

BSD MEDICAL CORP  
Form DEF 14A  
December 29, 2014

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UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 14A

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

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

BSD MEDICAL CORPORATION  
(Name of Registrant as Specified in Its Charter)

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

Payment of Filing Fee (Check the appropriate box):

No fee required.

Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

1) Title of each class of securities to which transaction applies:

2) Aggregate number of securities to which transaction applies:

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):

4) Proposed maximum aggregate value of transaction:

5) Total Fee Paid:

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1) Amount Previously Paid:

2) Form, Schedule, or Registration Statement No.:

3) Filing Party:

4) Date Filed:

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BSD MEDICAL CORPORATION  
2188 West 2200 South, Salt Lake City, Utah 84119

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NOTICE OF ANNUAL MEETING OF STOCKHOLDERS OF  
BSD MEDICAL CORPORATION

February 5, 2015

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TO THE STOCKHOLDERS OF BSD MEDICAL CORPORATION:

The annual meeting of the stockholders (the “Annual Meeting”) of BSD Medical Corporation (the “Company” or “BSD”) will be held on February 5, 2015, at the corporate offices of BSD, located at 2188 West 2200 South, Salt Lake City, Utah 84119. The Annual Meeting will convene at 9:00 a.m. Mountain Time, to consider and take action on the following proposals, which are more fully described in the Proxy Statement:

1. to elect eight members to the Board of Directors to serve until the next annual meeting or until their successors are duly elected and qualified;
2. to conduct an advisory vote on executive compensation;
3. to ratify the selection of Tanner LLC as the Company’s independent registered public accountants for the next year; and
4. to transact such other business as may properly come before the Annual Meeting or any adjournment or postponement thereof.

Only owners of record of the Company’s issued and outstanding common stock as of the close of business on December 12, 2014 (the “Record Date”) will be entitled to notice of and to vote at the Annual Meeting. Each share of common stock is entitled to one vote.

The Company’s Proxy Statement is attached hereto. Financial and other information concerning the Company is contained in the Company’s Annual Report on Form 10-K for the fiscal year ended August 31, 2014, which accompanies this Proxy Statement.

THE ATTENDANCE AT AND/OR VOTE OF EACH STOCKHOLDER AT THE ANNUAL MEETING IS IMPORTANT, AND EACH STOCKHOLDER IS ENCOURAGED TO ATTEND. TO ASSURE THAT YOUR VOTE IS COUNTED, PLEASE COMPLETE, SIGN, DATE AND PROMPTLY MAIL THE ENCLOSED PROXY WHETHER OR NOT YOU PLAN TO ATTEND THE ANNUAL MEETING.

Important Notice Regarding the Availability of Proxy Materials for the  
Stockholders Meeting to be Held February 5, 2015:

The proxy statement, notice of annual meeting, and annual report to stockholders are available at  
<https://materials.proxyvote.com/055662>.

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BSD MEDICAL CORPORATION  
BY ORDER OF THE BOARD OF  
DIRECTORS

Salt Lake City, Utah, December 29, 2014      /s/William S. Barth  
William S. Barth, Secretary

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BSD MEDICAL CORPORATION  
2188 West 2200 South, Salt Lake City, Utah 84119

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PROXY STATEMENT

BSD MEDICAL CORPORATION

ANNUAL MEETING OF STOCKHOLDERS  
TO BE HELD ON FEBRUARY 5, 2015

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This Proxy Statement is furnished in connection with the solicitation of proxies by and on behalf of the Board of Directors (the “Board of Directors” or the “Board”) of BSD Medical Corporation, a Delaware corporation (the “Company” or “BSD”), for use at the annual meeting of the stockholders (the “Annual Meeting”) to be held February 5, 2015 at the corporate offices of BSD, located at 2188 West 2200 South, Salt Lake City, Utah 84119 at 9:00 a.m., Mountain Time. Directions to the annual meeting can be obtained by calling Scott Mayfield at (801) 972-5555.

THIS PROXY STATEMENT, THE NOTICE OF ANNUAL MEETING OF STOCKHOLDERS AND FORM OF PROXY ARE FIRST BEING MAILED TO THE COMPANY’S STOCKHOLDERS ON OR ABOUT DECEMBER 29, 2014.

At the Annual Meeting, the stockholders of the Company will be asked to vote on three proposals. Proposal 1 is the annual election of eight directors to serve on the Company’s Board of Directors. Proposal 2 is an advisory (non-binding) vote on executive compensation. Proposal 3 is the ratification of the selection of Tanner LLC as the Company’s independent registered public accountants for the next year.

A proxy for use at the Annual Meeting is enclosed. If you execute and deliver a proxy by mailing a proxy card, or by voting via the internet or telephone, you have the right to revoke your proxy at any time before it is exercised by delivering to the Secretary of the Company an instrument revoking it or a duly executed proxy bearing a later date, or by attending the Annual Meeting and voting in person. Subject to revocation, the proxy holders will vote all shares represented by a properly executed proxy received in time for the Annual Meeting in accordance with the instructions on the proxy. If no instruction is specified with respect to a matter to be acted upon, the shares represented by the proxy will be voted FOR all nominees listed in Proposal 1, FOR approval of the compensation of the Company’s Named Executive Officers and FOR the ratification of the selection of Tanner LLC as the Company’s independent registered public accountants for the next year.

We will bear the expenses of preparing, assembling, printing and mailing this Proxy Statement and the materials used in the solicitation of proxies. Proxies will be solicited through the mail and may be solicited by our officers, directors and employees in person or by telephone. They will not receive additional compensation for this effort. We do not anticipate paying any compensation to any other party for the solicitation of proxies, but may reimburse brokerage firms and others for their reasonable expenses in forwarding solicitation material to beneficial owners.

RECORD DATE AND QUORUM REQUIREMENTS

December 12, 2014 has been fixed as the record date (the “Record Date”) for the determination of stockholders entitled

to notice of and to vote at the Annual Meeting. As of the Record Date, 39,689,209 shares of our common stock (“Common Stock”) were issued and outstanding. Each outstanding share of common stock will be entitled to one vote on each matter submitted to a vote of the stockholders at the Annual Meeting.

The holders of one-third of the shares of the Common Stock outstanding on the Record Date, present in person or by proxy, will constitute a quorum for the transaction of business at the Annual Meeting and at any adjournment or postponement thereof. Any abstentions and broker non-votes will be deemed as present for purposes of determining a quorum at the Annual Meeting.

For Proposal 1, the eight individuals receiving the most votes will be elected to serve as directors of the Company. Abstentions and broker non-votes will not have the effect of being counted as voted in favor of or against the election of directors.

For Proposal 2, a majority of the votes present in person or represented by proxy at the Annual Meeting is required to approve the proposal. Abstentions will have the same effect as votes against the proposal. Broker non-votes will have no effect on the vote for this proposal. We intend to carefully consider the voting results of this proposal. The final vote is advisory in nature and, therefore, not binding on us, our Board or the Compensation Committee of the Board.

For Proposal 3, a majority of the votes present in person or represented by proxy at the Annual Meeting is required to approve the proposal. Abstentions will have the same effect as votes against the proposal. Broker non-votes will have no effect on the vote for this proposal.

#### MAIL VOTING PROCEDURES

To vote by mail, you should complete, sign and date your proxy card and mail it in the pre-addressed postage-paid envelope that accompanies the delivery of the proxy card. A proxy card submitted by mail must be received by the time of the Annual Meeting in order for the shares to be voted.

#### TELEPHONE VOTING PROCEDURES

The telephone authorization procedure is designed to authenticate identity to allow you to vote your shares and confirm that your instructions have been properly recorded. Specific instructions to be followed are set forth on the enclosed proxy card. Telephone voting facilities for stockholders of record are available 24 hours a day and will close at 11:59 p.m. Eastern Time on February 4, 2015.

#### INTERNET VOTING PROCEDURES

The internet authorization procedure is designed to authenticate identity to allow you to vote your shares and confirm that your instructions have been properly recorded. Specific instructions to be followed are set forth on the enclosed proxy card. Internet voting facilities for stockholders of record are available 24 hours a day and will close at 11:59 p.m. Eastern Time on February 4, 2015.

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**PROPOSAL 1: ELECTION OF DIRECTORS**


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At the Annual Meeting, eight directors are to be elected to serve until the next annual meeting of stockholders or until a successor for such director is elected and qualified, or until the death, resignation, or removal of such director. It is intended that the proxies will be voted for the eight nominees named below for election to our Board of Directors unless authority to vote for any such nominee is withheld. Each of the nominees is currently a director of the Company. Each person nominated for election has agreed to serve if elected, and the Board of Directors has no reason to believe that any nominee will be unavailable or will decline to serve. In the event, however, that any nominee is unable or declines to serve as a director at the time of the Annual Meeting, the proxies will be voted for any nominee who is designated by the current Board of Directors to fill the vacancy. Unless otherwise instructed, the proxy holders will vote the proxies received by them FOR the nominees named below. The eight candidates receiving the highest number of affirmative votes of the shares entitled to vote at the Annual Meeting will be elected as directors.

