

GREENWAY MEDICAL TECHNOLOGIES INC
 Form 4
 June 01, 2012

FORM 4

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
 Washington, D.C. 20549

OMB APPROVAL

OMB Number: 3235-0287
 Expires: January 31, 2005
 Estimated average burden hours per response... 0.5

Check this box if no longer subject to Section 16. Form 4 or Form 5 obligations may continue. See Instruction 1(b).

STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF SECURITIES

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, Section 17(a) of the Public Utility Holding Company Act of 1935 or Section 30(h) of the Investment Company Act of 1940

(Print or Type Responses)

1. Name and Address of Reporting Person *
 TUREK WALTER

2. Issuer Name and Ticker or Trading Symbol
 GREENWAY MEDICAL TECHNOLOGIES INC [GWAY]

5. Relationship of Reporting Person(s) to Issuer

(Check all applicable)

(Last) (First) (Middle)
 121 GREENWAY BOULEVARD
 (Street)

3. Date of Earliest Transaction (Month/Day/Year)
 05/30/2012

Director 10% Owner
 Officer (give title below) Other (specify below)

CARROLLTON, GA 30117
 (City) (State) (Zip)

4. If Amendment, Date Original Filed(Month/Day/Year)

6. Individual or Joint/Group Filing(Check Applicable Line)
 Form filed by One Reporting Person
 Form filed by More than One Reporting Person

Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned

1. Title of Security (Instr. 3)	2. Transaction Date (Month/Day/Year)	2A. Deemed Execution Date, if any (Month/Day/Year)	3. Transaction Code (Instr. 8)	4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5)	5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4)	6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	7. Nature of Ownership (Instr. 4)	
				(A) or (D)	Price			
				Code	V	Amount	(D)	Price

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

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SEC 1474 (9-02)

Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned (e.g., puts, calls, warrants, options, convertible securities)

1. Title of Derivative Security	2. Conversion or Exercise	3. Transaction Date (Month/Day/Year)	3A. Deemed Execution Date, if any	4. Transaction Code	5. Number of Derivative Securities	6. Date Exercisable and Expiration Date (Month/Day/Year)	7. Title and Amount of Underlying Securities (Instr. 3 and 4)	8. Derivative Securities
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(Instr. 3)	Price of Derivative Security	(Month/Day/Year)	(Instr. 8)	Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5)	Code	V	(A)	(D)	Date Exercisable	Expiration Date	Title	Amount or Number of Shares
Stock Option (right to buy)	\$ 16.25	05/30/2012		A			6,700		<u>(1)</u>	05/30/2022	Common Stock	6,700

Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
TUREK WALTER 121 GREENWAY BOULEVARD CARROLLTON, GA 30117			X	

Signatures

/s/ William G. Esslinger, Jr., attorney-in-fact for Walter Turek 06/01/2012

__Signature of Reporting Person

Date

Explanation of Responses:

* If the form is filed by more than one reporting person, *see* Instruction 4(b)(v).

** Intentional misstatements or omissions of facts constitute Federal Criminal Violations. *See* 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).

(1) 10/12 of the option was vested as of the grant date. 11/12 of the option will be vested as of May 31, 2012, and the option will be fully vested on June 30, 2012.

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, *see* Instruction 6 for procedure.

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At the meeting, two directors will be elected to serve for three-year terms which expire in 2012 or until their successors are elected and qualified. Mr. David C. Robinson and Mr. Donald S. Tuttle III, current directors whose terms expire in 2009, are the nominees for election at the meeting.

Unless otherwise specified in your proxy, the persons with power of substitution named in the proxy card will vote your shares **FOR** the Company's nominees named below. If the nominees are unable or unwilling to accept nomination, the proxies will be voted for the election of such other persons as may be recommended by the Board of Directors. The Board of Directors, however, has no reason to believe that the Company's nominees will be unavailable for election at the Annual Meeting. Approval of this resolution requires the affirmative vote of a plurality of the votes duly cast by the shares represented at the meeting which are entitled to vote on the matter.

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The Board of Directors recommends a vote FOR the election of Mr. Robinson and Mr. Tuttle as directors.

Each director has furnished the biographical information set forth below with respect to his present principal occupation, business and other affiliations, and beneficial ownership of equity securities of the Company. Unless otherwise indicated, each director has been employed in the principal occupation or employment listed for at least the past five years.

COMPANY NOMINEES FOR ELECTION AT THE 2009 ANNUAL MEETING

FOR A THREE-YEAR TERM EXPIRING IN 2012

Name, Age and Positions	Principal Occupation During	Common Stock	Beneficially	Percentage
<u>The Company</u>	<u>Other Directorships</u>		<u>February 25, 2009</u>	<u>Class</u>
David C. Robinson, 66	Business Consultant (Aug 2006 - Present)	1990	124,972	2.1%
Director 1,2,3	Consultant (Nov 2005 - Aug 2006)			
	Sinclair-Robinson Group			
	Wallingford, CT			
	Managing Director (Aug 2004 - Nov 2005)			
	Sinclair-Robinson Group			
	Wallingford, CT			
	(Employee Benefit Specialists)			
	President (Through Jul 2004)			
	The Robinson Company			
	Waterbury, CT			
	(Employee Benefit Specialists)			
Donald S. Tuttle III, 60	Business Consultant (May 2008 - Present)	1988	125,575	2.1%
Director 1,2,3	Vice President Investments			

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(Through May 2008)

UBS Financial Services, Inc.

Middlebury, CT

(Investment Firm)

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CONTINUING DIRECTORS (TERMS TO EXPIRE IN 2011)

Name, Age and Positions Presently Held with <u>The Company</u>	Principal Occupation During Past Five Years: <u>Other Directorships</u>	Director <u>Since</u>	Common Stock Beneficially Percentage	
			Owned as of <u>February 25, 2009</u>	Of <u>Class</u>
John W. Everets, 62 Director 2,3	Chairman (Jan 2006 - Present) Yorkshire Capital Boston, MA (Investment Firm) President and CEO (Jan 2004 - Dec 2005) G.E. H.P.S.C. Boston, MA (Financial Services) Chairman and CEO (July 1993 - Jan 2004) H.P.S.C. Boston, MA (Financial Services) Director: M.F.I. Inc. Financial Security Assurance (FSA)	1993	58,387	1.0%
Leonard F. Leganza, 78 Director, Chairman, President and Chief Executive Officer of the Company 1	Chairman, President & CEO The Eastern Company Naugatuck, CT Director: American-Republican Inc.	1981	221,703	3.6%

CONTINUING DIRECTOR (TERM TO EXPIRE IN 2010)

Explanation of Responses:

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Name, Age and Positions	Principal Occupation During	Common Stock		
		Beneficially	Percentage	
Presently Held with	Past Five Years:	Director	Owned as of	Of
<u>The Company</u>	<u>Other Directorships</u>	<u>Since</u>	<u>February 25, 2009</u>	<u>Class</u>
Charles W. Henry, 59	Partner	1989	99,735	1.7%
Director 1,2,3	Kernan & Henry Southbury, CT (Law Firm)			

1 Member of the Executive Committee

2 Member of the Compensation Committee

3 Member of the Audit Committee

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Item No. 2

RATIFICATION OF APPOINTMENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The firm of UHY LLP (UHY) acts as our principal independent registered public accounting firm. The services of UHY for the fiscal year ended January 3, 2009 included an audit of the consolidated financial statements of the Company; an audit on the Company's internal control over financial reporting for the fiscal year ended January 3, 2009; assistance in connection with filing the Form 10-Q quarterly reports and Form 10-K annual report with the Securities and Exchange Commission; assistance on financial accounting and reporting matters; and meetings with the Audit Committee of the Board of Directors.

