence. Proponents of a classified structure for the election of directors also believe it provides continuity and stability in the management of the business and affairs of a company because a majority of directors always has prior experience as directors of the company. Proponents further assert that classified boards enhance shareholder value by forcing an entity seeking control of a target company to initiate arms-length discussions with the board of a target company because the entity is unable to replace the entire board in a single election.

Alternatively, some investors view classified boards as having the effect of reducing the accountability of directors to shareholders because classified boards limit the ability of shareholders to evaluate and elect all directors on an annual basis. The view has also been expressed by some that the election of directors is a primary means for shareholders to influence corporate governance policies and to hold directors accountable for implementing those policies. In addition, opponents of classified boards assert that a classified structure for the election of directors discourages proxy contests in which shareholders have an opportunity to vote for a competing slate of nominees and, therefore, erodes shareholder value.

After a review by the Governance & Nominating Committee and the Board of Directors, the Board of Directors, based upon the recommendation of the Governance & Nominating Committee, decided that now is an appropriate time to propose eliminating the Company s classified Board structure and to submit to the shareholders at the 2008 annual meeting a binding proposal to make the necessary amendments to the Company s Articles of Incorporation. This determination by the Board would, if adopted, allow shareholders the opportunity to register their views on the performance of the entire Board of Directors annually. Accordingly, the Board has determined that eliminating the classified Board structure is in the best interests of the Company and its shareholders.

The elimination of the Company s classified board structure will require amendments to the Articles of Incorporation. If this proposal is approved by the shareholders, current director nominees terms would expire at the 2010 annual meeting of shareholders, but continuing directors terms would not be shortened. Successors of those directors whose terms expire at the 2009 annual meeting would be elected for a one-year term to expire in 2010. Beginning with the 2010 annual meeting, all directors would be elected for one-year terms at each annual meeting.

The amendments to the Articles of Incorporation to implement this proposal are set forth in Appendix B, and the Company has shown the changes to the relevant sections resulting from the proposed amendments with deletions indicated by strike-outs and additions indicated by both italicizing and underlining. If the proposal is approved by shareholders, the Company intends to file Articles of Amendment and Restatement with the State Corporation Commission of the Commonwealth of Virginia (the SCC) containing these amendments promptly

Table of Contents

following shareholder approval. The amendments will become effective upon the issuance by the SCC of a certificate of amendment and restatement. The Board also intends to amend the Company's Bylaws to make the Bylaws consistent with the proposed amendments to eliminate the classified Board.

Required Vote and Board of Directors Recommendation

Approval of this proposal requires the affirmative vote of more than two-thirds of the shares of the Common Stock outstanding as of the Record Date. Abstentions, failures to vote and broker non-votes will have the same effect as a vote against the proposal.

The Board of Directors recommends a vote FOR approval of the amendments to the Articles of Incorporation to declassify the Board of Directors.

PROPOSAL 3: APPROVAL OF AMENDMENTS TO THE COMPANY'S ARTICLES OF INCORPORATION TO ELIMINATE PROVISIONS AUTHORIZING THE SERIES B CUMULATIVE PREFERRED STOCK

Article III of the Company's Articles of Incorporation authorizes the issuance of up to 1,150,000 shares of Series B Cumulative Preferred Stock, par value \$100.00. There are no longer any shares of Series B Cumulative Preferred Stock outstanding. The Company does not intend to issue any of the preferred stock as shares of Series B Cumulative Preferred Stock and believes the continuing authorization of the Series B Cumulative Preferred Stock is unnecessary and confusing to investors and the capital markets.

In January 2008, the Board of Directors adopted, subject to shareholder approval, amendments to the Articles of Incorporation to eliminate provisions authorizing the Series B Cumulative Preferred Stock. The amendments to the Articles of Incorporation to implement this proposal are set forth in Appendix C, and the Company has shown the changes to the relevant sections resulting from the proposed amendments with deletions indicated by strike-outs and additions indicated by both italicizing and underlining. If this proposal is approved by the shareholders, the Company intends to file Articles of Amendment and Restatement with the SCC containing these amendments promptly following shareholder approval. The amendments will become effective upon the issuance by the SCC of a certificate of amendment and restatement.

