

OWENS & MINOR INC/VA/

Form 11-K

June 26, 2008

Table of Contents

**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

WASHINGTON, D.C. 20549

**FORM 11-K**

**FOR ANNUAL REPORTS OF EMPLOYEE STOCK  
PURCHASE, SAVINGS AND SIMILAR PLANS PURSUANT TO  
SECTION 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

(Mark One)

**ANNUAL REPORT PURSUANT TO SECTION 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934.**

For the fiscal year ended: December 31, 2007

OR

**TRANSITION REPORT PURSUANT TO SECTION 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934.**

For the transition period from \_\_\_\_\_ to \_\_\_\_\_.

Commission file number 1-9810.

A. Full title of the plan:

**Owens & Minor 401(k) Savings and Retirement Plan**

B. Name of issuer of the securities held pursuant to the plan and the address of its principal executive office:

Owens & Minor, Inc.

9120 Lockwood Blvd.

Mechanicsville, Virginia 23116

**Table of Contents**

**OWENS & MINOR**

**401(k) SAVINGS AND RETIREMENT PLAN**

**Table of Contents**

	<b>Page</b>
Report of Independent Registered Public Accounting Firm	1
<u>Statements of Net Assets Available for Benefits</u> December 31, 2007 and 2006	2
<u>Statements of Changes in Net Assets Available for Benefits</u> Years ended December 31, 2007 and 2006	3
<u>Notes to Financial Statements</u> December 31, 2007 and 2006	4
<b><u>Schedule</u></b>	
<u>Schedule H, Line 4i - Schedule of Assets (Held at End of Year)</u> December 31, 2007	9
<u>Exhibit Index</u>	10

**Table of Contents**

**Report of Independent Registered Public Accounting Firm**

The Board of Directors

Owens & Minor, Inc.:

We have audited the accompanying statements of net assets available for benefits of the Owens & Minor 401(k) Savings and Retirement Plan (the Plan) as of December 31, 2007 and 2006, and the related statements of changes in net assets available for benefits for the years then ended. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets available for benefits of the Owens & Minor 401(k) Savings and Retirement Plan as of December 31, 2007 and 2006, and the changes in net assets available for benefits for the years then ended in conformity with U.S. generally accepted accounting principles.

Our audits were performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental schedule of assets (held at end of year) is presented for the purpose of additional analysis and is not a required part of the basic financial statements but is supplementary information required by the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. The supplemental schedule is the responsibility of the Plan's management. The supplemental schedule has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Richmond, Virginia

June 26, 2008

**Table of Contents****Owens & Minor****401(k) SAVINGS AND RETIREMENT PLAN**

## Statements of Net Assets Available for Benefits

December 31, 2007 and 2006

	2007	2006
Investments at fair value:		
Mutual funds	\$ 119,718,758	\$ 96,038,278
Common collective trust fund	24,026,289	21,912,291
Common stock	10,914,269	7,884,105
Participant loans	4,986,083	4,129,760
Cash equivalents	325,127	232,239
<b>Total investments</b>	<b>159,970,526</b>	<b>130,196,673</b>
Receivables:		
Participant contributions	490,756	436,291
Employer contributions	2,234,540	1,770,212
Dividends and interest	975	3,669
<b>Total receivables</b>	<b>2,726,271</b>	<b>2,210,172</b>
<b>Assets available for benefits at fair value</b>	<b>162,696,797</b>	<b>132,406,845</b>
Liabilities:		
Administrative expenses payable	2,645	3,228
Investment payable	112,479	63,158
<b>Total liabilities</b>	<b>115,124</b>	<b>66,386</b>
<b>Net assets available for benefits at fair value</b>	<b>162,581,673</b>	<b>132,340,459</b>
<b>Adjustment from fair value to contract value for fully benefit-responsive investment contracts</b>	<b>261,106</b>	<b>220,234</b>
<b>Net assets available for benefits</b>	<b>\$ 162,842,779</b>	<b>\$ 132,560,693</b>

See accompanying notes to financial statements.

**Table of Contents****Owens & Minor****401(k) SAVINGS AND RETIREMENT PLAN**

## Statements of Changes in Net Assets Available for Benefits

Years Ended December 31, 2007 and 2006

	2007	2006
Additions to assets attributed to:		
Investment income:		
Net appreciation in fair value of investments	\$ 9,395,307	\$ 4,264,960
Interest	1,339,984	1,090,396
Dividends	7,826,393	6,764,206
	18,561,684	12,119,562
Contributions:		
Employer	7,810,665	6,111,079
Participant	14,224,504	12,076,656
	22,035,169	18,187,735
Total additions	40,596,853	30,307,297
Deductions from assets attributed to:		
Benefits paid to participants	10,246,121	7,707,009
Administrative expenses	68,646	51,993
Total deductions	10,314,767	7,759,002
Net increase	30,282,086	22,548,295
Net assets available for benefits:		
Beginning of year	132,560,693	110,012,398
End of year	\$ 162,842,779	\$ 132,560,693

See accompanying notes to financial statements.