**DIRECTORS**

The names of the nominees, their ages and their respective business backgrounds are set forth below as of August 31, 2014.

Name	Position(s) With the Company	Age	Director Since
Timothy C. McQuay	Independent Director and Chairman of the Board	63	2008
Clinton E. Carnell Jr.	President, Chief Executive Officer and Director	45	2014
Harold R. Wolcott	Director	68	2009
Gerhard W. Sennewald, Ph.D.	Director	78	1994
Michael Nobel, Ph.D.	Independent Director	74	1998
Douglas P. Boyd, Ph.D.	Independent Director	73	2005
Steven G. Stewart	Independent Director and Financial Expert	66	2006
Dr. Damian E. Dupuy	Independent Director	52	2011

**BUSINESS EXPERIENCE AND QUALIFICATIONS OF NOMINEES FOR ELECTION TO THE BOARD OF DIRECTORS**

Timothy C. McQuay has served as a director of BSD since February 2008 and currently serves as Chairman of the Board of Directors. He is a Managing Director – Investment Banking with Noble Financial Capital Markets. Prior to joining Noble Financial Capital Markets in November 2011, Mr. McQuay was a Managing Director – Investment Banking with B Riley & Co. Prior to joining B Riley in September 2008, Mr. McQuay served for ten years as Managing Director – Investment Banking with A. G. Edwards & Sons, Inc., where he specialized in Healthcare, including medical technology, biotechnology and specialty pharmaceuticals. He currently serves as a member of the Board of Directors of Superior Industries International, Inc. Mr. McQuay holds an AB in Economics from Princeton University and an MBA from UCLA. Mr. McQuay’s qualifications to serve on the Board include, among others, his extensive business and financial experience, his public company board and investment banking experience, his



knowledge of the Company, and his service as a director of the Company since 2008.

Clinton E. Carnell Jr. was appointed a director of BSD by unanimous written consent of our Board of Directors in November 2014. At that time, the Company also named Mr. Carnell as the Company's President and Chief Executive Officer. Most recently, he served as an advisor to Covidien plc, a publicly traded global health care leader, in the role of 'Executive in Residence.' From 2011 to 2014, Mr. Carnell served as Chairman, Chief Executive Officer and President of MyoScience, Inc., a commercial-stage medical device company which developed technology to target nerves for the treatment of pain, muscle disorders, aesthetic and other medical conditions. From 2005 to 2011 Mr. Carnell was the Chief Operating Officer of Solta Medical, Inc., a publicly held medical aesthetics company where he had responsibility for the Thermage and Fraxel Brands, led the integration of three strategic acquisitions and played a key role in Solta's IPO in 2006. During the period from 2002 to 2005 he was Vice President of Sales for the US Surgical Division of Bausch & Lomb Prior to 2002, Mr. Carnell held management positions with healthcare companies including Gambro Healthcare, Johnson & Johnson and Charleston Renal Care, LLC. Mr. Carnell's qualifications to serve on the Board include, among others, his extensive business, operations and sales experience, and his management and executive experience at publicly held medical device companies.

Harold R. Wolcott has served as a director of BSD since April 2009. Mr. Wolcott also served as President of BSD from April 2009 until his successor was appointed in November 2014. Mr. Wolcott has 45 years experience managing and growing newly-formed venture capital financed corporations as well as multi-million dollar medical device businesses with international operations. He has a wide range of experience in the areas of product research, product engineering, manufacturing and plant management, as well as expertise in all aspects of sales and marketing, acquisition/integration, and the sale of medical device businesses. Prior to joining the Company, Mr. Wolcott served from 2006 through 2009 as President and Chief Operating Officer, and later, as Director of Dimicron Inc., a development stage medical company utilizing synthetic diamond for orthopedic applications. From 2001 until 2005, Mr. Wolcott served as Chief Operating Officer and Director of Rubicon Medical, Inc., a company focusing on proprietary technology in embolic protection for interventional cardiology and interventional neurology. Mr. Wolcott's qualifications to serve on the Board include, among others, his extensive executive and operational management experience in the medical device business, his public company board experience, his knowledge of the Company, and his service as President and a director of the Company since April 2009.

Gerhard W. Sennewald, Ph.D., has served as a director of BSD since 1994. From April 1985 to the present, Dr. Sennewald has served as the President and Chief Executive Officer of Dr. Sennewald Medizintechnik GmbH, of Munich, Germany, a firm which is engaged in the business of distributing hyperthermia equipment and diagnostic imaging equipment and services. In connection with his service to Dr. Sennewald Medizintechnik GmbH, Dr. Sennewald has been BSD's key European representative and distributor for 19 years and has been instrumental in obtaining the majority of BSD's foreign hyperthermia sales. He also served on the Board of Directors of TherMatrx, Inc. Dr. Sennewald's qualifications to serve on the Board include, among others, his significant experience in the distribution and servicing of medical equipment, his extensive knowledge of the Company gained through his many years as a key distributor of the Company's hyperthermia products, and his public company experience as a director of the Company since 1994.

Michael Nobel, Ph.D., has served as a director of BSD since January 1998. Dr. Nobel participated in the introduction of magnetic resonance imaging as European Vice President of Fonar Corp. He is founder and trustee of the Nobel Sustainable Trust Foundation. From 1991 to 2007, Dr. Nobel served as the Executive Chairman of the MRAB Group, a company providing diagnostic imaging services to Sweden. From August 2005 until June 2008, Dr. Nobel served as a director of WorldSpace Corp. He has also been a consultant to Unesco in Paris and the United Nations Social Affairs Division in Geneva. Today, Dr. Nobel is chairman or board member of several international companies in medical diagnostics, treatment and information systems. He is a guest professor at the Seisa University in Japan. In December 2012 Dr. Nobel was appointed a director of CytoDyn Inc. a public company traded on the OTCQB market. Dr. Nobel's qualifications to serve on the Board include, among others, his extensive business and financial experience, his knowledge of the Company, and his public company experience as a director of the Company since 1998.

Douglas P. Boyd, Ph.D., has served as a director of BSD since 2005. From January 2007 to the present, Dr. Boyd has served as Chief Executive Officer of TeleSecurity Sciences, Inc., a privately-held company in the business of developing imaging solutions for airport security and medical applications. From 1983 to 2005, Dr. Boyd was an adjunct professor of radiology at the University of California, San Francisco. From 1980 to 2004, Dr. Boyd served as Chairman of the Board and Chief Technology Officer of Imatron Inc., a public company that developed and manufactured ultrafast electron beam CT scanners for use in hospitals and clinics. He is internationally known as an expert in radiology and computed tomography ("CT") imaging systems, and has pioneered the development of fan-beam CT scanners, Xenon detector arrays and EBT scanners. Dr. Boyd has been awarded 19 U.S. patents. He has published more than 100 scientific papers and is a frequent speaker at universities and symposia. From April 2005 until December 2006, Dr. Boyd served as a director of XLR Medical Corp., a public company specializing in cancer therapy technology. Since 2010, Dr. Boyd has served as a director of SpectroPath, Inc., a private company developing advanced imaging solutions for image guided cancer surgery. Dr. Boyd's qualifications to serve on the Board include,

among others, his extensive business and financial experience, his knowledge of the Company, and his public company experience as a director of the Company since 2005.

Steven G. Stewart has served as a director of BSD since 2006. In December 2010, Mr. Stewart entered into an agreement to serve as the Director of Financial Affairs for Headwaters, Inc. (a New York Stock Exchange company) through 2013. From July 1998 through December 2010, he served in several management positions at Headwaters, including Director of Financial Affairs, Treasurer and as the Chief Financial Officer for approximately ten years. Prior to joining Headwaters, Mr. Stewart served as a business assurance partner for PricewaterhouseCoopers LLP (formerly Coopers & Lybrand LLP), and as an audit partner with Ernst & Young (formerly Arthur Young), including service as the Salt Lake City office Director of High Technology and Entrepreneurial Services. Mr. Stewart's qualifications to serve on the Board include, among others, his extensive business and financial experience, his experience as an executive finance officer of a public company, his knowledge of the Company, and his public company experience as a director of the Company since 2006.

Damian E. Dupuy, MD, was appointed a Director in April 2011. Dr. Dupuy has been a Professor of Diagnostic Imaging at the Warren Alpert Medical School of Brown University since 2005, and has served as Director, Tumor Ablation, at Rhode Island Hospital in Providence, RI since 2001. Dr. Dupuy, a fellow of the American College of Radiology, is a pioneer in the growing field of image guided tumor ablation, whereby various types of thermal devices destroy tumors by direct placement through the skin under image guidance. Dr. Dupuy is internationally known for his pioneering clinical work in treating cancer patients who suffer from tumors of the lung, liver, kidney, head and neck, pelvis, adrenal and skeleton. Dr. Dupuy has led two National Cancer Institute multi-center trials and currently is the Interventional Oncology Symposium Chair of the Radiological Society of North America. Dr. Dupuy, who is a graduate of the University of Massachusetts, Amherst, and the University of Massachusetts Medical School, has published widely on a variety of specialized medical issues and is the recipient of numerous post-graduate honors and awards, including an American College of Radiology Imaging Network Publications Merit Award in 2010. Dr. Dupuy's qualifications to serve on the Board include, among others, his extensive medical and business experience, his knowledge of the Company, and public company experience as a director of the Company since April 2011.

