

Edgar Filing: PROFILE TECHNOLOGIES INC - Form DEF 14A

PROFILE TECHNOLOGIES INC
Form DEF 14A
October 28, 2003

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

[Amendment No. ____]

Filed by the Registrant |X|
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))
 |X| Definitive Proxy Statement
 |_| Definitive Additional Materials
 |_| Soliciting Material Pursuant to ss. 240.14a-11(c) or ss. 240.14a-12

Profile Technologies, Inc.

(Name of Registrant as Specified in its Charter)

Not Applicable

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

Payment of Filing Fee (Check the appropriate box):

- |X| No fee required.
 |_| Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

1. Title of each class of securities to which transaction applies:
Not applicable

2. Aggregate number of securities to which transaction applies:
Not applicable

3. Per unit price or other underlying value of transaction computed
pursuant to Exchange Act Rule 0-11 (Set forth the amount on which the
filing fee is calculated and state how it was determined):
Not applicable

4. Proposed maximum aggregate value of transaction:
Not applicable

5. Total fee paid:
Not applicable

- |_| Fee paid previously with preliminary materials.
 |_| Check box if any part of the fee is offset as provided by Exchange Act Rule
0-11(a)(2) and identify the filing for which the offsetting fee was paid
previously. Identify the previous filing by registration statement number,
or the Form or Schedule and the date of its filing.

1. Amount Previously Paid: Not applicable

Edgar Filing: PROFILE TECHNOLOGIES INC - Form DEF 14A

2. Form, Schedule or Registration Statement No.: Not applicable
3. Filing Party: Not applicable
4. Date Filed: Not applicable

Profile Technologies, Inc.
2 Park Avenue, Suite 201
Manhasset, New York 11030

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

The Annual Meeting of Shareholders of Profile Technologies, Inc. (the "Company") will be held at 11:00 a.m, local time, on Monday, December 15, 2003, at the Company's offices at 2257 Northgate Spur, Suite 200, Ferndale, Washington 98248, for the following purposes:

1. To elect a Board of Directors consisting of four persons to serve a term of one year (until the next Annual Meeting of the Shareholders) or until their respective successors are elected and have been qualified; and
2. To transact such other business as may properly come before the Annual Meeting and any postponement or adjournment thereof.

The Board of Directors has fixed October 27, 2003 as the record date for determining the shareholders of the Company entitled to notice of, and to vote at, the Annual Meeting and any adjournment of the Annual Meeting. The transfer books of the Company will not be closed, but only shareholders of the Company of record on such date will be entitled to notice of, and to vote at, the Annual Meeting or adjournment of the Annual Meeting.

Shareholders are cordially invited to attend the meeting in person. Whether or not you plan to attend the meeting in person, please complete, sign and date the accompanying proxy as promptly as possible in the enclosed envelope. No additional postage is required if the envelope is mailed in the United States. The giving of a proxy will not affect your right to vote in person if you attend the meeting and will assure that your shares are voted if you are unable to attend.

By Order of the Board of Directors

/s/ Henry E. Gemino

Henry E. Gemino
Chief Executive Officer

October 27, 2003

PROFILE TECHNOLOGIES, INC.
2 Park Avenue, Suite 201
Manhasset, New York 11030

PROXY STATEMENT

Edgar Filing: PROFILE TECHNOLOGIES INC - Form DEF 14A

ANNUAL MEETING OF SHAREHOLDERS

INTRODUCTION

The enclosed Proxy is solicited by and on behalf of the Board of Directors of Profile Technologies, Inc., a Delaware corporation (the "Company"), to be voted at the Annual Meeting of Shareholders (the "Annual Meeting") to be held at the Company's offices at 2257 Northgate Spur, Suite 200, Ferndale, Washington 98248 at 11:00 a.m. local time on Monday, December 15, 2003, and at any and all adjournments of the Annual Meeting. The enclosed materials will be mailed to Shareholders on or about November 7, 2003.

The Company anticipates that the Company's shareholders will consider and vote upon the following matters at the Annual Meeting:

1. To elect a Board of Directors consisting of four persons to serve a term of one year (until the next Annual Meeting of the Shareholders) or until their respective successors are elected and have been qualified; and
2. To transact such other business as may properly come before the Annual Meeting and any postponement or adjournment of the Annual Meeting.