All audit services provided by UHY for 2008 were approved by the Audit Committee in advance of the work being performed.

Through and as of March 17, 2009, UHY had a continuing relationship with UHY Advisors, Inc. (Advisors) from which it leased auditing staff who were full time, permanent employees of Advisors and through which UHY's partners provide non-audit services. UHY has only a few full-time employees. Therefore, few, if any, of the audit services performed were provided by permanent, full-time employees of UHY. UHY manages and supervises the audit services and audit staff, and is exclusively responsible for the opinion rendered in connection with its examination. No non-audit services were provided by Advisors to the Company in 2008 and 2007.

The Audit Committee has recommended, and the Board of Directors has approved, continuing the services of UHY for the current fiscal year. Accordingly, the Board of Directors will recommend at the meeting that the shareholders approve the appointment of UHY to audit the consolidated financial statements of the Company for the current year.

The proposal to appoint UHY as the independent registered public accounting firm will be approved if, at the Annual Meeting at which a quorum is present, the votes cast in favor of the proposal exceed the votes cast opposing the proposal.

Representatives of UHY will be present at the Annual Meeting and will have an opportunity to make a statement if they desire to do so, as well as respond to questioning.

Audit Fees: UHY audit fees were \$448,458 in 2008 and \$683,152 in 2007. Audit fees include fees associated with the annual audit of the Company's financial statements, the reviews of the Company's quarterly reports on Form 10-Q, and the audit of our internal control over financial reporting.

Audit-Related Fees: There were no audit-related services in 2008 and 2007.

Tax Fees: UHY did not provide any tax services in 2008 and 2007.

Explanation of Responses:

All Other Fees: UHY did not provide any non-audit services in 2008 and 2007.

The Board of Directors recommends a vote FOR the ratification of the Board of Directors appointment of UHY LLP as the independent registered public accounting firm.

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AUDIT COMMITTEE FINANCIAL EXPERT

The Board of Directors has determined that all audit committee members are financially literate and are independent under the current listing standards of the NYSE Alternext. The Board has also determined that John W. Everets qualifies as an audit committee financial expert as defined by the SEC rules adopted pursuant to the Sarbanes-Oxley Act of 2002.

REPORT OF THE AUDIT COMMITTEE

The Audit Committee oversees the Company's financial reporting process on behalf of the Board of Directors. The Board of Directors adopted a revised written charter for the Audit Committee on February 4, 2004, which is included as Exhibit A to this proxy statement.

Management has the primary responsibility for the financial statements and the reporting process, including the system of internal control. The independent registered public accounting firm is responsible for expressing an opinion on the conformity of those statements with generally accepted accounting principles. Within this framework, the Audit Committee has reviewed and discussed the audited financial statements included in the Annual Report on Form 10-K with the independent registered public accounting firm and management. In connection therewith, the Audit Committee reviewed with the independent registered public accounting firm their judgments as to the quality, not just the acceptability, of the Company's accounting principles; the reasonableness of significant judgments; the clarity of disclosures in the financial statements; and other related matters as required to be discussed under generally accepted auditing standards.

In addition, the Audit Committee has discussed with the independent registered public accounting firm the auditors' independence from management and the Company, including the matters in the written disclosures required by the Public Company Accounting Oversight Board and the Independence Standards Board, and considered the compatibility of nonaudit services with the auditors' independence.

The Audit Committee also discussed with the Company's independent registered public accounting firm the overall scope and plan for their audit, their evaluation of the Company's internal controls and the overall quality of the Company's financial reporting. The Audit Committee meets with and without management present and held six meetings during fiscal year 2008.

In reliance on the reviews and discussions referred to above, the Audit Committee recommended to the Board of Directors that the audited consolidated financial statements be included in the Company's Annual Report on Form 10-K for the year ended January 3, 2009 for filing with the Securities and Exchange Commission. The Audit Committee has recommended and the Board of Directors has approved, subject to shareholder ratification, the selection of UHY LLP as the Company's independent registered public accounting firm for the current fiscal year.

Audit Committee:

John W. Everets, Chairman
Charles W. Henry
David C. Robinson
Donald S. Tuttle III

Explanation of Responses:

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL SHAREHOLDERS

The following table sets forth information, as of February 25, 2009 (unless a different date is specified in the notes to the table), with respect to (a) each person known by the Board of Directors of the Company to be the beneficial owner of more than 5% of the Company's outstanding Common Shares, (b) each current director of the Company, (c) each of the Named Officers (as hereinafter defined) and (d) all directors and executive officers of the Company as a group:

Shareholder	Amount and nature of beneficial ownership (a)	Percent of class (b)
Brown Advisory Holdings Incorporated (c) 901 South Bond Street, Suite 400 Baltimore, MD 21231	1,332,538	22.3%
Bank of America Corporation (d) NB Holdings Corporation United States Trust Company, N.A. 100 North Tryon Street, Floor 25 Charlotte, NC 28255	331,204	5.6%
Dimensional Fund Advisors LP (e) Palisades West, Building One 6300 Bee Cave Road Austin, TX 78746	314,020	5.3%
John W. Everets	58,387	1.0%
Charles W. Henry (f)	114,922	1.9%
Leonard F. Leganza	221,703	3.6%
David C. Robinson	124,972	2.1%
John L. Sullivan III (g)	101,890	1.7%
Donald S. Tuttle III	125,575	2.1%
All directors and executive officers as a group (6 persons)(h)	732,262	11.7%

Explanation of Responses:

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- (a) The Securities and Exchange Commission has defined "beneficial owner" of a security to include any person who has or shares voting power or investment power with respect to any such security or who has the right to acquire beneficial ownership of any such security within 60 days. Unless otherwise indicated, (i) the amounts owned reflect direct beneficial ownership, and (ii) the person indicated has sole voting and investment power.

Amounts shown include the number of Common Shares subject to outstanding options under the Company's stock option plans that are exercisable within 60 days.

Reported shareholdings include, in certain cases, shares owned by or in trust for a director or nominee, and in which all beneficial interest has been disclaimed by the director or the nominee.

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- (b) The percentages shown for the directors and executive officers are calculated on the basis that outstanding shares include Common Shares subject to outstanding options under the Company's stock option plans that are exercisable by the directors and officers within 60 days.
- (c) Reported shareholdings per a Schedule 13G/A filed February 17, 2009. Brown Advisory Holdings Incorporated is the parent of Brown Advisory Services, LLC, (a registered broker-dealer), Brown Investment Advisory & Trust Company (a bank), and Brown Advisory, LLC (a registered investment advisor). All of the reported shares are owned by clients of the subsidiaries of Brown Advisory Holding Incorporated. The subsidiaries of Brown Advisory Holding Incorporated have sole voting power over 3,000 shares, sole investment power over 4,500 shares, and shared investment power over 1,328,038 shares.
- (d) Bank of America Corporation and its affiliates reported shareholdings per a Schedule 13G on February 11, 2009. Bank of America Corporation is a parent holding company filing Schedule 13G jointly with NB Holdings Corporation and United States Trust Company, N.A.
- (e) Dimensional Fund Advisors LP (Dimensional), a registered investment advisor, is deemed to have beneficial ownership of 314,020 Common Shares per a Schedule 13G filed as of February 9, 2009. Dimensional disclaims beneficial ownership of all such shares.
- (f) Includes 15,187 shares beneficially owned by Mr. Robinson, over which Mr. Henry has sole voting power only.
- (g) Mr. Sullivan is a Named Executive Officer of the Company. See Executive Compensation Summary Compensation Table for information regarding Mr. Sullivan's age and business experience.
- (h) Directors and Executive Officers have sole voting and investment power as to 732,262 shares (11.7% of the outstanding stock). Included are stock options for 292,500 shares deemed exercised solely for purposes of showing beneficial ownership by such group.

SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Section 16(a) of the Securities Exchange Act of 1934 requires the Company's directors and officers, and persons who beneficially own more than 10% of a registered class of the Company's equity securities, to file reports of ownership and changes in ownership with the Securities and Exchange Commission and with the NYSE Alternext. Directors, officers and greater-than-10% beneficial owners are required by SEC regulations to furnish the Company with copies of all Section 16(a) reports that they file. Based solely on its review of copies of such reports filed with the SEC since January 2008, or written representations from certain reporting persons that no such reports were required for those persons, the Company believes that all persons subject to the reporting requirements of Section 16(a) have filed the required reports on a timely basis, with the exception of one report that was filed late by John W. Everets. This report related to the sale of common shares on the open market.

COMMITTEES OF THE BOARD OF DIRECTORS

The Board of Directors of the Company is committed to sound corporate governance practices. The Board of Directors believes that its corporate governance practices enhance its ability to achieve the Company's goals and to govern the Company with high standards of integrity.

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The Company's Board of Directors has three standing committees: an Executive Committee, an Audit Committee and a Compensation Committee. During 2008, the Board of Directors had seven (7) meetings. During 2008, each Director attended 100 percent of these meetings and the meetings of committees on which he served.

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Executive Committee. The Executive Committee, acting with the full authority of the Board of Directors, approves minutes, monthly operating reports, capital expenditures, banking matters, and other issues requiring immediate attention. During 2008, the Executive Committee held no meetings.

Audit Committee. The Audit Committee advises the Board of Directors and provides oversight on matters relating to the Company's financial reporting process, accounting functions and internal controls, and the qualifications, independence, appointment, retention, compensation and performance of the Company's independent registered public accounting firm. The Audit Committee also provides oversight with respect to the legal compliance and ethics programs established by management and the Board of Directors. The Company's Code of Business Conduct and Ethics, as adopted by the Board of Directors on February 4, 2004, is available on the Company's website at www.easterncompany.com. During 2008, the Audit Committee held six (6) meetings.

Compensation Committee. The Compensation Committee is responsible for establishing basic management compensation, incentive plan goals, and all related matters, as well as determining stock option grants to employees. The Board of Directors adopted the Company's Compensation Committee Charter on December 13, 2006, and it is available on the Company's website at www.easterncompany.com. During 2008, the Compensation Committee held three (3) meetings.

The Company does not have a standing nominating committee. Rather, due to the small size of the Company's Board of Directors, the independent members of the Board of Directors consider director nominees. As defined by the rules and regulations of the NYSE Alternext, the independent members of the Board of Directors of the Company include all of the members of the Board of Directors other than the chairman, president and chief executive officer of the Company. These independent directors select and nominate individuals for election to the Board of Directors. A copy of the charter describing the nominations process for directors is available on the Company's website at www.easterncompany.com.

Each member of the Board of Directors must have the ability to apply good business judgment and must be able to exercise his or her duties of loyalty and care. Candidates for the position of director must exhibit proven leadership capabilities and high integrity, exercise high level responsibilities within their chosen careers, and have an ability to quickly grasp complex principles of business and finance. In general, candidates will be preferred to the extent they hold an established executive level position in business, finance, law, education, research, government or civic activities. When current members of the Board of Directors are considered for nomination for reelection, their prior contributions to the Board of Directors, their performance and their meeting attendance records are taken into account.

The independent members of the Board of Directors will consider director nominees who are identified either by the directors, by the shareholders, or through some other source. The independent members of the Board of Directors may also utilize the services of a third party search firm to assist them in the identification or evaluation of director candidates, as they deem necessary or appropriate.

Shareholders wishing to submit the names of qualified candidates for possible nomination to the Board of Directors may make such a submission by sending to the Board of Directors (in care of the Secretary of the Company) the information described in the Company's Bylaws. This information generally must be submitted not more than 90 days nor less than 60 days prior to the first anniversary of the preceding year's annual meeting.

The independent members of the Board of Directors will make a preliminary assessment of each proposed nominee based upon his or her resume and biographical information, the individual's willingness to serve as a director, and other background information. This information is evaluated against the criteria described above and the specific needs of the Company at the time. Based upon a preliminary assessment of the candidate(s), those who appear best suited to meet the needs of the Company may be invited to participate in a series of interviews, which are used as a further means of evaluating potential candidates. On the basis of information learned during this process, the independent members of

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the Board of Directors will determine which nominee(s) they will recommend for election to the Board of Directors. The independent members of the Board of Directors use the same process for evaluating all nominees, regardless of the original source of the nomination.

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DIRECTOR COMPENSATION IN FISCAL 2008

Name (1)	Non-equity						Total
	Fees Earned or Paid in Cash	Stock Awards	Option Awards	Incentive Plan Compensation	Change in pension All value and nonqualified deferred compensation earnings	Other Compensation	
(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)
John W. Everets	\$24,600					\$395	\$24,995
Charles W. Henry	24,606					395	25,001
David C. Robinson	24,616					395	25,011
Donald S. Tuttle III	24,600					395	24,995
Russell G. McMillen (4)	9,406					-	9,406

- (1) This table discloses 2008 director compensation. All non-employee directors who served as a director in 2008 received compensation.
- (2) In 2008, The Eastern Company paid non-employee directors an annual rate of \$24,600, which was paid in Common Shares of the Company or cash, in accordance with the Directors Fee Program adopted by the shareholders on March 26, 1997 and amended on January 5, 2004. The amounts listed could include adjustments for fractional shares from previous periods. The directors make an annual election, within a reasonable time before their first quarterly payment, to receive their fees in the form of cash, stock or a combination thereof. The election remains in force for one year. Messrs. Henry and McMillen elected to receive all of their director compensation in stock.
- (3) All non-employee directors are provided a \$50,000 life insurance benefit.
- (4) Mr. McMillen was an emeritus director who passed away on July 7, 2008. He was compensated for meetings that he attended in 2008.

POLICIES AND PROCEDURES CONCERNING RELATED PERSONS TRANSACTIONS

Our Code of Business Conduct and Ethics prohibits all conflicts of interest between the Company and any of its directors, officers and employees, except under guidelines approved by the Board of Directors or committees of the Board of Directors. A conflict of interest exists whenever an individual's private interests interfere or conflict in any way (or even appear to interfere or conflict) with the interests of the Company. Employees are encouraged to report any conflicts of interest, or potential conflicts of interest, to their supervisors or superiors. However, if they do not believe it appropriate or if they are not comfortable approaching their supervisors or superiors about their concerns or complaints, then they may contact either the chairman of the Audit Committee of the Board of Directors or Company counsel. The Code of Business Conduct and Ethics is available for review at our website at www.easterncompany.com.