## COMPOSITION OF THE BOARD OF DIRECTORS

Our Board of Directors currently consists of eight directors. Directors are elected at each annual meeting of stockholders to serve until the next annual meeting of stockholders or until their successors are duly elected and qualified. There are no family relationships among any of our directors, officers or key employees.

## BOARD LEADERSHIP STRUCTURE

The Board does not have a policy regarding the separation of the roles of Chief Executive Officer and Chairman of the Board as the Board believes it is in the best interests of the Company to make that determination based upon the position and direction of the Company, and the membership of the Board. The Board has determined at this time that the Company's Chairman should be an Independent Director rather than the Chief Executive Officer.

## CODE OF ETHICS

We have adopted a Code of Ethics that applies to all of our directors, officers and employees. Our Code of Ethics is available on our website ([www.bsdmedical.com](http://www.bsdmedical.com)) on our corporate governance page of the investor section of our website. We intend to post amendments to or waivers from our Code of Ethics (to the extent applicable to our chief executive officer, principal financial officer, or principal accounting officer) on our website.

## AFFIRMATIVE DETERMINATIONS REGARDING DIRECTOR INDEPENDENCE

The Board of Directors has determined each of the following directors to be an "independent director" as such term is defined in the NASDAQ Stock Market Listing Standards: Timothy C. McQuay, Michael Nobel, Douglas P. Boyd,

Steven G. Stewart, and Damian E. Dupuy.

In this Proxy Statement, these five directors are referred to individually as an “Independent Director” and collectively as the “Independent Directors.”

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## MEETINGS AND COMMITTEES OF THE BOARD OF DIRECTORS

During fiscal year 2014, the Board of Directors met six times and no director attended fewer than 75% of the meetings of the Board or any of the Board committees of which a director was a member. In addition, on one occasion during fiscal year 2014, the Board of Directors took action by unanimous written consents in lieu of a board meeting. Although we do not have a formal policy regarding attendance by directors at our annual meeting, we encourage directors to attend and all but one director attended the last annual meeting.

The Board of Directors has formed an audit committee, a corporate governance and nominating committee and a compensation committee. Copies of the charters of these committees are available on the corporate governance page of the investor section of our website ([www.bsdmedical.com](http://www.bsdmedical.com)).

**The Audit Committee.** The Audit Committee, which held four meetings during fiscal year 2014, is responsible for reviewing and monitoring our financial statements and internal accounting procedures, recommending the selection of independent auditors by the Board, evaluating the scope of the annual audit, reviewing audit results, consulting with management and our independent auditor prior to presentation of financial statements to stockholders and, as appropriate, initiating inquiries into aspects of our internal accounting controls and financial affairs. The Board of Directors has adopted a written audit committee charter.

The members of the Audit Committee are Messrs. Boyd, Stewart, Nobel and McQuay. Mr. Stewart is currently serving as the audit committee chairman and financial expert (Audit Committee Financial Expert). All members of the Audit Committee are Independent Directors.

**The Corporate Governance and Nominating Committee.** The Corporate Governance and Nominating Committee, which held one meeting during fiscal year 2014, is responsible for identifying qualified individuals to become Board members, determining the composition of the Board and its committees, monitoring and assessing Board effectiveness, and developing and implementing our corporate governance guidelines. Additionally, the Corporate Governance and Nominating Committee recommends director nominees to our Board of Directors for the Board's approval. The Board of Directors has adopted a written corporate governance and nominating committee charter.

The members of the Corporate Governance and Nominating Committee are Messrs. Boyd, Stewart, Nobel, McQuay and Dupuy. All members of the Corporate Governance and Nominating Committee are Independent Directors. Mr. McQuay is currently serving as the Corporate Governance and Nominating Committee chairman.

The Board of Directors does not have an express policy with regard to the consideration of any director candidates since the Board believes that its Corporate Governance and Nominating Committee can adequately evaluate nominees on a case-by-case basis. The Board has not previously received any recommendations for director candidates from stockholders, and has not adopted a formal process for considering director candidates who may be recommended by stockholders. However, the Company's policy is to give due consideration to any and all such candidates, and in evaluating director nominees, the Corporate Governance and Nominating Committee considers the appropriate size of the Board, the needs of the Company, the skills and experience of its directors, and a candidate's familiarity with our industry. Although the Company does not have a formal diversity policy relating to the identification and evaluation of nominees for director, the Corporate Governance and Nominating Committee considers many criteria in identifying and selecting nominees, and in the future may establish additional minimum criteria for nominees. A stockholder may submit a recommendation for director candidates to us at our corporate offices, to the attention of Clint Carnell. We do not pay fees to any third parties to assist us in identifying potential nominees.

**The Compensation Committee.** The members of the Compensation Committee are Messrs. Boyd, Stewart, Nobel, and McQuay. Mr. Boyd is currently serving as the Compensation Committee chairman. All members of the

Compensation Committee are Independent Directors. Our Compensation Committee met one time during fiscal year 2014. The Board of Directors has adopted a written compensation committee charter. The Compensation Committee has responsibility for establishing and monitoring our executive compensation programs, and for making decisions regarding the compensation of our Named Executive Officers (as defined below). The agenda for meetings of the Compensation Committee is determined by the Chairman of the Compensation Committee. The Compensation Committee sets the compensation package of the Named Executive Officers and their annual bonus. The Company has adopted an amendment to its Third Amended and Restated 1998 Stock Incentive Plan which allows the Board of Directors to delegate to the CEO the authority to designate individuals to receive awards under the Plan and to designate the number and type of awards to be granted to the individuals so designated. The Board did not delegate this authority to the CEO during the fiscal year ended August 31, 2014. For a further description of the Compensation Committee's role, see "Executive Compensation" below.

## BOARD ROLE IN RISK OVERSIGHT

Our Board of Directors is responsible for overseeing the Company's management of risk. The Board strives to effectively oversee the Company's enterprise-wide risk management in a way that balances managing risks while enhancing the long-term value of the Company for the benefit of the stockholders. The Board of Directors understands that its focus on effective risk oversight is critical to setting the Company's tone and culture towards effective risk management. To administer its oversight function, the Board seeks to understand the Company's risk philosophy by having discussions with management to establish a mutual understanding of the Company's overall appetite for risk. Our Board of Directors maintains an active dialogue with management about existing risk management processes and how management identifies, assesses, and manages the Company's most significant risk exposures. Our Board expects frequent updates from management about the Company's most significant risks so as to enable it to evaluate whether management is responding appropriately.

Our Board relies on each of its committees to help oversee the risk management responsibilities relating to the functions performed by such committees. Our Audit Committee periodically discusses with management the Company's major financial risk exposures and the steps management has taken to monitor and control such exposures, including the Company's risk assessment and risk management policies. Our Compensation Committee helps the Board to identify the Company's exposure to any risks potentially created by our compensation programs and practices. Our Corporate Governance and Nominating Committee oversees risks relating to the Company's corporate compliance programs and assists the Board and management in promoting an organizational culture that encourages commitment to ethical conduct and a commitment to compliance with the law. Each of these committees is required to make regular reports of its actions and any recommendations to the Board, including recommendations to assist the Board with its overall risk oversight function.

## DIRECTOR COMPENSATION 2014

Our Fourth Amended and Restated 1998 Director Stock Plan ("Director Stock Plan") provides an annual retainer ("Annual Retainer") in the amount of \$60,000 to each non-employee director other than the Audit Committee Financial Expert, who is to receive \$65,000. Of the Annual Retainer, \$30,000 is to be paid in cash to each such director, other than the Audit Committee Financial Expert, who is to receive \$35,000 in cash (the "Cash Payment"). The Cash Payment is payable in equal installments on May 1 and November 1 of each year in which each non-employee director continues to serve as a member of the Board. Each non-employee director is to receive the balance of the Annual Retainer in the form of shares of Common Stock (the "Common Stock Payment"). The portion of the annual retainer that is paid in common stock will be determined by reference to the fair market value of our Common Stock. The fair market value of the Common Stock will be determined by reference to the closing price, as reported by the NASDAQ Stock Market, of the Common Stock on May 1 of each year, the payment date of the Common Stock Payment.

## DIRECTOR COMPENSATION TABLE

The table below summarizes the compensation paid by the Company to, or earned by, our non-employee directors for the year ended August 31, 2014.