VOTING OF PROXIES

Shares represented by proxies properly signed and returned, unless subsequently revoked, will be voted at the Annual Meeting in accordance with the instructions marked on the proxy. If a proxy is signed and returned without indicating any voting instructions, the shares represented by the proxy will be voted FOR approval of the proposals stated in this proxy statement, and in the discretion of the holders of the proxies, on other matters that may properly come before the Annual Meeting.

If you have executed and delivered a proxy, you may revoke such proxy at any time before it is voted by attending the Annual Meeting and voting in person, by giving written notice of revocation of the proxy, or by submitting a signed proxy bearing a later date. In order for the notice of revocation or later proxy to revoke the prior proxy, the Company's Transfer Agent must receive such notice or later proxy before the vote of shareholders at the Annual Meeting. Unless you vote at the meeting or take other action, your attendance at the Annual Meeting will not revoke your proxy.

2

VOTING PROCEDURES

The presence, in person or by proxy, of the holders of a majority of the issued and outstanding shares of the common stock of the Company is necessary to constitute a quorum at the meeting. Votes cast by proxy or in person at the Annual Meeting will be counted by a person appointed by the Company to act as the election inspector for the Annual Meeting. The election inspector will treat shares of the Company's common stock represented by proxies that reflect abstentions as shares that are present and entitled to vote for purposes of determining the presence of a quorum. Under Delaware law and the Company's Bylaws, directors are elected by a plurality of the votes cast in the election at a meeting at which quorum is present. Other matters are approved if affirmative votes cast by the holders of the shares represented at the meeting at which quorum is present exceed votes opposing the election, unless Delaware law or the Company's Certificate of Incorporation or Bylaws require a greater

Edgar Filing: PROFILE TECHNOLOGIES INC - Form DEF 14A

number of affirmative votes or voting by classes. Therefore, abstentions and broker non-votes have no effect and will be disregarded.

All of the officers and directors and their affiliates (who own in the aggregate approximately 604,786 of the issued and outstanding shares of the Company's common stock) have informed the Company that they intend to vote in favor of management's nominees for directors as set forth in this proxy statement.

VOTING SECURITIES

The Board of Directors has fixed the close of business on October 27, 2003 as the record date (the "Record Date") for determining the holders of the Company's common stock entitled to receive notice of, and to vote at, the Annual Meeting. At the close of business on the Record Date, there were 5,461,659 issued and outstanding shares of the Company's common stock, \$.001 par value, entitled to vote at the Annual Meeting, held by approximately 943 registered holders. As of the Record Date, the only outstanding voting securities of the Company were shares of the Company's common stock. As a holder of the outstanding shares of the Company's common stock as of the Record Date, you are entitled to one vote for each share held on each matter properly submitted at the Annual Meeting.

PROPOSAL 1

ELECTION OF DIRECTORS

The current Board of Directors of the Company consists of Henry E. Gemino, Murphy Evans, William A. Krivsky and Charles Christenson. Messrs. Christenson, Evans, Gemino and Krivsky have agreed to be renominated to stand for election as a director at the Annual Meeting. If one or more of the nominees is unable to serve, or for good cause will not serve at the time of the Annual Meeting, the shares represented by the proxies solicited by the Board of Directors will be voted for the other nominees and for any substitute nominee(s) designated by the Board of Directors.

3

THE BOARD OF DIRECTORS RECOMMENDS A VOTE "FOR" THE ELECTION OF EACH OF THE NOMINEES.

The directors nominated for election at the Annual Meeting are as follows:

NAME AND AGE -----	AGE ---	PRINCIPAL OCCUPATION -----	DIRECTOR SINCE -----
Henry E. Gemino	52	Chief Executive Officer, Chief Financial Officer, Profile Technologies, Inc.	1988
Murphy Evans	71	President, Profile Technologies, Inc.	1995
Charles Christenson	72	Professor Emeritus Harvard Graduate School of Business Administration	1999
William A. Krivsky	75	Partner in Kellogg, Krivsky & Buttler (a mergers and acquisitions consulting firm)	2000

Edgar Filing: PROFILE TECHNOLOGIES INC - Form DEF 14A

Henry E. Gemino. Since 1988, Mr. Gemino has been co-founder and served as a director and the Chief Financial Officer of the Company. From 1988 through October 2000, he served as Executive Vice President and Chief Operating Officer of the Company. Since October, 2000, he has served as Chief Executive Officer of the Company.