Required Vote and Board of Directors Recommendation

Approval of this proposal requires the affirmative vote of a majority of the shares of the Common Stock outstanding as of the Record Date. Abstentions, failures to vote and broker non-votes will have the same effect as a vote against the proposal.

The Board of Directors recommends a vote FOR approval of the amendments to the Articles of Incorporation to eliminate provisions authorizing the Series B Cumulative Preferred Stock.

PROPOSAL 4: RATIFICATION OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Audit Committee has selected KPMG LLP to serve as the Company's independent registered public accounting firm for 2008, subject to ratification by the shareholders. Representatives of KPMG LLP will be present at the annual meeting to answer questions and to make a statement, if they desire to do so.

The Board of Directors recommends a vote FOR the ratification of the appointment of KPMG LLP to serve as the Company's independent registered public accounting firm for 2008.

Table of Contents**FEES PAID TO INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

For each of the years ended December 31, 2006 and 2007, KPMG LLP billed the Company the fees set forth below in connection with professional services rendered by that firm to the Company:

	Year 2006	Year 2007
Audit Fees	\$ 1,093,170	\$ 1,210,904
Audit-Related Fees	\$ 25,600	\$ 29,775
Tax Fees	\$ 0	\$ 0
All Other Fees	\$ 0	\$ 0
Total	\$ 1,118,770	\$ 1,240,679

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

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

The Audit Committee has established policies and procedures for the approval and pre-approval of audit services and permitted non-audit services. The Audit Committee has the responsibility to engage and terminate the engagement of the Company's independent registered public accounting firm, to pre-approve their performance of audit services and permitted non-audit services and to review with the Company's independent registered public accounting firm its fees and plans for all auditing services. All services provided by and fees paid to KPMG LLP in 2007 were pre-approved by the Audit Committee, and there were no instances of waiver of approval requirements or guidelines during this period. The Audit Committee's pre-approval policies and procedures for services by independent registered public accounting firms are set forth in Appendix D.

REPORT OF THE AUDIT COMMITTEE

The Audit Committee is composed of five directors, each of whom is independent within the meaning of the listing standards of the NYSE and two of whom have been determined by the Board of Directors to be audit committee financial experts. The Audit Committee operates under a written charter adopted by the Board of Directors, which the Audit Committee reviews at least annually and revises as necessary to ensure compliance with current regulatory requirements and industry changes.

As its charter reflects, the Audit Committee has a broad array of duties and responsibilities. With respect to financial reporting and the financial reporting process, management, the Company's independent registered public accounting firm and the Audit Committee have the following respective responsibilities:

Management is responsible for:

Establishing and maintaining the Company's internal control over financial reporting;

Assessing the effectiveness of the Company's internal control over financial reporting as of the end of each year; and

Preparation, presentation and integrity of the Company's consolidated financial statements.

Table of Contents

The Company's independent registered public accounting firm is responsible for:

Performing an independent audit of the Company's consolidated financial statements and the Company's internal control over financial reporting;

Expressing an opinion as to the conformity of the Company's consolidated financial statements with U.S. generally accepted accounting principles; and

Expressing an opinion as to the effectiveness of the Company's internal control over financial reporting.

The Audit Committee is responsible for:

Selecting the Company's independent registered public accounting firm, subject to shareholder ratification;

Overseeing and reviewing the financial statements and the accounting and financial reporting processes of the Company; and

Overseeing and reviewing management's evaluation of the effectiveness of internal control over financial reporting.

In this context, the Audit Committee has met and held discussions with management and KPMG LLP, the Company's independent registered public accounting firm. Management represented to the Audit Committee that the Company's consolidated financial statements for the year ended December 31, 2007 were prepared in accordance with U.S. generally accepted accounting principles. The Audit Committee has reviewed and discussed these consolidated financial statements with management and KPMG LLP, including the scope of the independent registered public accounting firm's responsibilities, critical accounting policies and practices used and significant financial reporting issues and judgments made in connection with the preparation of such financial statements.