To identify related party transactions, each year the Company requires our directors and executive officers to complete a questionnaire that identifies any transaction with the Company or any of its subsidiaries in which the director or executive officer or their family members have an interest. If any related party transactions are reported, the Board of Directors reviews them to determine if the potential for a prohibited conflict of interest exists. Prior to its review, the Board of Directors will require full disclosure of all material facts concerning the relationship and financial interest of the relevant individuals in the transaction. Each year, our directors and executive officers also review our Code of Business Conduct and Ethics.

COMPENSATION DISCUSSION AND ANALYSIS

Compensation Governance

The Compensation Committee of the Board of Directors is established pursuant to a resolution adopted by the Board of Directors. The Committee recommends to the Board of Directors policies and processes for the regular and orderly review of the performance and compensation of the Company's senior executive management personnel, including the Chairman, President and Chief Executive Officer. The Committee regularly reviews, administers, and when necessary recommends changes to the Company's stock incentive and performance-based compensation plans. The Compensation Committee has adopted a charter and it is available on the Company's website at www.easterncompany.com.

The Committee is comprised of members of the Board of Directors, none of whom may be an active or retired officer or employee of the Company or any of its subsidiaries. Members of the Compensation Committee are appointed annually by the Board of Directors. Messrs. David C. Robinson, Donald S. Tuttle III, John W. Everets, and Charles W. Henry were the members of the Compensation Committee during fiscal 2008. Mr. Robinson is the Chairman of the Committee. The Compensation Committee held three meetings during the year ended January 3, 2009.

This report by the Compensation Committee will focus on:

The guiding principles and objectives underlying the Company's compensation program, including what performance the program is designed to reward; and

A description of each of the components of the compensation program, including an explanation of why these elements have been selected as the preferred means to achieve the compensation program's objectives, and how the amount of each element of compensation is determined.

Principles and Objectives of the Compensation Program

The Company's compensation programs and policy are designed to attract, motivate, retain and reward highly qualified executives and employees, and to reinforce the relationship between individual performance and business results in a manner that aligns the interests of executives and shareholders. The following principles guide the Company's compensation practices as applied to all executives.

Compensation levels should be sufficiently competitive to attract and retain highly qualified executives and employees.

The Company endeavors to pay compensation at levels consistent with prevailing levels of compensation for similar positions in the geographic areas in which the Company maintains operations, in order to enable it to attract and retain the talent needed to achieve its business objectives. The Compensation Committee has used various sources to evaluate the competitiveness and overall structure of executive compensation and non-employee director compensation.

Compensation should be related to performance and should reinforce cooperation and a team-based approach to achieving business success.

Explanation of Responses:

The Company believes that a significant portion of executive compensation should take the form of annual incentives that generally reflect the results of operations achieved by the Company and its subsidiaries. Under this policy executives typically receive annual incentives. The Company believes that its policy of paying annual incentives based on individual and overall results of operations supports an integrated business model and a team-based approach.

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Compensation should reflect position and responsibility, and compensation for named executive officers should be more heavily weighted toward incentive pay.

Total compensation should generally increase with position and responsibility. Employees in named executive officer positions have greater roles and responsibilities associated with achieving the Company's performance goals, and therefore should have a greater portion of their compensation tied to the achievement of those goals. Accordingly, a greater percentage of compensation for more senior positions, particularly those with the greatest responsibility for driving achievement of performance targets, is paid in the form of short- and long-term incentive pay.

Incentive compensation should be flexible and responsive to the Company's business environment, and should strike a balance between short-term and long-term performance.

The Company's incentive compensation program is balanced between short- and long-term incentive compensation. Short-term incentive compensation (annual cash incentives) are awarded based on business units and other performance criteria. This design achieves our objective of offering superior pay for superior performance. Long-term incentive compensation is an important component of the Company's total compensation for executives. The Company's long-term incentive compensation program has granted stock options and restricted stock awards at appropriate times and in appropriate amounts to serve as a long-term performance incentive. The Committee believes that the Company's stock incentive program provides executives with the opportunity to increase their ownership in the Company, thereby more closely aligning the best interest of the shareholders and the executives.

Components of the Compensation Program

Base salary

Base salaries are set after referencing market data for similar positions from the Watson Wyatt Data Services survey report on Top Management Compensation in the manufacturing sector.

The compensation of the Company's Chairman, President and Chief Executive Officer, Leonard F. Leganza, is determined pursuant to the terms and conditions of an employment agreement between Mr. Leganza and the Company, entered into effective February 22, 2005 and as subsequently amended. Pursuant to the terms of the employment agreement, Mr. Leganza is entitled to receive base compensation at a rate determined by the Board of Directors. Mr. Leganza received an annual base salary of \$550,000 for the fiscal year ended January 3, 2009. Mr. Leganza's annual base salary will remain at the 2008 level of \$550,000 for fiscal year 2009.

The compensation of named executive officer, John L. Sullivan III, Vice President and Chief Financial Officer, is determined annually by the Compensation Committee and approved by the Board of Directors. Mr. Sullivan's base salary was \$250,000 for the fiscal year ended January 3, 2009. For fiscal year 2009, Mr. Sullivan's rate of base pay will also remain at the 2008 level of \$250,000.

Both Mr. Leganza and Mr. Sullivan's total cash compensation levels are within the medium percentile levels as compared to manufacturing companies of similar size in the New England region of The United States as reported in the Watson Data Services survey.

Short-Term Incentives Annual Cash Incentives

The named executive officers are eligible to receive incentive compensation based on the combined performance of the Company's nine (9) business units with respect to two specific financial goals for each business unit as related to their annual operating plans. 75% of the incentive compensation is determined by the combined business units' operating earnings performance, and 25% on working capital efficiency. All incentive payments are subject to approval by the Compensation Committee.

During 2008, if the combined business units achieved the earnings plan, a target award of 28% would be earned. A threshold payment of 10% of the target award would be made if the combined business units achieved 87% of the plan, and a maximum payment of 100% of the target award would be made if the combined business units achieved at least 163% of the plan. No payment would be made if the combined business units failed to achieve 80% of the plan.

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If the combined business units achieved a working capital ratio to sales of 26%, a target award of 28% could be earned. A threshold payment of 10% of the target award would be made if the combined business units' working capital ratio was 28%, and a maximum payment of 100% of the target award would be made if the combined business units' working capital ratio was 19%.

Retirement and Other Post-Termination Plans

401(k) Plan

The Company maintains a savings and investment plan (the SIP Plan) for eligible employees, including executive officers. An eligible employee who is participating in the SIP Plan may execute a salary reduction agreement requiring the Company to reduce his or her taxable earnings by a percentage of his or her compensation (as elected by the participant) and to contribute that amount to the SIP Plan. The amount of the contribution could not exceed \$15,500 for calendar year 2008, plus an additional \$5,000 catch-up contribution for those participants age 50 and older. If an employee executes such a salary reduction agreement, the Company will make a matching contribution to the SIP Plan on behalf of the employee. For 2008 the matching contribution equaled 50% of that portion of an employee's salary reduction contribution which did not exceed 4% of his or her earnings. An employee is fully vested in his or her salary reduction contributions and the earnings on those contributions. An employee will become vested in any matching contributions, and the earnings thereon, with full vesting after completing five years of service or upon reaching age 65. Employees who are participating in the SIP Plan may direct that their account balances be invested in one or more investment options offered under the plan.