Name (1)	Fees				Total
	Earned or Paid in Cash (\$)	Stock Awards (\$)(2)	Option Awards (\$)(3)	All Other Compensation (\$)	
(a)	(b)	(c)	(d)	(g)	(h)



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Douglas P. Boyd	30,000	30,000	-	-		60,000
Damian E. Dupuy	30,000	30,000	-	18,360	(4)	78,360
Timothy C. McQuay	30,000	30,000	-	-		60,000
Michael Nobel	30,000	30,000	-	-		60,000
Gerhard W. Sennewald	30,000	30,000	-	-		60,000
Steven G. Stewart	35,000	30,000	-	-		65,000

- (1) Harold R. Wolcott served as a director in fiscal year 2014, but is omitted from the Director Compensation Table because of his status as a Named Executive Officer in fiscal year 2014. No additional remuneration was paid to Mr. Wolcott for his service as a director.
- (2) The amounts shown in column (c) reflect the value of the 26,786 fully vested shares of Common Stock issued to each of the non-employee directors during fiscal year 2014 in accordance with FASB Accounting Standards Codification (“ASC”) Topic 718.
- (3) There were no stock options granted to the non-employee directors during fiscal 2014. As of the end of fiscal year 2014, each non-employee director had outstanding options for the following number of shares of Common Stock: Douglas P. Boyd, 115,000 shares; Timothy C. McQuay 47,457 shares; Michael Nobel, 135,000 shares; Gerhard W. Sennewald, 90,000 shares; and Steven G. Stewart, 106,368 shares.
- (4) Since 2007, Dr. Dupuy has served as a consultant to the Company. During fiscal year 2014, fees totaling \$12,360 were paid to Dr. Dupuy by the Company under such consulting arrangement, and \$6,000 was paid for honorarium.

## COMMUNICATIONS WITH DIRECTORS

We have not adopted a formal process for stockholder communications with the Board. We believe it is appropriate to not have a formal process for stockholder communications with the Board, because historically we have received such stockholder communications very infrequently. Nevertheless, we have tried to ensure that the views of stockholders are heard by the Board or individual directors, as applicable, and that appropriate responses are provided to stockholders in a timely manner. We believe our responsiveness to stockholder communications to the Board has been good. A stockholder may submit any communication with directors to us at our corporate offices, to the attention of Clinton E. Carnell Jr.

## RECOMMENDATION OF THE BOARD OF DIRECTORS

THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS THAT THE STOCKHOLDERS OF THE COMPANY VOTE FOR THE ELECTION OF ALL THE DIRECTOR NOMINEES LISTED ABOVE.

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PROPOSAL 2: ADVISORY VOTE ON EXECUTIVE COMPENSATION

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The Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010, or the Dodd-Frank Act, enables our stockholders to vote to approve, on an advisory (nonbinding) basis, the compensation of our named executive officers as disclosed in this Proxy Statement in accordance with the Securities and Exchange Commission's ("SEC" or "Commission") rules.

As described in detail under the heading "Executive Compensation – Compensation Discussion and Analysis," the overall objective of our executive compensation program is to help create long-term value for our stockholders by attracting and retaining talented executives, rewarding superior operating and financial performance, and aligning the long-term interests of our executives with those of our stockholders. Please read the "Compensation Discussion and Analysis" beginning on page 13 for additional details about our executive compensation programs, including information about the fiscal year 2014 compensation of our named executive officers.

We are asking our stockholders to indicate their support for our Named Executive Officer compensation as described in this Proxy Statement. This proposal, commonly known as a "say-on-pay" proposal, gives our stockholders the opportunity to express their views on our Named Executive Officers' compensation. Accordingly, we will ask our stockholders to vote "FOR" the following resolution at the Annual Meeting:

"RESOLVED, that the Company's stockholders approve, on an advisory basis, the compensation of the Named Executive Officers, as disclosed in the Company's Proxy Statement for the 2015 Annual Meeting of Stockholders pursuant to the compensation disclosure rules of the Securities and Exchange Commission, including the Compensation Discussion and Analysis, the 2014 Summary Compensation Table and the other related tables and disclosure."

The say-on-pay vote is advisory, and therefore not binding on the Company, the Compensation Committee or our Board of Directors. Our Board of Directors and our Compensation Committee value the opinions of our stockholders and to the extent there is any significant vote against the Named Executive Officer compensation as disclosed in this proxy statement, we will consider our stockholders' concerns and the Compensation Committee will evaluate whether any actions are necessary to address those concerns. We currently plan to hold our next say-on-pay vote at the annual meeting expected to be held in 2017.

A majority of the votes present in person or represented by proxy at the Annual Meeting is required to approve Proposal 2. Abstentions will have the same effect as votes against the proposal. Broker non-votes will have no effect on the vote for this proposal. Proposal 2 is non-binding. If no voting instructions are given, the accompanying proxy will be voted FOR this Proposal 2.

RECOMMENDATION OF THE BOARD OF DIRECTORS

THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS THAT THE STOCKHOLDERS OF THE COMPANY VOTE FOR THE APPROVAL OF THE COMPENSATION OF OUR NAMED EXECUTIVE OFFICERS, AS DISCLOSED IN THIS PROXY STATEMENT PURSUANT TO THE COMPENSATION DISCLOSURE RULES OF THE SECURITIES AND EXCHANGE COMMISSION.



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**PROPOSAL 3: RATIFICATION OF INDEPENDENT REGISTERED PUBLIC ACCOUNTANTS**


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We are asking the stockholders to ratify the selection of Tanner LLC as the Company's independent registered public accountants for the next year. A majority of the votes present in person or represented by proxy at the Annual Meeting is required to ratify the selection of Tanner LLC. Abstentions will have the same effect as votes against the proposal. Broker non-votes will have no effect on the vote for this proposal.

In the event the stockholders fail to ratify the appointment, the Audit Committee will consider it as a direction to select other auditors for the subsequent year. Even if the selection is ratified, the Board or Audit Committee, in their discretion, may direct the appointment of a different independent registered public accounting firm at any time during the year we determine that such change would be in the best interest of the Company and its stockholders.

Tanner LLC audited the Company's financial statements for fiscal years ended August 31, 2014 and 2013. Its representatives will be present at the annual meeting, and will have the opportunity to make a statement if they desire to do so and will be available to respond to appropriate questions.

**PRINCIPAL ACCOUNTANT FEES AND SERVICES**

The following table presents fees for professional services rendered by Tanner LLC for the audit of our annual financial statements for the fiscal years ended August 31, 2014 and 2013, and fees billed for other services rendered by Tanner LLC during those periods.

	2014	2013
Audit Fees (1)	\$ 94,100	\$ 83,700
Audit Related Fees (2)	16,500	10,800
Tax Fees (3)	13,900	14,300
All Other Fees	-	-
<b>Total</b>	<b>\$ 124,500</b>	<b>\$ 108,800</b>

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- (1) Audit Fees consist of fees billed for the audit of the Company's annual financial statements included in Form 10-K and services in connection with the Company's various statutory and regulatory filings. Audit fees also include fees related to the reviews of interim financial information included in Forms 10-Q.
- (2) Audit Related Fees consist of fees billed for consent or comfort letter procedures performed in conjunction with the Company filing a registration statement or completing financial transactions during the respective fiscal years.
- (3) Tax Fees consist of fees for the preparation of federal and state income tax returns.

**PRE-APPROVAL POLICIES**

The Audit Committee pre-approved all audit, audit-related and non-audit services performed by our independent auditors and subsequently reviewed the actual fees and expenses paid to Tanner LLC. The Audit Committee has determined that the fees paid to Tanner LLC for services are compatible with maintaining Tanner LLC's independence as our auditors.



## AUDIT COMMITTEE REPORT

The Audit Committee has reviewed and discussed our audited financial statements with our management and has discussed with Tanner LLC the matters required to be discussed by Statements of Auditing Standards No. 16, as amended (AICPA, Professional Standards, Vol. 1. AU section 380), as adopted by the Public Company Accounting Oversight Board in Rule 3200T.

The Audit Committee has received the written disclosures and the letter from Tanner LLC required by applicable requirements of the Public Company Accounting Oversight Board regarding the independent registered public accountant's communications with the Audit Committee concerning independence, and has discussed with Tanner LLC its independence from us.

Based on its review, the Audit Committee recommended to the Board of Directors that the audited financial statements for our fiscal year ended August 31, 2014 be included in our Annual Report on Form 10-K for our fiscal year ended August 31, 2014, which was filed on November 13, 2014.

Submitted by:

Douglas P. Boyd  
Steven G. Stewart  
Michael Nobel  
Timothy C. McQuay

Members of the Audit Committee

## RECOMMENDATION OF THE BOARD OF DIRECTORS

THE BOARD OF DIRECTORS RECOMMENDS A VOTE FOR THE PROPOSAL TO RATIFY THE SELECTION OF TANNER LLC TO SERVE AS THE COMPANY'S INDEPENDENT REGISTERED PUBLIC ACCOUNTANTS FOR THE FISCAL YEAR ENDING AUGUST 31, 2015.

## EXECUTIVE OFFICERS

The names of our executive officers, their ages, and their respective business backgrounds are set forth below as of November 30, 2014. For information regarding Clinton E. Carnell Jr.'s background, please see his biographical description above under Proposal 1 regarding the election of directors. There are no family relationships among any of our directors, officers or key employees.