The Audit Committee has discussed with KPMG LLP the matters required to be discussed by Statement on Auditing Standards No. 114 (Auditors' Communication with Those Charged with Governance). The Audit Committee has also received the written disclosures and the letter from KPMG LLP relating to the independence of that firm as required by Independence Standards Board Standard No. 1 (Independence Discussions with Audit Committees) and has discussed with KPMG LLP the firm's independence from the Company.

In addition, the Audit Committee has discussed with management its assessment of the effectiveness of internal control over financial reporting and has discussed with KPMG LLP its opinion as to the effectiveness of the Company's internal control over financial reporting.

Based upon its discussions with management and KPMG LLP and its review of the representations of management and the report of KPMG LLP to the Audit Committee, the Audit Committee recommended to the Board of Directors that the audited consolidated financial statements be included in the Company's Annual Report on Form 10-K for the year ended December 31, 2007 for filing with the SEC.

THE AUDIT COMMITTEE

Richard E. Fogg, Chairman

John T. Crotty

Eddie N. Moore, Jr.

Peter S. Redding

James E. Ukrop

Table of Contents**STOCK OWNERSHIP INFORMATION****Compliance With Section 16(a) Reporting**

Based solely on the Company's records and information provided by the Company's directors, executive officers and beneficial owners of more than 10% of the Common Stock, the Company believes that during 2007 all reports required to be filed by the Company's directors and executive officers under Section 16(a) of the Exchange Act were filed on a timely basis, except that, due to administrative errors, a Form 4 was filed late for Mr. Bierman (reporting a grant of 5,000 shares of restricted stock and an option to purchase 10,000 shares of common stock), and a Form 4 was filed late for Mr. Mears (reporting an award of 857 shares of restricted stock).

Stock Ownership Guidelines

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

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

Each officer who has served as an officer of the Company for at least five years has achieved his or her ownership objective.

In addition, the Board of Directors' stock ownership guidelines provide that directors shall attain, within five years after their service on the Board begins, a level of equity ownership of Common Stock having a value of at least five times the annual cash retainer fee or \$150,000, whichever is higher. Each director who has served on the Board for at least five years has achieved this ownership objective.

Table of Contents**Stock Ownership by Management and the Board of Directors**

The following table shows, as of March 4, 2008, the number of shares of Common Stock beneficially owned by each director and nominee, the Named Executive Officers (hereafter defined in the Summary Compensation Table) and all current executive officers and directors of the Company as a group.

Name of Beneficial Owner	Sole Voting and Investment Power (1)	Other (2)	Aggregate Percentage Owned
G. Gilmer Minor, III	352,398	28,796	*
A. Marshall Acuff, Jr.	38,096	0	*
J. Alfred Broaddus, Jr.	24,742	0	*
John T. Crotty	51,233	0	*
Richard E. Fogg	36,808	0	*
Eddie N. Moore, Jr.	18,227	0	*
Peter S. Redding	48,458	0	*
James E. Rogers	58,326	0	*
Robert C. Sledd	2,880	0	*
James E. Ukrop	71,948	0	*
Anne Marie Whittemore	68,925	0	*
Craig R. Smith	501,962	0	1.23%
James L. Bierman	5,535	0	*
Charles C. Colpo	85,330	0	*
Mark Van Sumeren	38,966	0	*
Grace R. den Hartog	57,216	1,450	*
All Executive Officers and Directors as a group (23 persons)	1,673,152	43,315	4.19%

* Represents less than 1% of the total number of shares outstanding.

(1) Includes 891,477 shares which certain officers and directors of the Company have the right to acquire through the exercise of stock options within 60 days following March 4, 2008. Stock options exercisable within 60 days of March 4, 2008 for each of the Named Executive Officers are as follows:

Mr. Smith 345,000; Mr. Bierman 0; Mr. Colpo 53,100; Mr. Van Sumeren 18,065; and Ms. den Hartog 42,050.