Retirement Benefits

The Company maintains a pension plan for salaried employees. Under the plan, the amount of a member's annual normal retirement benefit is equal to one percent (1%) of total annual compensation applicable to each year of service and the sum of one half of one percent (0.5%) of average annual compensation plus one half of one percent (0.5%) of average annual compensation in excess of \$10,000, multiplied by years of service not in excess of thirty (30). Average annual compensation means the average of the member's annual compensation for the five (5) consecutive calendar years prior to retirement which result in the highest average.

An employee reaches his or her normal retirement date and can begin benefits without reduction upon reaching age 65 (or, if later, the earlier of the attainment of age 70 or the completion of five years of participation in the plan). An employee reaches his or her early retirement date when he or she reaches age 55 after completing 20 years of service. An employee who is eligible for early retirement can elect to begin to receive his or her benefits on an actuarially reduced basis. In addition, if an employee's age and years of service equal at least 90, the employee can elect to begin to receive his or her benefits with a smaller reduction for early commencement than is otherwise applicable for early retirement.

Supplemental Benefit Plans

The Company has adopted an unfunded supplemental employee retirement plan (the SERP) for the benefit of Mr. Leganza. Under the terms of the SERP, Mr. Leganza will receive a monthly retirement benefit equal to the excess of: (a) the benefit he would be entitled to receive under the Company's qualified pension plan, based on the assumption that Mr. Leganza was fully vested under the plan and without regard to the limitations on benefits imposed by the Internal Revenue Code; over (b) the benefit which he is actually entitled to receive under the Company's qualified pension plan, subject to the plan's vesting schedule and the limitations on benefits imposed by the Internal Revenue Code. The monthly retirement benefit under the SERP will begin on the first day of the month that is six months after the date of Mr. Leganza's termination of employment. The benefit will be paid as an annuity over Mr. Leganza's life, with 60 monthly payments guaranteed. However, if Mr. Leganza is married at the time benefits start, his benefits will be actuarially adjusted and will be paid over his life with the provision that, at the time of his

death, 50% of the amount payable to him during his lifetime will be paid to his surviving spouse for the remainder of her lifetime. The SERP also provides for the payment of benefits in the event of Mr. Leganza's death or disability while employed.

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Employment Agreement

The Company entered into an Employment Agreement (the Agreement) with Leonard F. Leganza on February 22, 2005. The Eastern Company Compensation Committee executed amendments to the Agreement dated October 24, 2007, December 12, 2007 and October 22, 2008. Under the terms of the Agreement, as amended, Mr. Leganza will serve as the Chairman of the Board of Directors, the President and the Chief Executive Officer of the Company.

The term of the Agreement, as amended, will expire on December 31, 2009. However, the Company may renew the term of the Agreement for one or more additional one-year periods by giving thirty days notice prior to the end of the term or any renewal period.

During the term of the Agreement, Mr. Leganza is entitled to receive base compensation at a rate determined by the Board of Directors, and is also eligible to participate in the Company's incentive plans.

Mr. Leganza is entitled to receive deferred compensation equal to \$100,000 per year (unless the Company terminates Mr. Leganza for cause). The deferred compensation is payable in monthly installments which began on December 1, 2008, and will continue for a period of sixty (60) months. If Mr. Leganza dies prior to receiving sixty (60) monthly payments, the monthly payments will be paid to his beneficiary for the remainder of the sixty (60) month period or until the death of the beneficiary (if earlier).

If Mr. Leganza's employment terminates (for any reason other than for cause), Mr. Leganza and his spouse will continue to be entitled to participate in the Company's group medical insurance plan.

Pension Benefits Table

The following table provides certain information regarding the present value of accumulated benefits under the Company's qualified and nonqualified defined benefit pension plans:

Name	Plan Name	Number of Years of Credited Service	Present Value of Accumulated Benefit (1)	Payments During Last Fiscal Year
Leonard F. Leganza	Salaried Employees Retirement Plan of The Eastern Company	11	\$370,620	
	Supplemental Retirement Plan for the Chief Executive Officer of The Eastern Company	11	\$661,292	
	Deferred compensation under Employment Agreement between the Company and Mr. Leganza dated February 22, 2005, as amended		\$416,230 (2)	\$8,333
John L. Sullivan III	Salaried Employees Retirement Plan of The Eastern Company	32	\$577,188	

(1) Present value is determined by reference to the RP08 mortality table and an interest rate of 6.25%.

(2) This benefit represents the present value of deferred compensation of \$100,000 per year payable for five years which

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commenced on December 1, 2008.

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COMPENSATION COMMITTEE REPORT

We, the Compensation Committee of the Board of Directors of the Company, have reviewed and discussed the Compensation Discussion and Analysis set forth above with management and, based on such review and discussions, have recommended to the Board of Directors inclusion of the Compensation Discussion and Analysis in this proxy statement and, through incorporation by reference from this proxy statement, in the Company's annual report on Form 10-K for the fiscal year ended January 3, 2009.

Compensation Committee:

John W. Everets
Charles W. Henry
David C. Robinson, Chairman
Donald S. Tuttle III

COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION

During the 2008 fiscal year, no member of the Compensation Committee was, or had previously been, an officer or employee of the Company or its subsidiaries or had any direct or indirect material interest in a transaction with the Company or in a business relationship with the Company that would require disclosure under the applicable rules of the Securities and Exchange Commission. In addition, no interlocking relationship existed between any member of the Compensation Committee or an executive officer of the Company, on the one hand, and any member of the compensation committee (or committee performing equivalent functions, or the full board of directors) or an executive officer of any other entity, on the other hand.

EXECUTIVE COMPENSATION

Summary Compensation Table

The following information relates to annual and long-term compensation for services to the Company in all capacities for the fiscal year ended January 3, 2009 of those persons who, at January 3, 2009 were (i) the Chairman of the Board, President and Chief Executive Officer; and (ii) the Vice President and Chief Financial Officer (collectively, the Named Officers).

Name and Principal Position as of January 3, 2009	Year	Salary (1) (\$)	Bonus (2) (\$)	Stock Awards (\$)	Option Awards (\$)	Non-Equity Incentive Plan Compensation (\$)	Change in pension value and non- qualified deferred compensation earnings (3) (\$)	All Other Compen- sation (4) (\$)	Total (\$)
Leonard F. Leganza, 78 Chairman of the Board, President and CEO (5)	2008	\$560,577	\$ 33,802				\$ 73,376	\$ 26,127	\$ 693,882
	2007	550,000	149,254				386,966	25,503	1,111,723
John L. Sullivan III, 56 Vice President and CFO (6)	2006	475,000	329,686				185,839	23,877	1,016,408
	2008	254,808	15,365				168,774	26,412	465,359
	2007	250,000	67,842				47,739	24,490	390,071
	2006	240,000	166,578				48,976	23,730	479,284

(1) 2008 fiscal year consisted of 53 weeks and 2007 and 2006 fiscal years consisted of 52 weeks.

(2) Amounts shown were earned in the applicable year and paid in the subsequent year.