Name	Age	Position
Clinton E. Carnell Jr.	45	President, Chief Executive Officer and Director
William S. Barth	64	Chief Financial Officer and Secretary

William S. Barth commenced his employment with us on December 10, 2012, and assumed the duties of Chief Financial Officer and Corporate Secretary effective January 1, 2013. Mr. Barth has an extensive history as chief financial officer for both publicly and privately held companies in the medical device and biotechnology industries. From May 2011 until December 10, 2012, he has served as an independent corporate financial and strategic planning consultant. From June 2008 to May 2011, he served as Sr. Vice President and Chief Financial Officer for Emphusion, LLC, a private-equity-owned Contract Research Organization (CRO) providing data management and bio-statistical analysis services for new drug and medical device development. From January 2001 through April 2008, Mr. Barth was VP of Finance and CFO for NWT Inc. /Tandem Labs (Tandem), a privately owned CRO, providing advanced bio-analytical services in support of new drug development. Mr. Barth was instrumental in the successful merger of Tandem with Laboratory Corporation of America in February 2008. During the 20 years prior to his experience with Tandem, he served as CFO for 6 medical device companies, two of which were publicly owned. During this time he played critical roles in completing several equity, debt and merger transactions. Mr. Barth began his career in finance while serving as a staff accountant with Deloitte & Touche, an international accounting and consulting firm.

## SIGNIFICANT EMPLOYEES

In addition to the officers and directors identified above, we expect the following individuals to make significant contributions to our business:

Name	Age	Position
Dixie Toolson Sells	64	Vice President of Regulatory Affairs
Sam Maravich, Jr.	57	Vice President of International Sales and Marketing
Todd H. Turnlund	48	Vice President of Engineering

Dixie Toolson Sells has served as Vice President of Regulatory Affairs of BSD since December 1994. Ms. Sells served as Administrative Director of BSD from 1978 to 1984; as Director of Regulatory Affairs from 1984 to September 1987; and as Vice President of Regulatory Affairs from September 1987 to October 1993. In October 1993, Ms. Sells resigned as Vice President of Regulatory Affairs, and she served as Director of Regulatory Affairs from October 1993 to December 1994. In December 1994, Ms. Sells was re-appointed as Vice President of Regulatory Affairs and was appointed as Corporate Secretary by the Board of Directors. Ms. Sells resigned as Corporate Secretary of BSD in March 2002. Ms. Sells also serves on the Board of Directors of the Intermountain Biomedical Association.



Sam Maravich, Jr. was appointed Vice President of Sales and Marketing in February 2012 and currently serves as our Vice President of International Sales and Marketing. Mr. Maravich has over 8 years of clinical experience and 35 years of medical device sales and marketing experience with both medical device start up and Fortune 500 companies. His clinical expertise includes respiratory, trauma, enteral feeding, and ICU. He has been responsible for developing sales and marketing strategies for new innovative products and changing direction on mature product categories. He has initiated sales processes, developed sales teams, and used sales operations to measure progress towards sales goals. He helped developed new marketing plans for innovative products in Interventional Radiology and Respiratory Therapy. Prior to joining BSD, Mr. Maravich served in various sales positions, including Director of Sales Operations Medical Devices Kimberly Clark from April 2002 to July 2003, Director of Sales Temperature Management Kimberly Clark from July 2003 to April 2006, Director of Sales Operations Marketing Kimberly Clark from April 2006 to July 2008, and Director of Sales Medical Devices Kimberly Clark from May 2008 to February 2012. Mr. Maravich has a BA in Finance from The Ohio State University.

Todd H. Turnlund was appointed Vice President of Engineering in January 2010. Mr. Turnlund has over 22 years of medical device experience with both medical device start up and Fortune 500 companies. His expertise includes translating unmet clinical needs into commercially successful products, creating intellectual property, developing new technology, and transferring product designs to manufacturing. Prior to joining BSD, Mr. Turnlund served in various research and development management positions, including Director of Research and Development at Boston Scientific from January 2005 to January 2008, an independent consultant from January 2008 to October 2009, and Director of Research and Development at C.R. Bard from November 2009 to January 2010. Mr. Turnlund has a Mechanical Engineering Degree from the University of California at Santa Barbara, and an MBA from Santa Clara University.

## EXECUTIVE COMPENSATION

### COMPENSATION DISCUSSION AND ANALYSIS

The following discussion and analysis provides information regarding our executive compensation objectives and principles, procedures, practices and decisions, and is provided to help give perspective to the numbers and narratives that follow in the tables in this section. This discussion will focus on our objectives, principles, practices and decisions with regards to the compensation of Clinton E. Carnell Jr., President and Chief Executive Officer, Harold R. Wolcott, former President and Chief Executive Officer, and William S. Barth, Chief Financial Officer and Secretary, our named executive officers (“Named Executive Officers”) for the fiscal year ended August 31, 2014.

#### Executive Compensation Objectives and Principles

The overall objective of our executive compensation program is to help create long-term value for our stockholders by attracting and retaining talented executives, rewarding superior operating and financial performance, and aligning the long-term interests of our executives with those of our stockholders. Accordingly, our executive compensation program incorporates the following principles:

- Compensation should be based upon individual job responsibility, demonstrated leadership ability, management experience, individual performance, and Company performance.
- Compensation should reflect the fair market value of the services received. We believe that a fair and competitive pay package is essential to attract and retain talented executives in key positions.
- Compensation should reward executives for long-term strategic management and enhancement of stockholder value.
- Compensation should reward performance and promote a performance oriented environment.

#### Executive Compensation Procedures

We believe that compensation paid to our executive officers should be closely aligned with our performance and the performance of each individual executive officer on both a short-term and a long-term basis, should be based upon the value each executive officer provides to us, and should be designed to assist us in attracting and retaining the best possible executive talent, which we believe is critical to our long-term success. To attain our executive compensation objectives and implement the underlying compensation principles, we follow the procedures described below.

Role of the Compensation Committee. The Compensation Committee has responsibility for establishing and monitoring our executive compensation programs and for making decisions regarding the compensation of our Named Executive Officers. The agenda for meetings of the Compensation Committee is determined by the Chairman of the Compensation Committee. The Compensation Committee sets the compensation package and annual bonus of the Named Executive Officers. Our Chief Executive Officer recommends items to be considered by the Compensation Committee from time to time, including the compensation package for the other Named Executive Officers; and participates in meetings in which the compensation package of the other Named Executive Officers is discussed.

The Compensation Committee relies on its judgment in making compensation decisions after reviewing our performance and evaluating our executives' leadership abilities and responsibilities with our Company and their current compensation arrangements. The Compensation Committee assessment process is designed to be flexible so as to better respond to the evolving business environment and individual circumstances.

At our 2013 annual meeting of stockholders, over 95% of the votes cast were in favor of our executive compensation program. When designing our executive compensation program, the Compensation Committee considered, among other things, the 2013 voting results and other feedback we received from our stockholders and determined not to make any significant changes to the design of our executive compensation program.

Role of Compensation Consultant. We have not engaged a compensation consultant since 2006.

#### Elements of Compensation

Our executive compensation objectives and principles are implemented through the use of the following elements of compensation, each discussed more fully below:

- Base Salary
- Annual Incentive Bonuses
- Stock-Based Compensation
- Other Benefits

**Base Salary.** The Compensation Committee approved the salaries of all our executive officers for fiscal year 2014. Base salaries are offered to ensure that our executive officers receive an ongoing level of compensation. Salary decisions concerning these officers were based upon a variety of considerations consistent with the compensation philosophy stated above. First, salaries were competitively set relative to both other companies in the medical products industry and other comparable companies. In determining the salaries for our executives in fiscal 2014, the Compensation Committee considered the compensation of some of the public companies in the biotechnology industry. The Compensation Committee considered each officer's level of responsibility and individual performance, including an assessment of the person's overall value to the Company. In addition, internal equity among employees was factored into the decision. Finally, the Compensation Committee considered our financial performance and our ability to absorb any increases in salaries.

**Annual Incentive Bonuses.** Annual incentive bonuses are designed to reward extraordinary performance by our executives. For fiscal years 2014 and 2013, the Compensation Committee did not precisely define the parameters of a bonus program for the Named Executive Officers, and no bonuses were awarded to the Named Executive Officers.

**Stock-Based Compensation.** Each Named Executive Officer is eligible to participate in the Stock Incentive Plan, which provides for the granting of stock options, stock appreciation rights, performance awards, other stock-based awards, and cash-based awards to selected employees, non-employees and directors. Stock-based compensation is designed to more closely align the interests of management with those of our stockholders. Historically, we have issued options pursuant to this incentive plan, and typically these options vest ratably over a term of up to 5 years as determined by the Compensation Committee. Recent stock option grants vest over 3 years. We do not have any policies for allocating compensation between long-term and currently paid out compensation or between cash and non-cash compensation or among different forms of non-cash compensation. Although we do not have any formal policy for determining the amount of stock options or the timing of our stock option grants, we have historically

granted stock options to high-performing employees (i) in recognition of their individual achievements and contributions to our company, and (ii) in anticipation of their future service and achievements. No stock options were granted to Mr. Wolcott or Mr. Barth during the year ended August 31, 2014.

Other Benefits. Our Named Executive Officers receive the same benefits that are available to all other full time employees, including the payment of health, dental, life and disability insurance premiums.