**Table of Contents**

**Owens & Minor**

**401(k) SAVINGS AND RETIREMENT PLAN**

Notes to Financial Statements

December 31, 2007 and 2006

**(1) Description of the Plan**

The following brief description of the Owens & Minor 401(k) Savings and Retirement Plan (the Plan) is provided for general information purposes only. Participants should refer to the plan document for more complete information.

**(a) General**

The Plan is a defined contribution plan that is available to substantially all full-time and part-time plus (24+ hours per week) teammates of Owens & Minor, Inc. (the Employer) and certain of its subsidiaries, who have completed one month of service and have attained age 18. It is subject to the provisions of the Employee Retirement Income Security Act of 1974, as amended (ERISA).

**(b) Contributions**

The Plan allows participants to contribute up to 50% of their eligible compensation, with the Employer matching 100% of the first 4% of compensation that a participant contributes to the Plan. Also under the Plan, the Employer contributes 1% of compensation (subject to certain limitations as defined in the plan document) to each participant employed on the last day of the plan year who has worked at least 1,000 hours during the year. The Employer may increase or decrease its matching contributions at its discretion, on a prospective basis.

**(c) Participant Accounts**

Each participant's account is credited with the participant's contribution, the Employer's matching contribution, and an allocation of earnings thereon. Allocations are based on account balances as defined by the Plan. Forfeited balances of terminated participants' nonvested accounts are used to reduce current year employer contributions. Employer contributions were reduced by \$34,932 and \$70,000 from forfeited nonvested accounts in 2007 and 2006, respectively. The benefit to which a participant is entitled is the benefit that can be provided from the participant's vested account.

**(d) Investment Options**

Participants in the Plan currently have 22 options available to them with respect to how their participant and employer contributions are invested. Participants can elect to have contributions allocated in 1% increments to the following investments: Owens & Minor, Inc. common stock fund, one collective trust fund, and twenty mutual funds. These options provide for a range of investment objectives, including growth, growth and income, and income and capital stability. Investment in the Owens & Minor, Inc. common stock fund is limited to 20% of the employee's account balance.

**(e) Vesting and Withdrawals**

Participants are immediately vested in their voluntary contributions and employer matching contributions plus actual earnings thereon. Effective January 2, 2007, future and prior unvested employer 1% contributions are fully vested after three years of credited service. The Plan allows certain terminated participants to become 100% vested in their accounts.





**Table of Contents**

**Owens & Minor**

**401(k) SAVINGS AND RETIREMENT PLAN**

Notes to Financial Statements

December 31, 2007 and 2006

On termination of service due to death, disability or retirement, a participant may elect to receive either a lump-sum amount equal to the value of his or her vested account or payment in annual installments not to extend past the lives or life expectancies of the participant and spouse as determined in accordance with Internal Revenue Code (IRC) Section 401(a)(9)(A). In the case of hardship, a participant may apply for a distribution as described in the plan agreement.

***(f) Participant Loans***

Participants may borrow from their vested interests in the Plan for a minimum of \$1,000 and a maximum of 50% of their vested balance or \$50,000, whichever is less.

A loan's term may not exceed five years, or fifteen years if the proceeds are used exclusively to purchase a principal residence. The interest rate charged is the Prime Rate plus 1%.

***(g) Interfund Transfers***

Under the provisions of the Plan, a participant may elect to have the value of his or her participant account attributable to a particular investment fund liquidated and transferred to any of the other available investment funds in 1% increments.

***(h) Plan Termination***

Although it has not expressed any intent to do so, the Employer has the right under the Plan to discontinue its contributions at any time and to terminate the Plan subject to the provisions of ERISA. In the event of plan termination, participants will become 100% vested in their accounts.

**(2) Summary of Significant Accounting Policies**

The following are the significant accounting policies followed by the Plan:

***(a) Basis of Presentation***

The accompanying financial statements have been prepared on the accrual basis of accounting, except for benefit distributions, which are recorded when paid. Contributions to the Plan and interest and dividend income are recognized as earned; administrative expenses are recognized when incurred; and realized gains and losses and unrealized appreciation and depreciation of investments are recognized as they occur.