(3) The amount shown reflects the aggregate change in the actuarial present value of each named executive officer's accumulated benefit under all defined benefit plans, including supplemental plans, during each fiscal year. For Mr. Leganza, accruals under the qualified defined benefit plan equaled \$23,532 for 2008, \$25,441 for 2007 and \$51,761 for 2006, and under the SERP equaled \$46,026 for 2008, \$224,054 for 2007 and (\$3,393) for 2006. The change in the present value of the deferred compensation for Mr. Leganza equaled \$3,818 for 2008, \$137,471 for 2007 and \$137,471 for 2006. For Mr. Sullivan, accruals under the qualified defined benefit pension plan equaled \$168,774 for 2008, \$47,739 for 2007 and \$48,976 for 2006.

(4) All Other Compensation includes Company 401(k) matching contributions, cost for use of a company-owned vehicle, company paid term life insurance premiums, life insurance under the Company's defined benefit plan and the value of life insurance in excess of \$50,000. Matching contributions for Mr. Leganza equal \$4,600 for 2008, \$4,500 for 2007 and \$4,400 for 2006, and for Mr. Sullivan equal \$4,600 for 2008, \$4,500 for 2007 and \$4,400 for 2006. Cost for use of a company-owned vehicle for Mr. Leganza equals \$8,250 for 2008, 2007 and 2006, and Mr. Sullivan equals \$5,936 for 2008, \$5,350 for 2007 and 2006. Term life insurance premiums for Mr. Leganza equal \$2,256 for 2008 and 2007 and \$1,957 for 2006, and for Mr. Sullivan equal \$2,136 for 2008 and 2007 and \$2,056 for 2006. The value of life insurance in excess of \$50,000 for Mr. Leganza equals \$5,809 for 2008 and 2007 and \$4,882 for 2006, and for Mr. Sullivan equals \$1,135 for 2008, \$607 for 2007 and \$1,238 for 2006. Life insurance under the Company's defined benefit plan for Mr. Leganza equals \$5,212 for 2008, \$4,688 for 2007 and \$4,388 for 2006, and for Mr. Sullivan equals \$12,605 for 2008, \$11,897 for 2007 and \$10,686 for 2006.

(5) Mr. Leganza was appointed as the Chairman of the Board on December 13, 2006 and became President and CEO on April 23, 1997.

(6) Mr. Sullivan was appointed Chief Financial Officer on December 13, 2006. Prior to that, he was the Vice President, Treasurer and Secretary of the Company.

STOCK OPTIONS

On April 26, 1989, the shareholders approved The Eastern Company 1989 Executive Stock Incentive Plan (the 1989 Plan), which by its terms expired on February 7, 1999. No additional options may be granted under the 1989 Plan. All remaining options under this plan were exercised during 2008.

On April 26, 1995, the shareholders approved The Eastern Company 1995 Executive Stock Incentive Plan (the 1995 Plan), which by its terms expired on February 8, 2005. No additional options or shares of restricted stock may be granted under the 1995 Plan. However, options previously granted remain exercisable in accordance with their terms.

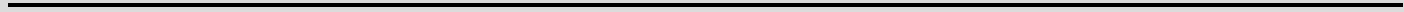
On September 17, 1997 the Compensation Committee adopted The Eastern Company 1997 Directors Stock Option Plan (the 1997 Plan) which by its terms expired on September 16, 2007. No additional options may be granted under the 1997 Plan. However, options previously granted remain exercisable in accordance with their terms.

On April 25, 2001, the shareholders approved The Eastern Company 2000 Executive Stock Incentive Plan (the 2000 Plan), which by its terms will expire either on July 19, 2010 or upon any earlier termination date established by the Board of Directors. The 2000 Plan authorizes the granting of incentive stock options and non-qualified stock options to purchase Common Shares and the granting of shares of restricted stock. The Compensation Committee of the Company s Board of Directors will determine the restrictions which will apply to shares of restricted stock granted under the 2000 Plan. Awards may be granted to salaried officers and other key employees of the Company, whether or not such employees are also serving as directors of the Company. The 2000 Plan also provides for the grant of nonqualified stock options to non-employee directors of the Company. The total amount of Common Shares which may be issued under awards granted under the 2000 Plan shall not exceed in the aggregate 450,000 shares (as adjusted for stock splits).

The purchase price of the shares subject to each option granted under the 1989 Plan and each incentive stock option granted under the 1995 and 2000 Plans may not be less than the fair market value of the shares on the date of grant. The purchase price of shares subject to non-qualified stock options granted under the 1995, 1997 and 2000 Plans, and the price (if any) which must be paid to acquire a share of restricted stock granted under the 1995 and 2000 Plans, will be set by the Compensation Committee of the Company s Board of Directors. **All non-qualified stock options granted to date have required a purchase price equal to 100% of the fair market value of the Common Shares on the date of the grant.**

Incentive stock options generally may not be granted under the 2000 Plan to any employee who owns more than ten percent (10%) of the Company s voting stock at the time of such grant. Incentive stock options must be exercised within ten years. Non-qualified stock options must be exercised within the period set forth in the plan or, if the plan permits, within the period established by the Compensation Committee. Moreover, options may not be exercised more than three months after termination of employment or termination of service as a director, except in the case of death or disability, in which event the option may be exercised within one year after death or disability. Under the 1995, 1997 and 2000 Plans, the three month period is also extended to one year for an optionee who terminates employment or terminates service as a director at or after reaching age sixty-five (65).

Option/SAR and Long-term Incentive Plan. There were no grants of stock options, stock appreciation rights or long-term incentive awards to any Named Officers during the year ended January 3, 2009. The following relates to outstanding stock options exercised by Named Officers during the fiscal year ended January 3, 2009.



OPTIONS EXERCISED IN FISCAL 2008

The following table summarizes the option awards exercised during 2008 for each of the Named Executive Officers.

Name	Date of Exercise	Option Awards	Value Realized
		Number of Shares	
		Acquired on Exercise	on Exercise
		(#)	(\$)(1)
Leonard F. Leganza	July 10, 2008	10,712	\$ 62,879
	September 5, 2008	28,394	138,847

(1) Represents the difference between the exercise price and the fair market value of the Company's Common Stock on the date of exercise.

OUTSTANDING EQUITY AWARDS AT FISCAL 2008 YEAR-END

Name	Option Awards				Stock Awards					
	Option Grant Date	Number of securities underlying unexercised options (#) (1)	Number of securities underlying unexercised options (#)	Equity incentive plan awards: Number of securities underlying unexercised unearned options (#)	Option exercise price (\$)	Option expiration date	Number of shares or units of stock that have not vested (#)	Market value of shares or units of stock that have not vested (\$)	Equity incentive plan awards: Number of unearned shares, units or other rights that have not vested (#)	Equity incentive plan awards: Market or payout value of unearned shares, units or other rights that have not vested (\$)
Leonard F. Leganza	12/15/1999	19,671			10.17	12/15/2009				
	12/15/1999	62,829			10.17	12/15/2009				
	7/19/2000	48,750			9.50	7/19/2010				
John L. Sullivan III	7/21/1999	18,750			12.33	7/21/2009				
	12/15/1999	15,000			10.17	12/15/2009				
	7/19/2000	30,000			9.50	7/19/2010				
	4/26/2001	22,500			9.60	4/26/2011				

(1) Stock Options granted under the Company's Executive Incentive Plans

TERMINATION OF EMPLOYMENT AND CHANGE IN CONTROL ARRANGEMENTS

The Employment Agreement between the Company and Mr. Leganza dated February 22, 2005, as amended on October 24, 2007, December 12, 2007 and October 22, 2008 (the Agreement) provides certain change in control benefits.