Murphy Evans. Since 1995, Mr. Evans has served as President and a director of the Company. Mr. Evans also serves as the President of L & S Holding Co., a family-owned holding company that is engaged in several different businesses. Mr. Evans received an AB degree in history from Princeton University in 1954 and an MBA degree from the Harvard Graduate School of Business Administration in 1958.

William A. Krivsky. Mr. Krivsky holds a Doctorate of Science from MIT and was previously President of Velcro Industries N.V., Executive Vice President of Bird Corporation, President of Compo Industries and Group Vice President of Certained Corporation (now part of Paris-based St. Gobain Industries). He currently serves as President of Kellogg, Krivsky & Buttler Inc., a mergers and acquisition consulting firm, as President of Keyson Enterprises Inc., and as President of the Keyson Co. Inc. (privately held diversified businesses). He is also director of Cognex Corporation and Hitchiner Manufacturing Company, Inc.

Charles Christenson. Professor Christenson has been a director of the Company since 1999. He is the Royal Little Professor of Business Administration, Emeritus, at the Graduate School of Business Administration at Harvard University and served as faculty chairman of both the MBA and Doctoral Programs. He received his B.Sc. degree in Industrial and Labor Relations from Cornell University in 1952, his MBA degree with high distinction from Harvard University in 1954 and his DBA degree in Managerial Economics from Harvard University in 1961. While on leave of absence from the Harvard University faculty, he also served as Deputy to the Assistant Secretary of the Air Force (Financial Management) during the Kennedy Administration. He is a member of the American Association for the Advancement of Science. Professor Christenson has also authored or co-authored a number of books and articles on quantitative methods, management control and philosophy of science. He also serves as a director of Boston Baroque, Inc. (a not-for-profit corporation).

4

DIRECTOR COMPENSATION

The Company pays to all non-employee directors a director's fee in the amount of \$1,000 per month. The Company does not pay additional compensation to any executive officer or employee who also serve as a director, and the Company does not pay additional compensation to directors for serving on Board committees. The members of the Board of Directors are entitled to participate in, and the Company has issued options to members of the Board of Directors under, the Company's 1999 Stock Plan. The Company also reimburses directors for any actual expenses incurred to attend meetings of the Board of Directors.

Due to the Company's critical need for cash, the Company has deferred all payments owed to the directors for directors' and Chairman's fees. As of June 30, 2003, the Company owed all of the directors \$32,000 in deferred fees, and such amounts will continue to be deferred until the Company has sufficient resources to pay the amounts owed, or the directors elect to exchange such amounts as described below. On March 18, 2002, the Board of Directors approved a right under which any director could exchange each dollar of his deferred director's fee for an option to purchase two shares of the Company's common stock, which options may be exercised over a five-year term, at an exercise

Edgar Filing: PROFILE TECHNOLOGIES INC - Form DEF 14A

price of \$1.00 per share. As of October 27, 2003, no conversions have occurred.

BOARD OF DIRECTORS AND COMMITTEES

During the fiscal year ended June 30, 2003, the Board of Directors held a total of six meetings. During the fiscal year ended June 30, 2003, all members of the Board of Directors attended at least 75% of all meetings of the Board of Directors, with the exception of Dr. Kuo, who attended 33 1/3% of all meetings of the Board of Directors.

The Board of Directors maintains an Audit Committee and a Compensation Committee, which are described below. The Board of Directors does not have a Nominating Committee. The directors serving on each of the Audit Committee and the Compensation Committee attended all meetings of each such committee during the fiscal year ended June 30, 2003.

The Audit Committee is composed of William Krivsky and Charles Christenson. The principal functions of the Audit Committee are to monitor the Company's financial reporting process and internal control system, to review and appraise the audit efforts of the Company's independent accountants and the internal audit function, to provide a means of communication among the independent accountants, financial and senior management, the internal audit function, and the Board of Directors, and to communicate with the Company's independent accountants outside of the presence of management, when necessary. The Audit Committee is also responsible for all matters set forth in its written charter, a copy of which was attached to the Company's Proxy Statement for the 2001 Annual Meeting of the Shareholders. The Audit Committee held one meeting during the fiscal year ended June 30, 2003. The Audit Committee also reviewed the Company's quarterly financial reports before their publication but did not find any issues in these quarterly financial reports that required formal meetings.