***(b) New Accounting Pronouncement***

## Edgar Filing: OWENS & MINOR INC/VA/ - Form 11-K

As of December 31, 2006, the Plan adopted Financial Accounting Standards Board Staff Position, FSP AAG INV-1 and SOP 94-4-1, *Reporting of Fully Benefit-Responsive Investment Contracts Held by Certain Investment Companies Subject to the AICPA Investment Company Guide and Defined-Contribution Health and Welfare and Pension Plans* (the FSP). The Plan invests in a common collective trust fund, which holds fully benefit-responsive investment contracts. As described in the FSP, investment contracts held by a defined contribution plan are required to be reported at fair value. However, contract value is the relevant measurement attribute for that portion of the net assets available for benefits of

**Table of Contents**

**Owens & Minor**

**401(k) SAVINGS AND RETIREMENT PLAN**

Notes to Financial Statements

December 31, 2007 and 2006

a defined contribution plan attributable to fully benefit-responsive investment contracts, because contract value is the amount participants would receive if they were to initiate permitted transactions under the terms of the Plan. As required by the FSP, the statements of net assets available for benefits present the fair value of the investment contracts, as well as the adjustment of the fully benefit-responsive investment contracts from fair value to contract value. The statements of changes in net assets available for benefits are prepared on a contract value basis. Adoption of the FSP had no effect on the statement of changes in net assets available for benefits or the total of net assets available for benefits for any period presented.

**(c) Use of Estimates**

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and changes therein, and disclosure of contingent assets and liabilities. Actual results could differ from those estimates.

**(d) Investments**

The Plan's investments are stated at fair value except for the fully benefit-responsive contracts held in the common collective trust fund, which are stated at contract value. Contract value is equal to principal balance plus accrued interest. The fair value of the common collective trust fund is valued at the net asset value as determined by using estimated fair value of the underlying assets held in the fund. Quoted market prices are used to value investments stated at fair value, except for participant loans receivable, which are valued at cost, which approximates fair value.

Purchases and sales are recorded on a settlement date basis. The recording of these transactions on a trade date basis would not have a material impact on the accompanying financial statements. Cost of investments sold is determined on the first-in, first-out (FIFO) method.

The Plan's investments, in general, are exposed to various risks, such as interest rate, credit, and overall market volatility risks. In addition, due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the statement of net assets available for benefits.

**(e) Administrative Expenses**

Substantially all of the Plan's administrative expenses are paid by the Plan.

**Table of Contents****Owens & Minor****401(k) SAVINGS AND RETIREMENT PLAN**

Notes to Financial Statements

December 31, 2007 and 2006

**(3) Investments**

The following presents investments that represent 5% or more of the Plan's assets:

Description	December 31,	
	2007	2006
Mutual funds:		
Fidelity Contrafund	\$ 49,800,018	\$ 42,525,501
Ranier Small-Mid Cap Equity Fund	10,354,408	8,165,523
Fidelity Diversified International	10,144,892	7,832,110
Common collective trust fund:		
Fidelity Managed Income Portfolio	24,026,289	21,912,291
Common stock:		
Owens & Minor, Inc.	10,914,269	7,884,105

During 2007 and 2006, the Plan's investments (including investments bought, sold, as well as held during these years) appreciated in value as follows:

	Years Ended December 31,	
	2007	2006
Mutual funds	\$ 6,553,394	\$ 3,341,492
Common stock	2,841,913	923,468
Net appreciation in fair value of investments	\$ 9,395,307	\$ 4,264,960

**(4) Federal Income Taxes**

In a determination letter dated October 15, 2002, the Internal Revenue Service (IRS) has ruled that the Plan is a qualified trust under Sections 401(a) and 401(k) of the IRC and is exempt from taxation under the provisions of Section 501(a). The Plan has been amended since that date; however, the plan administrator believes that the Plan continues to operate in accordance with applicable requirements of the IRC.

Under present federal income tax laws and regulations, participants are not taxed on employer contributions allocated to their accounts, on investment earnings on such contributions, or on investment earnings on their own contributions at the time such contributions and investment earnings are received by the trustee under the Plan, but they may be subject to tax thereon at such time as they receive actual distributions from the Plan. Under normal circumstances, the Plan will not be taxed on dividend and interest income, any capital gains realized, or any unrealized appreciation on investments.

**(5) Related Party Transactions**

The Plan owned 257,230 shares of Owens & Minor, Inc. common stock as of December 31, 2007, with a cost basis of \$4,650,792 and a fair value of \$10,914,269. During 2007, 16,600 shares of Owens & Minor, Inc. common stock were purchased at a total cost of \$629,624, and

Edgar Filing: OWENS & MINOR INC/VA/ - Form 11-K

11,500 shares, with a cost basis of \$199,876, were sold for \$441,375.

**Table of Contents****Owens & Minor****401(k) SAVINGS AND RETIREMENT PLAN**

Notes to Financial Statements

December 31, 2007 and 2006

As of December 31, 2006, the Plan owned 252,130 shares of Owens & Minor, Inc. common stock, with a cost basis of \$4,221,044 and a fair value of \$7,884,105. During 2006, 25,400 shares of Owens & Minor, Inc. common stock were purchased at a total cost of \$782,032, and 15,600 shares, with a cost basis of \$246,112, were sold for \$492,736. Because Owens & Minor, Inc. is the plan sponsor, the transactions qualify as party-in-interest transactions.