If a change in control of the Company (as defined in the Agreement) occurs, Mr. Leganza will receive a lump sum severance payment equal to 2.99 times his average adjusted compensation (as defined in the Agreement). However, this amount will be reduced to the extent necessary to avoid the applicability of Section 280G of the Internal Revenue Code. Following a change in control, Mr. Leganza will be entitled to receive the change in control benefit, the deferred compensation, and the medical benefits, whether or not his termination of employment is for cause.

Pursuant to the terms of the Agreement, Mr. Leganza has entered into certain noncompetition, nonsolicitation and nondisclosure covenants with the Company.

The Agreement supersedes the terms of the prior severance agreement between the Company and Mr. Leganza dated February 21, 2001.

Should an unfriendly change in control of the Company take place, John L. Sullivan III is guaranteed to receive a lump sum payment equal to one full year of his annual base salary.

The following table provides certain information regarding the benefits payable under the change in control agreements, based on compensation received for the fiscal year ending January 3, 2009:

		Absent a change in control		Following a change in control	
		Termination For Cause	Termination Without Cause	Termination For Cause	Termination Without Cause
Leonard F. Leganza	Medical continuation	\$0	\$ 10,948	\$ 10,948	\$ 10,948
	Deferred compensation	0	416,230	416,230	416,230
	Lump sum severance	0	0	2,013,926	2,013,926
	Total	0	427,178	2,441,104	2,441,104
John L. Sullivan III	Lump sum severance (1)	0	0	0	250,000
	Total	0	0	0	250,000

(1) Mr. Sullivan's lump sum severance benefit is payable only if an unfriendly change in control occurs.

SHAREHOLDER RETURN PERFORMANCE INFORMATION

The U.S. Securities and Exchange Commission requires that the Company include in its Annual Report on Form 10-K the line graph presented below. The Company is also including the graph in this proxy statement for the Company's shareholders' ease of reference.

The following graph sets forth the Company's cumulative total shareholder return based upon an initial \$100 investment made on December 31, 2003 (i.e., stock appreciation plus dividends during the past five fiscal years) compared to the Wilshire 5000 Index and the S&P Industrial Machinery Index.

The Company manufactures and markets a broad range of locks, latches, fasteners and other security hardware that meets the diverse security and safety needs of industrial and commercial customers. Consequently, while the S&P Industrial Machinery Index being used for comparison is the standard index most closely related to the Company, it does not completely represent the Company's products or market applications. The Wilshire 5000 is a market index made up of 5,000 publicly-traded companies, including those having both large and small capitalization.

	Dec. 03	Dec. 04	Dec. 05	Dec. 06	Dec. 07	Dec. 08
The Eastern Company	\$100	\$131	\$131	\$199	\$191	\$92
Wilshire 5000	\$100	\$112	\$120	\$139	\$146	\$92
S&P © Industrial Machinery	\$100	\$118	\$116	\$132	\$160	\$96

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ADDITIONAL INFORMATION

Any shareholder who intends to present a proposal at the 2010 Annual Meeting of shareholders and desires that it be included in the Company's proxy material must submit to the Company a copy of the proposal on or before November 17, 2009. Any shareholder who intends to present a proposal at the 2010 Annual Meeting but does not wish that the proposal be included in the Company's proxy material must provide notice of the proposal to the Company, in accordance with the terms of the Company's by-laws, no earlier than January 22, 2010 and no later than February 21, 2010.

It is the Company's policy to have the members of the Board of Directors attend the Annual Meeting, to the extent feasible. All of the members of the Board of Directors attended the 2008 Annual Meeting.

If any shareholder wishes to send communications to the Board of Directors or to any member of the Board of Directors, he or she may do so by sending such communications to the Board of Directors or to the individual director in care of The Eastern Company, 112 Bridge Street, P.O. Box 460, Naugatuck, Connecticut 06770. All such communications will be delivered to the Board of Directors or to the individual director in strict confidence.

FORM 10-K ANNUAL REPORT

A copy of the Company's annual report on Form 10-K as filed with the Securities and Exchange Commission for the fiscal year ended January 3, 2009 will be furnished without exhibits to shareholders upon written request. Exhibits to the Form 10-K will be provided if so indicated. Direct all inquiries to Investor Relations, The Eastern Company, 112 Bridge Street, P.O. Box 460, Naugatuck, Connecticut 06770-0460. Form 10-K is also available on the Company's website at www.easterncompany.com.

OTHER BUSINESS

Under Connecticut law, no business other than the general purpose or purposes stated in the notice of meeting may be transacted at an annual meeting of shareholders. If any matter within the general purposes stated in the notice of meeting but not specifically discussed herein comes before the meeting or any adjournment thereof, the persons named in the enclosed proxy will vote upon such matter in accordance with their best judgment.

This proxy statement and the above notice are sent by order of the Board of Directors.

Theresa P. Dews

Secretary

March 17, 2009

EXHIBIT A

The Eastern Company

AUDIT COMMITTEE CHARTER

(1) General

There shall be a committee of the Board which shall be called the Audit Committee (the Committee).

The Committee shall consist of no fewer than three members. Each member of the Committee shall satisfy the independence, experience and financial expertise requirements of Section 10A of the Securities Exchange Act of 1934 (as amended by the Sarbanes-Oxley Act of 2002, and the rules promulgated thereunder) and the rules and regulations of the NYSE Alternext. Directors' fees are the only compensation that a Committee member may receive from the Company.

The Board shall appoint the members of the Committee annually, considering the views of the president and chief executive officer, as appropriate. The members of the Committee shall serve until their successors are appointed and qualify, and shall designate the chairman of the Committee. The Board shall have the power at any time to change the membership of the Committee and to fill vacancies in it, subject to such new member(s) satisfying the independence, experience and financial expertise requirements referred to above.

The Committee shall meet on at least a quarterly basis.

Except as expressly provided in this Charter or the by-laws of the Company or as otherwise provided by law or the rules of the NYSE Alternext, the Committee shall fix its own rules of procedure.

(2) Statement of Purpose and Policy

The Committee shall provide assistance to the Board in fulfilling its oversight responsibility to the shareholders, potential shareholders, the investment community, and others relating to the Company's financial statements and the financial reporting process, the systems of internal accounting and financial controls, the internal audit function, the annual independent audit of the Company's financial statements, and the legal compliance and ethics programs as established by management and the Board. In so doing, it is the responsibility of the Committee to maintain free and open communication between the Committee, the independent auditors, the internal auditors, and the management of the Company. In discharging its oversight role, the Committee is empowered to investigate any matter brought to its attention with full access to all books, records, facilities, and personnel of the Company, and with the power to retain outside counsel or other experts for this purpose.

(3) Audit Committee Authority and Responsibilities

The Committee shall have the authority to appoint or replace the Company's independent accounting firm (subject, if applicable, to shareholder ratification), and shall approve all audit engagement fees and terms and all non-audit engagements with the independent accounting firm. The

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Committee shall consult with management but shall not delegate these responsibilities, except that pre-approvals of non-audit services may be delegated to a single member of the Committee. In its capacity as a committee of the Board, the Committee shall be directly responsible for the oversight of the work of the independent accounting firm (including resolution of disagreements between management and the independent accounting firm regarding financial reporting) for the purpose of preparing or issuing an audit report or related work, and the independent accounting firm shall report directly to the Committee.