5

The Compensation Committee is composed of Murphy Evans and William Krivsky. The principle functions of the Compensation Committee are to establish overall compensation policies for the Company and to review the recommendations submitted by the Company's management. The Compensation Committee held one meeting during the year ended June 30, 2003.

There are no family relationships among the directors. There are no arrangements or understandings between any director and any other person, pursuant to which any director was elected.

AUDIT COMMITTEE REPORT

The Audit Committee of the Board of Directors is composed of two directors and operates under a written charter adopted by the Board of Directors, a copy of which is attached to the Company's Proxy Statement for the 2001 Annual Meeting of the Shareholders. The Board of Directors has evaluated the independence of the two directors serving on the Audit Committee based on the definition of an "independent director" as provided under the listing standards of the National Association of Securities Dealers (the "NASD"). All members of the Audit Committee are independent directors as defined by the listing standards of the NASD.

The independent auditors are responsible for performing an independent audit of the Company's financial statements in accordance with generally accepted auditing standards and issuing a report thereon. One of the Audit Committee's primary responsibilities is to monitor and oversee this process. The Audit Committee also recommends to the Board of Directors the selection of the Company's independent auditors.

Edgar Filing: PROFILE TECHNOLOGIES INC - Form DEF 14A

In discharging its responsibility, the Audit Committee has reviewed and discussed the Company's financial statements with management. The Audit Committee has discussed with the independent auditors matters required to be discussed by Statement on Auditing Standards No. 61 (Communication with Audit Committees). The Audit Committee has received the written disclosures and letter from the Company's independent auditors as required by Independence Standards Board Standard No. 1 (Independence Standards Board Standard No. 1, Independence Discussions with Audit Committees), and the Audit Committee discussed with the independent auditors their independence.

Based on the foregoing, the Audit Committee recommended to the Board of Directors that the audited financial statements be included in the Company's Annual Report on Form 10-KSB for the fiscal year ended June 30, 2003 for filing with the Securities and Exchange Commission.

Audit Committee

William Krivsky
Charles Christenson

6

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth certain information as of October 20, 2003 by (i) all persons who own of record, or are known to the Company to beneficially own, more than 5% of the issued and outstanding shares of the Company's common stock, and (ii) by each director, each director nominee, and each of the executive officers named in the tables under "Executive Compensation," and by all executive officers and directors as a group:

Name and Address -----	Positions and Offices Held -----	Amount and Nature of Beneficial Common Stock Ownership(1) -----	Percent of Class Based on Beneficia Ownership((1)) -----
Henry E. Gemino 5 Strickland Place Manhasset, NY 11030	Chief Executive Officer, Chief Financial Officer, Director	899,766(2)	15.3%
Murphy Evans 204 Railroad Street P.O. Box 688 Laurinburg, NC 28532	President, Director	441,668(3)	8.04%
John Tsungfen Kuo 11 Hoffman Lane Blauvelt, NY 10913	Director	360,000(4)	6.2%
Charles Christenson 1 Chauncy Lane Cambridge, MA 02238	Director	90,666(5)	1.46%
William A. Krivsky 117 Perimeter Road Nashua, NH 06063	Director	35,000(6)	*

Edgar Filing: PROFILE TECHNOLOGIES INC - Form DEF 14A

Gale D. Burnett 9191 Northwood Rd. Lynden, WA 98264	Shareholder	691,000	12.18%
Joseph Galbraith	Vice President, Field Operations	35,000 (7)	*
Frank Goodhart, Jr. 1069 Old Forge Crossing Lancaster, PA 17601	Shareholder	550,000	9.8%
Philip L. Jones 203 Beaver Road Sewickley, PA 15143	Chief Operating Officer	87,572 (8)	1.58%
Estate of G.L. Scott P.O. Box 986 Rogue River, OR 97537	Shareholder	444,467 (9)	7.57%
All Directors and Officers as a Group (7 persons)		2,024,682 (10)	28.01%