(2) Includes: (a) shares held by certain relatives or in estates; (b) shares held in various fiduciary capacities; and (c) shares for which the shareholder has shared power to dispose or to direct disposition. These shares may be deemed to be beneficially owned under the rules and regulations of the SEC, but the inclusion of such shares in the table does not constitute an admission of beneficial ownership.

Table of Contents**Stock Ownership by Certain Shareholders**

The following table shows, as of March 4, 2008, any person (including any group as that term is used in Section 13(d)(3) of the Exchange Act) who, to the Company's knowledge, was the beneficial owner of more than 5% of the Common Stock (based solely on information contained in Schedule 13G filings made by each such person).

Name and Address of Beneficial Owner	Shares Beneficially Owned	Percentage Owned
Barclays Global Investors, NA, 45 Fremont Street, San Francisco, CA 94105 T. Rowe Price Associates, Inc.	2,097,051 (1)(2)	5.12%
100 E. Pratt Street, Baltimore, MD 21202 Vanguard Specialized Funds Vanguard Health Care Fund	2,372,100 (1)	5.80%
100 Vanguard Blvd., Malvern, PA 19355 Wellington Management Company, LLP	2,100,000 (3)	5.13%
75 State Street, Boston, MA 02109 (1) According to such person's Schedule 13G, such shares are owned in its capacity as an investment advisor.	2,545,800 (1)(3)	6.22%

(2) Reflects beneficial ownership by Barclays Global Investors, NA and its affiliated entities.

(3) The 2,100,000 shares beneficially owned by Vanguard Specialized Funds Vanguard Health Care Fund are also included in the 2,545,800 shares beneficially owned by Wellington Management Company, LLP in its capacity as an investment advisor.

Equity Compensation Plan Information

The following table shows, as of December 31, 2007, information with respect to compensation plans under which shares of Common Stock are authorized for issuance.

Plan Category	(a) Number of securities to be issued upon exercise of outstanding options, warrants and rights	(b) Weighted-average exercise price of outstanding options, warrants and rights	(c) Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))
Equity compensation plans approved by shareholders (1)	1,660,000	\$ 27.14	2,070,000
Equity compensation plans not approved by shareholders (2)	0	0	0
Total	1,660,000	\$ 27.14	2,070,000

(1) These equity compensation plans are the 1998 Stock Option and Incentive Plan, 1998 Directors' Compensation Plan, 2003 Directors' Compensation Plan and 2005 Stock Incentive Plan.

(2) The Company does not have any equity compensation plans that have not been approved by shareholders.

Table of Contents

EXECUTIVE COMPENSATION

COMPENSATION DISCUSSION AND ANALYSIS

Compensation Philosophy and Objectives of the Company's Compensation Program

The Company's philosophy on executive compensation is to establish and maintain programs and practices intended to accomplish the following objectives:

Promote achievement of the Company's strategic objectives, both short-term and long-term;

Provide rewards that reflect the Company's financial, operational and strategic performance as well as the executive's individual performance;

Provide a total market competitive compensation package that will allow the Company to attract and maintain executive-level talent while also aligning executives' financial interests with those of shareholders; and

Provide a total executive compensation package that balances incentives for short-term and long-term performance and cost against expected benefit.

Administration and Procedure

The Company's executive compensation levels and programs are established, approved and administered by the Compensation & Benefits Committee of the Board of Directors (the Committee), which is currently composed of four independent directors who are not current or former employees of the Company. The Committee also evaluates the performance of the Chief Executive Officer on an annual basis jointly with the Governance & Nominating Committee and reviews with the Chief Executive Officer his annual evaluations of the other Named Executive Officers.

Participation of Executive Officers. The executive officers do not play a role in evaluating or determining executive compensation programs or levels except as described under the caption Annual Incentives below and except that the Chief Executive Officer provides performance evaluations of the other executive officer