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The Committee shall have the authority, to the extent it deems necessary or appropriate, to retain special legal, accounting or other consultants to advise the committee and carry out its duties, and to conduct or authorize investigations into any matters within its scope of responsibilities. The Committee shall meet periodically with management and the independent accounting firm in separate executive sessions in furtherance of its purposes.

The Committee may request any officer or employee of the Company or the Company's outside counsel or independent accounting firm to attend a meeting of the Committee or to meet with any members of, or consultants to, the Committee.

The Committee shall make regular reports to the Board. The Committee shall review and reassess the adequacy of this Charter annually and recommend any proposed changes to the Board for approval. The Committee shall annually review the Committee's own performance.

In performing its functions, the Committee shall undertake those tasks and responsibilities that, in its judgment, would most effectively contribute and implement the purposes of the Committee. The following functions are some of the common recurring activities of the Committee in carrying out its oversight responsibility:

Review and discuss with management and the independent accounting firm the Company's annual audited financial statements, including disclosures made in Management's Discussion and Analysis of Financial Condition and Results of Operations or similar disclosures, and the matters required to be discussed pursuant to the Statement on Auditing Standards No. 61, and recommend to the Board whether the audited financial statements should be included in the Company's Form 10-K.

Review and discuss with management and the independent accounting firm the Company's quarterly financial statements, including disclosures made under Management's Discussion and Analysis of Financial Condition and Results of Operations or similar disclosures, and the matters required to be discussed pursuant to the Statement on Auditing Standards No. 61, prior to the filing of its Form 10-Q, including the results of the independent accounting firm's reviews of the Company's quarterly financial statements to the extent applicable.

Review and discuss with management and the independent accounting firm, as applicable: (a) major issues regarding accounting principles and financial statement presentations, including any significant changes in the Company's selection or application of accounting principles, and major issues as to the adequacy of the Company's internal controls and any special audit steps adopted in light of material control deficiencies; (b) analyses prepared by management or the independent accounting firm setting forth significant financial reporting issues and judgments made in connection with the preparation of the financial statements, including analyses of the effects on the financial statements of alternative methods under generally accepted accounting principles (GAAP); (c) any management letter provided by the independent accounting firm and the Company's response to that letter; (d) any problems, difficulties or differences encountered in the course of the audit work, including any disagreements with management or restrictions on the scope of the independent accounting firm's activities or on access to requested information and management's response thereto; (e) the effect of regulatory and accounting initiatives, as well as off-balance sheet structures, on the financial statements of the Company; and (f) earnings press releases (paying particular attention to any use of pro-forma, or adjusted non-GAAP, information), as well as financial information and earnings guidance (generally or on a case-by-case basis) provided to analysts and rating agencies.

Meet with the independent auditors and financial management of the Company to review the scope of the proposed audit for the current year and the audit procedures to be utilized, and at the conclusion thereof review such audit, including any comments or recommendations of the independent auditors.

Review the disclosures concerning the Committee and its operations as may be required for inclusion in proxy materials distributed by the Company in connection with meetings of its shareholders.

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Establish and review procedures for the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls or auditing matters, and the confidential, anonymous submission by Company employees of concerns regarding questionable accounting or auditing matters.

Review and discuss all relationships which the independent accounting firm has with the Company in order to consider and evaluate the independent accounting firm's continued independence, ensure the rotation of the lead (or coordinating) audit partner and other significant audit partners, and establish clear hiring policies for employees or former employees of the independent accounting firm who are proposed to be hired by the Company.

When applicable, review the independent accounting firm's attestation to management's report included in the annual report on Form 10-K which evaluates the Company's internal controls and procedures for financial reporting.

Review any reports of the independent accounting firm mandated by Section 10A of the Securities Exchange Act of 1934, as amended, and obtain from the independent accounting firm any information with respect to illegal acts in accordance with Section 10A.

Discuss 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.

Perform any other activities consistent with this Charter, the Company's By-laws, or governing law as the Committee or the Board deems necessary or appropriate.

(4) *Limitations of Audit Committee's Roles*

While the Committee has the responsibilities and powers set forth in its Charter, it is not the duty of the Committee to prepare financial statements, to plan or conduct audits, or to determine that the Company's financial statements and disclosures are complete and accurate and are in accordance with GAAP and applicable rules and regulations. These are the responsibilities of management with advice from the independent accounting firm.

THE EASTERN COMPANY

112 Bridge Street, P.O. Box 460, Naugatuck, CT 06770-0460

THIS PROXY IS SOLICITED BY THE BOARD OF DIRECTORS OF THE COMPANY

The undersigned hereby appoints John W. Everets and Charles W. Henry or any one or more of them, true and lawful attorneys and agents, with the power of substitution for the undersigned in his name, place and stead, to vote at the Annual Meeting of Shareholders of The Eastern Company on April 22, 2009 and any adjournments thereof, all shares of common stock of said Company which the undersigned would be entitled to vote, if then personally present, as specified on the reverse side of this card on proposals 1 and 2 and in their discretion on all other matters coming before the meeting.

This proxy will be voted as directed by the shareholder but if no choice is specified, it will be voted FOR proposals 1 and 2.

(Continued and to be signed on the reverse side)

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**ANNUAL MEETING OF SHAREHOLDERS OF
THE EASTERN COMPANY**

April 22, 2009

PROXY VOTING INSTRUCTIONS

TELEPHONE - Call toll-free 1-800-PROXIES (1-800-776-9437) in the United States or 1-718-921-8500 from foreign countries from any touch-tone telephone and follow the instructions. Have your proxy card available when you call and use the Company Number and Account Number shown on your proxy card.

Vote by phone until 11:59 PM EST the day before the meeting.

MAIL - Sign, date and mail your proxy card in the envelope provided as soon as possible.

IN PERSON - You may vote your shares in person by attending the Annual Meeting

NOTICE OF INTERNET AVAILABILITY OF PROXY MATERIAL:

The Notice of meeting and proxy statement are available at www.easterncompany.com

Please detach along perforated line and mail in the envelope provided **IF** you are not voting via telephone.

The Board of Directors recommends a vote FOR proposals 1 and 2

PLEASE SIGN, DATE AND RETURN PROMPTLY IN THE ENCLOSED ENVELOPE. PLEASE MARK YOUR VOTE IN BLUE OR BLACK INK AS SHOWN HERE (X).

1. Election of two Directors for a 3-year term:

NOMINEES:

Explanation of Responses:

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FOR NOMINEES

D.C. Robinson

D.S. Tuttle III

AGAINST NOMINEES

FOR ALL EXCEPT

(See instructions below)

INSTRUCTION: To vote against any individual nominee(s), mark **FOR ALL EXCEPT** and fill in the circle next to each nominee you wish to vote against, as shown here: (X)

2. Ratify the appointment of the independent registered public accounting firm (UHY LLP)

FOR AGAINST ABSTAIN

Sign, date and return the proxy card promptly using the enclosed envelope.

To change the address on your account, please check the box at right and indicate your new address in the address space above. Please note that changes to the registered names(s) on the account may not be submitted via this method.

Signature of Shareholder _____ Date _____

Signature of Shareholder _____ Date _____

Note: Please sign exactly as your name or names appear on this Proxy. When shares are held jointly, each holder should sign. When signing as executor, administrator, attorney, trustee or guardian, please give full title as such. If the signer is a corporation, please sign full corporate name by duly authorized officer, giving full title as such. If signer is a partnership, please sign in partnership name by authorized person.