* less than one percent

7

-
- (1) Calculated pursuant to rule 13d-3(d) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Unless otherwise stated below, each such person has sole voting and investment power with respect to all such shares. Under Rule 13d-3(d) of the Exchange Act, shares not outstanding which are subject to options, warrants, rights or conversion privileges exercisable within 60 days are deemed outstanding for the purpose of calculating the number and percentage owned by such person, but are not deemed outstanding for the purpose of calculating the percentage owned by each other person listed.
 - (2) Includes warrants to purchase 403,333 shares of the Company's common stock and options to purchase 15,000 shares of the Company's common stock.
 - (3) Includes 30,000 shares held by the wife of Mr. Evans. Also includes 86,667 shares held in the name of Falco Enterprises, Inc., a company controlled by Mr. Evans. Also includes 15,500 held by L&S Holding Co., a company controlled by Mr. Evans. Also includes 5,000 shares held in a trust to which Mr. Evans is trustee with sole voting and investment power over the shares. Also includes warrants to purchase 238,334 shares of the Company's common stock and options to purchase 20,000 shares of the Company's common stock.
 - (4) Includes warrants to purchase 330,000 shares of the Company's common stock.
 - (5) Includes options to purchase 45,000 shares of the Company's common stock held in a revocable trust and warrants to purchase 20,833 shares of the Company's common stock.
 - (6) Consists entirely of options to purchase the Company's common stock.
 - (7) Includes options to purchase 15,000 shares of the Company's common stock

Edgar Filing: PROFILE TECHNOLOGIES INC - Form DEF 14A

and warrants to purchase 20,000 shares of the Company's common stock.

- (8) Includes options to purchase 50,000 shares of the Company's common stock and warrants to purchase 14,286 shares of the Company's common stock.
- (9) Includes 19,800 shares issued in the name of Mr. Scott's wife. Also includes warrants to purchase 145,000 shares of the Company's common stock issued to Mr. Scott prior to his death.
- (10) Assumes exercise of all warrants and options owned by all officers and directors.

8

EXECUTIVE OFFICERS OF THE COMPANY

Certain information regarding the executive officers of the Company follows:

Name ----	Age ---	Position Held With Company -----
Henry E. Gemino	52	Chief Executive Officer, Chief Financial Officer
Murphy Evans	71	President
Philip L. Jones	61	Executive Vice President and Chief Operating Officer
Joseph Galbraith	54	Vice President, Field Operations

Philip L. Jones has been serving as Executive Vice President and Chief Operating Officer since September, 2001. For one year previous to his employment by the Company, he provided energy consulting services to certain utility companies. Prior to that, Mr. Jones served in various capacities with Consolidated Natural Gas Company, a large integrated energy company, for more than 30 years, including six years as Vice President for Marketing with CNG's exploration and production subsidiary, CNG Producing Company. He received his law degree from West Virginia College of Law in 1967 and his B.A. from Princeton University in 1964. Mr. Jones was a Captain in the U.S. Army, 142nd JAG Detachment.

Since October, 1997, Mr. Galbraith has been serving as the Vice President, Field Operations for the Company. Mr. Galbraith has a B.S. degree in Metallurgical Engineering and a M.S. degree in Metallurgy from the New Mexico Institute of Mining and Technology.

There are no family relationships among the executive officers. There are no arrangements or understandings between any officers and any other person, pursuant to which any officer was selected.

EXECUTIVE COMPENSATION

Employment Contracts.

None of the executive officers of the Company are employed pursuant to employment contracts. However, the Company has entered into confidentiality agreements with each executive officer concerning the confidentiality of

Edgar Filing: PROFILE TECHNOLOGIES INC - Form DEF 14A

valuable and proprietary information in connection with the Company's technology.

9

Cash Compensation.

The following table sets forth information concerning the compensation of the Company's Chief Executive Officer and the highest paid executive officers of the Company as of the end of the Company's last fiscal year whose salary and bonus for such period in all capacities in which the executive officer served exceeded \$100,000.

Summary Compensation Table

(a) Name and Principal position -----	(b) Year ----	Annual Compensation -----			(e) Other Annual Compen- sation(\$) -----	(f) Restricted Stock Award(s) \$ -----	(g) Long Term Com Award ----- Options/ SARs (#) ---
		(c) Salary(\$) -----	(d) Bonus ----- (\$) ---				
Henry E. Gemino, Chief Executive Officer and Chief Financial Officer (1)	2003	\$120,000 (2), (3)	0	0	0	15,000	
	2002	\$120,000 (2), (4)	0	0	0	0	
	2001	\$120,000	0	0	0	0	
Joseph Galbraith, Vice President, Field Operations	2003	\$112,933	0	0	0	0	
	2002	\$123,200	0	0	0	15,000	
	2001	\$117,600	0	0	0	0	

(1) On October 9, 2000, Mr. Gemino became Chief Executive Officer. Prior to that date, he served as Executive Vice President and Chief Operating Officer. Mr. Gemino currently serves as Chief Executive Officer and Chief Financial Officer.