Certain plan investments are units of a common collective trust fund and mutual funds managed by Fidelity Investments (Fidelity). As defined by the Plan, these transactions qualify as party-in-interest transactions. Fees paid by the Plan for investment management services amounted to \$48,046 and \$33,493 for the years ended December 31, 2007 and 2006, respectively.

**(6) Reconciliation to Form 5500**

Net assets available for benefits in the Form 5500 for the Plan include a reduction in net assets for deemed distributions of certain participant loans. The accompanying financial statements do not include the reduction in net assets for deemed distributions as the participants to which the deemed distributions relate continue to retain their assets within the Plan.

The following reconciles net assets available for benefits and benefits paid to participants from the Form 5500 to the Plan's financial statements:

	<b>December 31,</b>	
	<b>2007</b>	<b>2006</b>
Net assets available for benefits per Form 5500	\$ 162,555,072	\$ 132,309,298
Adjustment from fair value to contract value for fully benefit-responsive investment contracts	261,106	220,234
Cumulative deemed distributions	26,601	31,161
Net assets available for benefits per statements of net assets available for benefits	\$ 162,842,779	\$ 132,560,693

	<b>Years Ended December 31,</b>	
	<b>2007</b>	<b>2006</b>
Net increase in net assets per Form 5500	\$ 30,245,775	\$ 22,326,332
Adjustment from fair value to contract value for fully benefit-responsive investment contracts	40,872	220,234
Change in the amount of deemed distributions	(4,561)	1,729
Net increase in net assets per statements of changes in net assets available for benefits	\$ 30,282,086	\$ 22,548,295

**Table of Contents**

Schedule

**Owens & Minor****401(k) SAVINGS AND RETIREMENT PLAN**

Schedule H, Line 4i Schedule of Assets (Held at End of Year)

December 31, 2007

Identity of issue, borrower, lessor, or similar party	Description of investment, including rate of interest, collateral, par, or maturity value (face amount, number of shares, or units)	Fair Value
*Common stock Owens & Minor, Inc.	257,230 shares of common stock	\$ 10,914,269
Mutual funds:		
*Fidelity	681,166 units of Contrafund	49,800,018
Ranier	263,069 units of Ranier Small-Mid Cap	10,354,408
*Fidelity	254,258 units of Diversified International	10,144,892
*Fidelity	524,469 units of Freedom 2025	6,912,501
*Fidelity	429,713 units of Freedom 2020	6,793,759
PIMCO	567,567 units of Total Return II Fund	5,772,153
*Fidelity	310,902 units of Freedom 2030	5,136,099
*Fidelity	400,314 units of Freedom 2015	4,991,919
*Fidelity	236,389 units of Freedom 2010	3,503,281
Spartan	66,293 units of US Equity Index	3,440,624
*Fidelity	344,530 units of Freedom 2040	3,352,279
*Fidelity	220,012 units of Freedom 2035	3,009,765
T. Rowe Price	70,291 units of T. Rowe Price Equity Income	1,975,169
American Beacon	101,413 units of Small Cap Value PA	1,746,339
*Fidelity	88,971 units of Freedom 2005	1,048,968
*Fidelity	72,984 units of Freedom Income	835,672
American Freedom	14,542 units of Growth Fund Amer R4	490,922
*Fidelity	19,643 units of Freedom 2000	242,982
*Fidelity	8,561 units of Freedom 2045	97,169
*Fidelity	6,110 units of Freedom 2050	69,839
Common collective trust fund:		
*Fidelity	Managed Income Portfolio	24,026,289
*Cash equivalents - Fidelity	325,127 units of Money Market I Fund	325,127
*Participant loans	Notes receivable, interest rates ranging from 5.00% 10.50%	4,986,083
		<b>\$ 159,970,526</b>

\* Party-in-interest

See accompanying report of independent registered public accounting firm.





**Table of Contents**

**Form 11-K**

**Exhibit Index**

<b>Exhibit</b>	<b>Description</b>
23	Consent of Independent Registered Public Accounting Firm

10

**Table of Contents**

**SIGNATURE**

*The Plan.* Pursuant to the requirements of the Securities Exchange Act of 1934, the administrators of the employee benefit plan have duly caused this annual report to be signed on its behalf by the undersigned hereunto duly authorized.

Owens & Minor 401(k) Savings and Retirement Plan

Date June 26, 2008

/s/ Erika T. Davis

Erika T. Davis  
Senior Vice President, Human Resources  
Plan Administrator