### Deductibility of Executive Compensation

Internal Revenue Service (“IRS”) Code Section 162(m) limits the amount that we may deduct for compensation paid to our principal executive officer and to each of our three most highly compensated officers (other than our principal financial officer) to \$1.0 million per person, unless certain exemption requirements are met. Exemptions to this deductibility limit may be made for various forms of performance-based compensation. In the past, annual salary and bonus compensation to our executive officers has not exceeded \$1.0 million per person, so the compensation has been deductible. In addition to salary and bonus compensation, upon the exercise of stock options that are not treated as incentive stock options, the excess of the current market price over the option price, or option spread, is treated as compensation and accordingly, in any year, such exercise may cause an officer’s total compensation to exceed \$1.0 million. Under certain regulations, option spread compensation from options that meet certain requirements will not be subject to the \$1.0 million cap on deductibility. While the Compensation Committee cannot predict how the deductibility limit may impact our compensation program in future years, the Compensation Committee currently anticipates that it will generally maintain an approach to executive compensation that strongly links pay to performance.

The Compensation Committee reviews and considers the deductibility of executive compensation under Section 162(m) of the IRS Code. In certain situations, the Compensation Committee may approve compensation that will not meet the requirements of IRS Code Section 162(m) in order to ensure competitive levels of total compensation for its executive officers.

### Material Issues Relating to Fiscal 2014 Compensation

On April 29, 2014, the Company announced that the Company’s President and Chief Executive Officer, Mr. Harold R. Wolcott, would relinquish his positions as President and Chief Executive Officer of the Company upon the Company’s hiring of a new President and Chief Executive Officer. Mr. Wolcott agreed to continue to serve on the Company’s board of directors and on the search committee responsible for finding the Company’s next chief executive officer.

On April 28, 2014, the Company entered into a letter agreement with Mr. Wolcott, pursuant to which Mr. Wolcott would receive severance benefits that supersede the severance benefits Mr. Wolcott was previously entitled to receive under his employment agreement. Pursuant to the letter agreement, if Mr. Wolcott ceased to serve as President and Chief Executive Officer of the Company for any reason (other than for cause), the Company would pay to Mr. Wolcott an amount equal to his current base salary, and the vesting of his equity awards would immediately vest and become exercisable. Notwithstanding the foregoing, if Mr. Wolcott voluntarily terminated his service with the Company without good reason before the first to occur of (1) the expiration of six months from the date of the letter agreement, or (2) the selection of a new chief executive officer by the Company, then the Company would not be obligated to pay the severance benefits described in this paragraph. A copy of the letter agreement is attached as Exhibit 10.1 to the BSD Medical Corporation Form 8-K filed April 29, 2014.

On November 10, 2014, the Company named Clinton E. Carnell Jr. as President and Chief Executive Officer of the Company. In connection with his appointment, Mr. Carnell agreed on an annual base salary of \$350,000, and an annual bonus of \$150,000 for the first and second years of employment. The Company also granted a non-statutory stock option to Mr. Carnell to purchase 1,400,000 shares of the Company’s stock that vests in three equal installments on the anniversary dates of his employment, has a ten year term, and an exercise price of \$0.46 per share.

## COMPENSATION COMMITTEE REPORT

The Compensation Committee has reviewed the foregoing Compensation Discussion and Analysis required by Item 402(b) of Regulation S-K, and discussed the Compensation Discussion and Analysis with the Company's management. Based on such review and discussions with management, the Compensation Committee recommended to the Board that the foregoing Compensation Discussion and Analysis be included in this Proxy Statement.

## COMPENSATION COMMITTEE

Douglas P. Boyd  
 Steven G. Stewart  
 Michael Nobel  
 Timothy C. McQuay

## Summary Compensation Table

The table below summarizes the total compensation paid to or earned by each of the Named Executive Officers for services in all capacities to the Company and its affiliates for the years ended August 31, 2014, 2013 and 2012:

Name and Principal Position (a)	Year (b)	Salary (c)	Bonus (d)	Option Awards (e)	All Other Compensation (i)	Total (j)
Harold R. Wolcott President	2014	\$275,000	\$-	\$-	\$ 13,449 (1)	\$288,449
	2013	257,019	-	99,000	13,449	369,468
	2012	250,000	-	-	13,437	263,437
William S. Barth Chief Financial Officer	2014	200,000	-	-	12,340 (2)	212,340
	2013	146,153	-	170,000	1,755	317,908

(1) These amounts consist of: medical insurance reimbursement of \$9,794, life insurance premiums of \$122, dental insurance premiums of \$483, disability insurance premiums of \$2,050, and holiday payment of \$1,000 paid by the Company in fiscal year 2014.

(2) These amounts consist of: medical insurance reimbursement of \$8,708, life insurance premiums of \$166, dental insurance premiums of \$483, disability insurance premiums of \$1,983, and holiday payment of \$1,000 paid by the Company in fiscal year 2014.

## Grants of Plan-Based Awards – Fiscal Year 2014

There were no plan-based awards granted to the Company's Named Executive Officers in fiscal year 2014.

## Employment Agreements

On November 10, 2014, the Company named Clinton E. Carnell Jr. as President and Chief Executive Officer of the Company. Mr. Carnell has also been appointed to the Board of Directors. Mr. Carnell succeeds Harold (Butch) R. Wolcott, who announced in April 2014 his intent to step down as President and Chief Executive Officer upon the

hiring of a successor. The Company plans to enter into an employment agreement with Mr. Carnell and will provide the details of the employment agreement when available.



In connection with his appointment, Mr. Carnell and the Company entered into an offer letter agreement providing for at-will employment for an indefinite term, an annual base salary of \$350,000, an annual bonus of \$150,000 for the first year of employment, and a bonus of \$150,000, or a pro rata portion thereof, for the second year of employment. If the Company completes and closes in fiscal year 2015 an equity offering that generates to the Company at least \$5 million in net proceeds, then the Company will engage a compensation consulting firm to conduct a study of compensation of chief executive officer's in companies comparable to the Company, which study shall then be used to negotiate Mr. Carnell's overall compensation after August 31, 2015. If the Company does not complete and close such an equity offering in fiscal year 2015, then the Company shall engage a compensation consulting firm in fiscal year 2016 to negotiate Mr. Carnell's salary after August 31, 2016. The offer letter also provides that Mr. Carnell is eligible to participate in the employee benefit programs of the Company generally available to executives of the Company.

In connection with Mr. Carnell's appointment, on November 10, 2014, the Company issued an inducement equity award outside the Company's Stock Incentive Plan in accordance with the NASDAQ inducement grant exception found in NASDAQ Listing Rule 5635(c)(4). The grant is a non-statutory stock option to purchase 1,400,000 shares of the Company's common stock. The grant was made as a component of Mr. Carnell's employment compensation. The inducement grant was approved by the Company's Compensation Committee of the Board of Directors, and was made as an inducement material to Mr. Carnell's acceptance of employment with the Company. The stock option granted to Mr. Carnell has an exercise price of \$0.46 per share, equal to the closing price of the Company's common stock on November 10, 2014. The stock option has a ten year term and vests in three equal installments beginning with the first anniversary date on November 10, 2015.

There are no arrangements or understandings between Mr. Carnell and any other persons pursuant to which he was selected as President and Chief Executive Officer or appointed to the Board. There are also no family relationships between Mr. Carnell and any director or executive officer of the Company.

On April 28, 2014, we entered into a letter agreement with our President and Chief Executive Officer, Mr. Harold R. Wolcott, to relinquish his positions as President and Chief Executive Officer of the Company upon the Company's hiring of a new President and Chief Executive Officer. Mr. Wolcott agreed to continue to serve on the Company's board of directors and on the search committee responsible for finding the Company's next chief executive officer.

With the hiring of a new President and Chief Executive Officer effective November 10, 2014, and under the terms of the April 28, 2014 letter agreement and the May 22, 2013 employment agreement (together, the "Wolcott Agreements") by and between Mr. Wolcott and the Company, the Company is now providing severance benefits to Mr. Wolcott. These severance benefits include payments to Mr. Wolcott, over six months, of an amount equal to one year of his base salary at the time of termination, and immediate vesting of all options and incentive awards granted to Mr. Wolcott. The employment agreement also provides that, upon Mr. Wolcott's termination, we agree to indemnify him for expenses associated with defending certain claims made against him as a result of his positions with the Company, and directors' and officers' liability insurance coverage for a period of six years following his termination. These agreements also contain a confidentiality agreement, a one-year non-competition and non-solicitation agreement and a claw back provision that enables the Company to claw back any incentive-based compensation or other compensation from Mr. Wolcott if required by any law, government regulation, stock exchange listing requirement, or Company policy adopted as required by such law, government regulation, or stock exchange listing requirement.