(2) Due to the Company's need for cash, the Company has deferred all payments owed to certain officers of the Company. Such amounts will continue to be deferred until the Company has sufficient resources to pay the amounts owed, or if such officers elect to exchange such amounts as described below. On March 18, 2002, the Board of Directors approved a right under which any officer (or applicable employee or director) could exchange each dollar of his or her deferred salary for an option to purchase two shares of the Company's common stock, which options may be exercised over a five-year term, at an exercise price of \$1.00 per share. As of October 18, 2002, no conversions have occurred.

(3) As of June 30, 2003, the Company has deferred payments of \$23,000 of the \$120,000 base salary owed to Henry E. Gemino for the fiscal year 2003.

(4) As of June 30, 2002, the Company had deferred payment of \$11,500 of the

Edgar Filing: PROFILE TECHNOLOGIES INC - Form DEF 14A

\$120,000 base salary owed to Henry E. Gemino for the fiscal year 2002. As of June 30, 2003, the Company has continued to defer these payments.

10

Options Grants in the Last Fiscal Year

The following table sets forth information regarding stock options granted during the fiscal year ended June 30, 2003 to each of the named executive officers.

Name (a)	Number Of Securities Underlying Options Granted (#) (b)	Percent Of Total Options Granted To Employees In Fiscal Year (c)	Exercise Of Base Price (\$/Sh) (d-1)	Market Price Base (\$/Sh) (d-2)
Henry E. Gemino, Chief Executive Officer and Chief Financial Officer	15,000	13%	\$0.55	\$0.30
Joseph Galbraith, Vice President, Field Operations	---	---	---	---

- (1) Consists of a grant of options to purchase 15,000 shares of the Company's common stock, 5,000 of which was granted to Mr. Gemino's spouse.
- (2) The market price is based on the market value (\$0.30) of the Company's common stock as of the close of business on December 9, 2002, the date of the grant.

Options Exercises and Holdings

The following table sets forth information regarding stock options exercised during the fiscal year ended June 30, 2003 by each of the named executive officers and the value of the unexercised options held by these individuals as of June 30, 2003, based on the per share market value (\$0.25) of the Company's common stock on June 25, 2003, the last day during the fiscal year ended June 30, 2003 that trades in the Company's common stock were reported on the OTC Bulletin Board.

Aggregated Options Exercises in Last Fiscal Year and FY-End Options/SAR Values:

(a)	(b)	(c)	(d)	(e) (1)
Name	Shares Acquired On Exercise (#)	Value Realized (\$)	Number of Securities Unexercised Options at FY-End (#) Exercisable/Unexercisable	Value of Unexercise In-the-Money Option at FY End (\$) Exercisable/Unexercis
Henry E. Gemino	---	---	300,000/0 (2)	0/0
Joseph Galbraith	---	---	35,000/0 (3)	0/0

Edgar Filing: PROFILE TECHNOLOGIES INC - Form DEF 14A

- (1) The value calculations are based on \$0.25 per share, the fair market value of the underlying shares of the Company's common stock at year end (June 25, 2003, the last day of the fiscal year on which the Company's stock was traded) less the exercise price for the shares.

11

- (2) Consists of (A) warrants to purchase 190,000 shares and 60,000 shares of the Company's common stock at exercise prices of \$1.25 and \$3.00 per share, respectively, granted in March, 1996; (B) warrants to purchase 50,000 shares of the Company's common stock at an exercise price of \$3.00 per share transferred by Gale D. Burnett in November, 1996; and (C) options to purchase 15,000 shares of the Company's common stock at an exercise price of \$0.55 per share (5,000 of which were issued to Mr. Gemino's spouse).
- (3) Consists of the following: (A) warrants to purchase 20,000 shares of the Company's common stock at an exercise price of \$13.50 per share granted on February 26, 1998 and (B) options to purchase 15,000 shares of the Company's common stock at an exercise price of \$1.00 per share granted November 13, 2001, pursuant to the Company's 1999 Stock Plan.

CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

In September, 1988, at the time Gale D. Burnett, a beneficial shareholder of more than 10% of the Company's common stock, first transferred certain technology, know-how and patent rights to the Company, a royalty interest of 4% of all pre-tax profits derived from the technology and know-how transferred was granted to Northwood Enterprises, Inc., a family-owned company controlled by Mr. Burnett. Northwoods Enterprises subsequently assigned such royalty interest back to Mr. Burnett. On April 8, 1996, Mr. Burnett assigned 2% of this royalty interest as follows: (1) to Henry Gemino, currently the Chief Executive Officer and Chief Financial Officer, and a director of the Company, a 1 1/4% royalty interest; (2) to Mr. G. L. Scott, the former Chairman of the Board of Directors, a 1/2% royalty interest, which interest has passed to his estate; and (3) to the Company's former legal counsel, Alan Reeves, a 1/4% royalty interest, which interest has now passed to his heirs or beneficiaries. This royalty arrangement also applies to all future patent rights and technology developed by Mr. Burnett and assigned to the Company. To date, no royalty payments have been made or earned under the above described arrangement.

In March 1996, the Company granted a net pre-tax royalty on profits equal to 1% to Dr. John Kuo in return for his assignment of certain patent rights, technological know-how and proprietary information and trade secrets. Under these various royalty interests, a total of 5% of any net pre-tax earnings of the Company derived from the use of the technology developed by Mr. Burnett or Mr. Kuo is subject to distribution as above described. To date, no royalty interest has been earned or distributed.

OTHER MATTERS TO BE VOTED UPON

As of the date of this proxy statement, the Board of Directors does not know of or anticipate that any other matters will be brought before the Company's shareholders at the Annual Meeting. If, however, any other matters not mentioned in the proxy statement are properly brought before the Company's shareholders at the Annual Meeting, the persons appointed as proxies will have the discretion to vote or act in accordance with their best judgment.

COMPLIANCE WITH SECTION 16(a)
UNDER THE SECURITIES EXCHANGE ACT OF 1934

The Company's executive officers, directors, and any person owning more than 10% of a class of the Company's stock, are required to file reports of ownership and changes in ownership of the Company's securities with the Securities and Exchange Commission. Based solely on the information provided to the Company by individual directors, executive officers and beneficial shareholders of more than 10% of a class of the Company's stock, the Company believes that during the last fiscal year all directors and executive officers and beneficial shareholders of more than 10% of a class of the Company's stock have complied with applicable filing requirements, except for Philip L. Jones, the Company's Chief Operating Officer. Mr. Jones failed to file timely one report which reports one transaction.

INDEPENDENT PUBLIC ACCOUNTANTS

The Board of Directors has selected KPMG LLP as the independent certified public accountants to audit the financial statements of the Company for its fiscal year ended June 30, 2003. To the knowledge of management, neither such firm nor any of its members has any direct or material indirect financial interest in the Company nor any connection with the Company in any capacity otherwise than as independent accountants.

A representative of KPMG LLP is expected to be present at the Annual Meeting of Shareholders to answer proper questions and will be afforded an opportunity to make a statement regarding the financial statements.

Audit Fees. The Company incurred aggregate fees of \$55,395 payable to KPMG LLP during the fiscal year ended June 30, 2003 for the annual audit and for review of the Company's financial statements included in its Form 10-Qs for the past fiscal year.

Financial Information Systems Design and Implementation Fees. The Company did not incur any fees from KPMG LLP for information technology services during the fiscal year ended June 30, 2003.

All Other Fees. The Company did not incur any other fees for any other services provided by KPMG LLP other than the auditing fees described above during the fiscal year ended June 30, 2003.

STOCKHOLDER PROPOSALS

Shareholders who wish to include a proposal in the Company's proxy statement and form of proxy relating to the 2004 Annual Meeting of the Shareholders should deliver a written copy of their proposal to the Company's principal executive offices no later than June 30, 2004. Proposals must comply with the SEC proxy rules relating to shareholder proposals in order to be

included in the Company's proxy materials. Except for shareholder proposals to be included in the Company's proxy statement and form of proxy, the deadline for nominations for director or other proposals made by a shareholder is five days before the date of the 2004 Annual Meeting. Proposals should be directed to

Edgar Filing: PROFILE TECHNOLOGIES INC - Form DEF 14A

Henry E. Gemino, Chief Executive Officer, Profile Technologies, Inc., 2 Park Avenue, Suite 201, Manhasset, New York 11030.