On November 7, 2014 the Company signed an agreement ("Consulting Agreement"), effective November 10, 2014, to engage Mr. Wolcott as an independent contractor to provide consulting services to the Company. These services will consist generally of transition services, development and maintenance of strategic business relationships, advice concerning product lines and personnel, and the Company's general business efforts, as directed by the Company's Chief Executive Officer and the Company's Chairman of the Board of Directors. The term of the Consulting Agreement is for 24 months beginning November 10, 2014, with a provision to renew for an additional 12 month

period unless either party cancels. The Company will pay a retainer fee of \$2,500 per month for up to 20 hours per month of time expended by Mr. Wolcott, and \$125 per hour for documented hours in excess of 20 hours per month. The Company will also reimburse Mr. Wolcott for actual, reasonable and documented out-of-pocket expenses incurred in connection with providing services to the Company. Under this Consulting Agreement, stock options that have been granted to Mr. Wolcott will continue to vest and be exercisable, until 90 days after the expiration of the Consulting Agreement. Mr. Wolcott will be allowed, at no cost to him, to receive benefits for the term of this Consulting Agreement, under the Company's present employee benefit plans, to the extent permitted by the terms of such plans

On September 16, 2014, we entered into an employment agreement with Mr. Barth (the “Barth Agreement”). The Barth Agreement memorializes the parties’ agreement with respect to Mr. Barth’s continued employment as the Chief Financial Officer of the Company.

The Barth Agreement provides that Mr. Barth’s base salary shall be \$200,000, which base salary will be reviewed at least annually by the Compensation Committee of the Board of Directors, and the Board may increase (but not decrease) the base salary. In addition to the base salary, Mr. Barth is entitled to participate in any annual incentive bonus programs and employee benefit plans adopted or maintained by the Company. Mr. Barth is also eligible to participate in our Stock Incentive Plan.

We also agree to indemnify Mr. Barth for expenses associated with defending certain claims made against him as a result of his positions with the Company. We also agreed to purchase directors’ and officers’ liability insurance providing coverage to Mr. Barth during the term of the Barth Agreement and for a period of six years following the termination of the Barth Agreement.

Under the Barth Agreement, if Mr. Barth is terminated by the Company other than for cause or if Mr. Barth resigns for good reason and if Mr. Barth complies with certain requirements, the Company must pay him an amount equal to his base salary for one year and he shall be entitled to receive all applicable employee benefits for one year following termination. If the Barth Agreement is terminated for cause, Mr. Barth shall receive only the portion of his base salary that is due to him through the effective date of his termination. If the Barth Agreement is terminated by reason of Mr. Barth’s death, his estate shall receive his salary through the end of the month in which he died plus all employee benefits due to him through the end of such month.

If a Change in Control (as defined in the Barth Agreement) occurs with respect to the Company, and during the six months immediately following the Change of Control, (i) the Company terminates Mr. Barth without cause; (ii) Mr. Barth terminates his employment with good reason; or (iii) Mr. Barth terminates but also agrees to continue serving as Chief Financial Officer for the longer of (a) six months and (b) until a new Chief Financial Officer is appointed, then in addition to the Severance Payment, all options or incentive awards granted to Mr. Barth will immediately vest and become exercisable for a period of 180 days following the termination.

The Barth Agreement also contains a confidentiality agreement, a one-year non-competition and non-solicitation agreement and a claw back provision that enables the Company to claw back any incentive-based compensation or other compensation from Mr. Barth if required by any law, government regulation, stock exchange listing requirement, or Company policy adopted as required by such law, government regulation, or stock exchange listing requirement.

#### Outstanding Equity Awards at Fiscal Year-End 2014

The following table provides information on the fiscal year-end 2014 holdings of Company stock options by the Named Executive Officers.

Name	Number of Securities Underlying Unexercised Options Exercisable	Number of Securities Underlying Unexercised Options Unexercisable	Option Exercise Price (\$)	Option Expiration Date
(a)	(b)	(c)	(e)	(f)

Harold R. Wolcott	585,760	-	1.70	04/10/2019
Harold R. Wolcott	150,000	-	4.66	02/02/2021
Harold R. Wolcott	50,000	100,000 (1)	1.20	05/22/2023
William S. Barth	66,667	133,333 (1)	1.59	12/10/2022

(1) Options vest in equal annual installments (33.3% each year) on the anniversary of the grant date.

## Option Exercises and Stock Vested for Fiscal Year 2014

The Named Executive Officers did not exercise any stock options during the year ended August 31, 2014

## Payments Upon Termination

The information below describes and quantifies certain payments or benefits that are, or would be payable to Named Executive Officers under employment agreements and our existing plans and programs in the event that either Named Executive Officer terminates employment with the Company. These benefits are in addition to benefits generally available to all salaried employees of the Company in connection with a termination of employment such as disability and life insurance benefits, the value of employee-paid group health plan continuation coverage under COBRA, to the extent permitted by such plans, and accrued vacation pay.

As discussed above under “Employment Agreements,” the Wolcott Agreements define the terms of certain severance payments and benefits that are due to Mr. Wolcott upon the termination of his employment with the Company. Mr. Wolcott relinquished his position of President and Chief Executive Officer effective November 10, 2014, upon the hiring of Mr. Clinton E. Carnell Jr., Mr. Wolcott agreed to continue to serve on the Company’s Board of Directors.

Under the provisions of the Wolcott Agreements, Mr. Wolcott will be provided a severance payment over six months, totaling \$275,000, which equates to one year of his base salary at the time of termination. Under the terms of the Wolcott Agreements, all options and incentive awards granted to Mr. Wolcott immediately vested upon his termination, and he is entitled to receive all applicable employee benefits that are allowable under the respective benefit plans.

Under the terms of the Consulting Agreement between Mr. Wolcott and the Company, discussed in “Employment Agreements” above, the Company pays a \$2,500 per month retainer fee to Mr. Wolcott for a period of 24 months, beginning November 10, 2014, for Mr. Wolcott to provide up to 20 hours per month of consulting services to the Company. The Company also pays Mr. Wolcott \$125 per hour for documented hours in excess of 20 hours per month, in addition to actual, reasonable and documented out-of-pocket expenses incurred in connection with providing services to the Company.

The information below describes the compensation that would be payable under Mr. Wolcott’s and Mr. Barth’s employment agreements if their employment had been terminated on August 31, 2014, given their compensation and benefit levels as of such date, and if applicable, based on our closing stock price on that date.

	Wolcott Termination and Change of Control Stock Option Vesting Acceleration	Wolcott Termination and Change of Control Stock Option Vesting Acceleration	Barth Termination and Change of Control Stock Option Vesting Acceleration	Barth Termination and Change of Control Stock Option Vesting Acceleration
	Wolcott Termination (\$)	Wolcott Termination (\$)	Barth Termination (\$)	Barth Termination (\$)
Severance Payment (1) (2)	275,000	275,000	200,000	200,000
Continuance of Benefits (3)	12,449	12,449	11,340	11,340
	-	-	-	-

Deemed Exercise and Sale  
of Stock Option Shares (4)

Total	287,449	287,449	211,340	211,340
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- (1) Mr. Wolcott's employment agreement provides for severance pay equal to Mr. Wolcott's current annual salary. One half of the total amount due is to be paid in a lump sum payment within thirty days following the effective date of the termination, the balance over six months.
- (2) Mr. Barth's employment agreement provides for severance pay equal to Mr. Barth's current annual salary in one lump sum payment within thirty days following the effective date of the termination.
- (3) Estimated cost to BSD of applicable employee benefits for one year following termination (including medical insurance) provided for under employment agreements.
- (4) The deemed value received for the exercise and sale of in-the-money stock options is \$0, based on the closing stock price of the Company's common stock of \$0.65 as of August 31, 2014.

As of August 31, 2014, we did not have an agreement with Mr. Barth to pay him severance or other benefits following termination of his employment.

On September 16, 2014, we entered into an employment agreement with Mr. Barth (the “Barth Agreement”) that provides that, if Mr. Barth is terminated by the Company other than for cause, or if Mr. Barth resigns for good reason and if Mr. Barth complies with certain requirements, we are obligated to pay him in one lump sum payment within thirty days following the effective date of the termination an amount equal to his base salary for one year (the “Severance Payment”) and he shall be entitled to receive all applicable employee benefits for one year following termination. If the Barth Agreement is terminated for cause, Mr. Barth shall receive only the portion of his base salary that is due to him through the effective date of his termination. If the Barth Agreement is terminated by reason of Mr. Barth’s death, his estate shall receive his salary through the end of the month in which he died plus all employee benefits due to him through the end of such month.

If a Change in Control (as defined in the Barth Agreement) occurs with respect to the Company, and during the six months immediately following the Change of Control, (i) the Company terminates Mr. Barth without cause; (ii) Mr. Barth terminates his employment with good reason; or (iii) Mr. Barth terminates the Barth Agreement but also agrees to continue serving as Chief Financial Officer for the longer of (a) six months and (b) until a new Chief Financial Officer is appointed, then in addition to the Severance Payment, all options or incentive awards granted to Mr. Barth will immediately vest and become exercisable for a period of 180 days following the termination.

The Barth Agreement also contains a confidentiality agreement, and a one-year non-competition and non-solicitation agreement. The Barth Agreement contains a claw back provision that enables the Company to claw back any incentive-based compensation or other compensation from Mr. Barth if required by any law, government regulation, stock exchange listing requirement, or Company policy adopted as required by such law, government regulation, or stock exchange listing requirement.

## SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth information known to us with respect to beneficial ownership of our Common Stock as of December 12, 2014 for (i) each director and nominee, (ii) each holder of 5.0% or greater of our Common Stock, (iii) our Named Executive Officers, and (iv) all executive officers and directors as a group. Beneficial ownership is determined in accordance with the rules of the Commission, and generally includes voting or investment power with respect to securities. Shares subject to options that are exercisable within 60 days following December 12, 2014 are deemed to be outstanding and beneficially owned by the optionee or group of optionees for the purpose of computing share and percentage ownership of that optionee or group of optionees, but are not deemed to be outstanding for the purpose of computing the percentage ownership of any other person. Except as indicated by footnote, the persons named in the table have sole voting and investment power with respect to all shares of Common Stock shown beneficially owned by them. The inclusion of any shares as beneficially owned does not constitute an admission of beneficial ownership of those shares. The percentage calculation of beneficial ownership is based on 39,689,209 shares of Common Stock outstanding as of December 12, 2014. Except as otherwise noted, the address of each person listed on the following table is 2188 West 2200 South, Salt Lake City, Utah 84119.

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Name of Beneficial Owner	Common Stock Beneficially Owned	
	Shares	Percent
<b>Officers and Directors</b>		
Dr. Gerhard W. Sennewald(1)	6,483,226	16.3 %
Dr. Michael Nobel(2)	469,545	1.2 %
Douglas P. Boyd(3)	317,728	*
Steven G. Stewart(4)	246,368	*
Timothy C. McQuay(5)	180,836	*
Damian E. Dupuy, MD	69,330	*
Harold R. Wolcott(6)	898,260	2.2 %
William S. Barth(7)	153,333	*
Clinton E. Carnell Jr. (8)	-	-
<b>All Executive Officers and Directors as a Group (9 persons)(9)</b>	<b>8,818,626</b>	<b>21.4 %</b>

\* Less than 1%

- (1) Includes 90,000 shares subject to stock options that are currently exercisable or exercisable within 60 days after December 12, 2014.
- (2) Includes 115,000 shares subject to stock options that are currently exercisable or exercisable within 60 days after December 12, 2014.
- (3) Includes 115,000 shares subject to stock options that are currently exercisable or exercisable within 60 days after December 12, 2014.
- (4) Includes 106,368 shares subject to stock options that are currently exercisable or exercisable within 60 days after December 12, 2014.
- (5) Includes 47,457 shares subject to stock options that are currently exercisable or exercisable within 60 days after December 12, 2014.
- (6) Includes 885,760 shares subject to stock options that are currently exercisable or exercisable within 60 days after December 12, 2014. Mr. Wolcott resigned his positions as President and Chief Executive Officer effective November 10, 2014.
- (7) Includes 133,333 shares subject to stock options that are currently exercisable or exercisable within 60 days after December 12, 2014.
- (8) Mr. Carnell was appointed Chief Executive Officer and President, effective November 10, 2014.
- (9) Includes 1,492,918 shares subject to stock options that are currently exercisable or exercisable within 60 days after December 12, 2014.

**EQUITY COMPENSATION PLAN INFORMATION**

The following table summarizes the Company's equity compensation plans as of August 31, 2014.

Plan category	Number of securities to be issued	Weighted-average exercise price of outstanding options, warrants	Number of securities remaining available
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	upon exercise of outstanding options, warrants and rights		and rights	for future issuance under equity compensation plans (excluding securities reflected in column (a))
	(a)		(b)	(c)
Equity compensation plans approved by security holders (1)	3,862,920	\$	2.88	1,838,129
Equity compensation plans not approved by security holders (2)	-		-	-
<b>Total</b>	<b>3,862,920</b>	<b>\$</b>	<b>2.88</b>	<b>1,838,129</b>

- (1) A total of 8,087,300 shares of Common Stock have been reserved for issuance under the plans. To date, a total of 2,216,561 options have been exercised under the plans.
- (2) An inducement grant was made to Clinton E. Carnell Jr. on November 10, 2014. This grant is not included in the above table, since the table is dated as of August 31, 2014.

## SECTION 16(A) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Section 16(a) of the Securities Exchange Act of 1934, as amended, requires the Company's directors and officers and persons who own more than 10% of a registered class of the Company's equity securities to file with the Commission initial reports of ownership and reports of changes in ownership of equity securities of the Company. Officers, directors, and greater than 10% stockholders are required to furnish the Company with copies of all Section 16(a) forms they file. Based solely on review of the copies of such forms received by the Company, or written representations from certain reporting persons, the Company believes that during the year ended August 31, 2014 all reporting persons complied with all applicable filing requirements.

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## CERTAIN RELATIONSHIPS AND RELATED PERSON TRANSACTIONS

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Since September 1, 2012, there has not been, nor is there any proposed transaction in which the Company was or will be a party or in which it was or will be a participant, involving an amount that exceeded or will exceed \$120,000 and in which any director, executive officer, beneficial owner of more than 5% of any class of the Company's voting securities, or any member of the immediate family of any of the foregoing persons had or will have a direct or indirect material interest, other than the transactions which are described below.

Dr. Sennewald Medizintechnik GmbH. BSD supplies hyperthermia therapy systems and related component parts to Dr. Sennewald Medizintechnik GmbH and its affiliate BSD BioSystems Design, S.A. ("Medizintechnik") located in Munich, Germany, which is a significant distributor of BSD's products in Europe. Medizintechnik purchases equipment, which it installs, and component parts to service the BSD hyperthermia therapy systems that Medizintechnik sells to its customers in Europe. For the fiscal years 2014 and 2013, BSD had revenue of \$419,549 and \$99,896, respectively, from the sale of systems and various component parts sold to Medizintechnik. As of August 31, 2014 and 2013, accounts receivable from Medizintechnik were \$8,322 and \$24,201, respectively. BSD received \$200,000 from Medizintechnik in November 2014 for partial payment of equipment shipped and installed. BSD expects that Medizintechnik will make an additional payment of \$240,000 for the remaining balance during the next year.

Dr. Gerhard W. Sennewald, one of BSD's directors and significant stockholders, is the President and Chief Executive Officer of Medizintechnik and its sole stockholder. Management believes the terms of the transactions with Medizintechnik were arms length and fair to the Company.

The Company does not have a formal written process for reviewing related person transactions. The Company expects that the Audit Committee will review for potential conflict of interest situations, on an ongoing basis, any future proposed transaction, or series of transactions, with related persons, and either approve or disapprove each reviewed transaction or series of related transactions with related persons.

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## STOCKHOLDER PROPOSALS

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No proposals have been submitted by stockholders of the Company for consideration at the Annual Meeting. It is anticipated that the next annual meeting of stockholders will be held on or about February 1, 2016. Stockholders may present proposals for inclusion in the proxy statement to be mailed in connection with the 2016 annual meeting of stockholders of the Company, provided such proposals are received by the Company in writing no later than August 31, 2015 and are otherwise in compliance with Commission regulations regarding the inclusion of stockholder proposals in company-sponsored proxy materials. Pursuant to rules adopted by the Commission, if a stockholder intends to propose any matter for a vote at the Company's 2016 annual meeting of stockholders, but fails to notify the Company of that intention by November 14, 2015, then a proxy solicited by the Board of Directors may be voted on that matter in the discretion of the proxy holder, without discussion of the matter in the proxy statement soliciting the proxy and without the matter appearing as a separate item on the proxy card.

## OTHER MATTERS

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The Company is unaware of any business, other than described in this Proxy Statement that may be considered at the Annual Meeting. If any other matters should properly come before the Annual Meeting, it is the intention of the persons named in the accompanying form of proxy to vote the proxies held by them in accordance with their best judgment.

To assure the presence of the necessary quorum and to vote on the matters to come before the Annual Meeting, please promptly indicate your choices via the internet, by phone or by mail, according to the procedures described on the proxy card. The submission of a proxy via the internet, by phone or by mail does not prevent you from attending and voting at the Annual Meeting.

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## AVAILABLE INFORMATION

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The Company is subject to the informational requirements of the Securities Exchange Act of 1934, as amended, and, in accordance therewith, files reports and other information with the Commission. Any interested party may inspect information filed by the Company, without charge, at the public reference facilities of the Commission at its principal office at 100 F. Street, N.E., Washington, D.C. 20549. Any interested party may obtain copies of all or any portion of the information filed by the Company at prescribed rates from the Public Reference Section of the Commission at its principal office at 100 F. Street, N.E., Washington, D.C. 20549. In addition, the Commission maintains an Internet site that contains reports, proxy and information statements and other information regarding the Company and other registrants that file electronically with the Commission at <http://www.sec.gov>.

The Company's Common Stock is listed on the NASDAQ Stock Market and trades under the symbol "BSDM".

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## ADDITIONAL INFORMATION

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The Company will provide without charge to any person from whom a proxy is solicited by the Board of Directors, upon the written request of that person, a copy of the Company's Annual Report on Form 10-K for the fiscal year ended August 31, 2014, including the financial statements and schedules thereto (as well as exhibits thereto, if specifically requested), required to be filed with the Commission. Written requests for that information should be directed to the Secretary of the Company at the address on the first page of this proxy statement.