ANNUAL REPORT ON FORM 10-K; DELIVERY TO SHAREHOLDERS SHARING ADDRESS

The Company is providing a copy of its Annual Report to Shareholders on Form 10-KSB for the fiscal year ended June 30, 2003 simultaneously with delivery of this proxy statement. You may obtain additional copies of the Annual Report by writing to Henry E. Gemino, Chief Executive Officer, Profile Technologies, Inc., 2 Park Avenue, Suite 201, Manhasset, New York 11030.

The Company is delivering only one proxy statement and Annual Report to multiple shareholders sharing an address unless the Company has received contrary instructions from one or more of the shareholders. The Company will promptly deliver upon written or oral request a separate copy of this proxy statement or the Annual Report to a shareholder at a shared address to which a single copy was sent. If you are a shareholder residing at a shared address and would like to request an additional copy of the proxy statement or Annual Report now or with respect to future mailings (or to request to receive only one copy of the proxy statement or Annual Report if you are currently receiving multiple copies), please send your request to Henry E. Gemino at the address noted above.

COST OF SOLICITATION

The Company will bear the cost of solicitation of proxies, including expenses in connection with the preparation and mailing of this proxy statement. The Company will solicit primarily through the mail, and the Company's officers, directors, and employees may solicit by personal interview, telephone, facsimile, or e-mail proxies. These people will not receive additional compensation for such solicitations, but the Company may reimburse them for their reasonable out-of-pocket expenses.

Holders of the Company's common stock are requested to complete, sign, and date the accompanying proxy card and promptly return it to the Company's Transfer Agent, in the enclosed addressed, postage paid envelope.

BY ORDER OF THE BOARD OF DIRECTORS

/s/ Henry E. Gemino

Henry E. Gemino
Chief Executive Officer

October 27, 2003

14

Profile Technologies, Inc.
THIS PROXY IS SOLICITED ON BEHALF OF THE BOARD OF DIRECTORS.

I, the undersigned shareholder of Profile Technologies, Inc. (the "Company"), do hereby nominate, constitute and appoint Henry E. Gemino, my true and lawful proxy and attorney with full power of substitution for me and in my name, place and stead, to represent and vote all of the common stock, par value \$0.001 per share, of the Company, held in my name on its books as of October 27, 2003, at the Annual Meeting of Shareholders to be held on Monday, December 15, 2003.

PROPOSAL 1. Election of the following Directors:

Edgar Filing: PROFILE TECHNOLOGIES INC - Form DEF 14A

[] FOR all nominees listed below (except [] WITHHOLD Authority to vote for
as marked to the contrary below) all nominees listed below

(INSTRUCTION: To withhold authority to vote for any individual nominee,
write the name(s) of such nominee(s) below.)

Henry E. Gemino _____
Murphy Evans _____
William A. Krivsky _____
Charles Christenson _____

THE BOARD OF DIRECTORS OF THE COMPANY RECOMMENDS A VOTE "FOR" THE ELECTION OF
EACH OF THE NOMINEES.

In their discretion, the proxies are authorized to vote upon such other business
as may properly come before the Annual Meeting of Shareholders.

IMPORTANT: PLEASE SIGN AND DATE ON REVERSE

This proxy, when properly executed, will be voted in the manner directed herein
by the undersigned shareholder. If no direction is made, the proxy will be voted
FOR Proposal 1. Should any other matter requiring a vote of the shareholders
arise, the proxy named above is authorized to vote in accordance with his best
judgment in the interest of the Company.

IMPORTANT: Please sign exactly as your name appears hereon. When shares are held
by joint tenants, both should sign. When signing as attorney, executor,
administrator, trustee, or guardian, please give full title as such. If a
corporation, please sign the full corporate name by president or other
authorized officer. If a partnership, please sign in partnership name by
authorized person.

PLEASE MARK, SIGN, DATE AND RETURN THIS PROXY PROMPTLY USING THE ENCLOSED
ADDRESSED ENVELOPE OR OTHERWISE TO Continental Stock Transfer & Trust Company,
17 Battery Place, New York, New York 10004. IF YOU DO NOT SIGN AND RETURN A
PROXY OR ATTEND THE MEETING AND VOTE, YOUR SHARES CANNOT BE VOTED.

Date

Signature

Signature (if jointly held)

Print Name(s) Here

