JOHNSON CONTROLS INC
Form DEF 14A
December 07, 2007

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

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of the Securities
Exchange Act of 1934 (Amendment No.)

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

Check the appropriate box:

o Preliminary Proxy Statement
o **Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
þ Definitive Proxy Statement
o Definitive Additional Materials
o Soliciting Material Pursuant to §240.14a-12

JOHNSON CONTROLS, INC.

(Name of Registrant as Specified In Its Charter)

JOHNSON CONTROLS, INC.

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

Payment of Filing Fee (Check the appropriate box):

o No fee required.
o Fee computed on table below per Exchange Act Rules 14a-6(i)(4) and 0-11.

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2) Aggregate number of securities to which transaction applies:

3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

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o Fee paid previously with preliminary materials.

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

1) Amount Previously Paid:

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Johnson Controls, Inc.
5757 North Green Bay Ave.
Post Office Box 591
Milwaukee, Wisconsin 53201-0591

Notice of 2008
Annual Meeting
and Proxy Statement

Date of Notice: December 7, 2007

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NOTICE OF THE 2008
ANNUAL MEETING OF SHAREHOLDERS

Johnson Controls, Inc. will hold the Annual Meeting of Shareholders on Wednesday, January 23, 2008, at 1:00 P.M. CST, at Discovery World at Pier Wisconsin, 500 N. Harbor Drive, Milwaukee, Wisconsin. The purposes of the Annual Meeting are as follows:

1. To elect four directors, with the following as the Board s nominees:

Natalie A. Black
Robert A. Cornog
William H. Lacy
Stephen A. Roell

2. To ratify the appointment of PricewaterhouseCoopers LLP as our independent registered public accounting firm for fiscal year 2008.

3. To transact such other business as may properly come before the Annual Meeting and any adjournment thereof.

The Board of Directors recommends a vote FOR items 1 and 2. The persons named as proxies will use their discretion to vote on other matters that may properly arise at the Annual Meeting.

If you were a shareholder of record at the close of business on November 15, 2007, you are entitled to vote at the Annual Meeting.

If you have any questions about the Annual Meeting, please contact:

Johnson Controls, Inc.
Shareholder Services X-76
5757 North Green Bay Ave.
Post Office Box 591
Milwaukee, WI 53201-0591
(414) 524-2363
(800) 524-6220

By Order of the Board of Directors

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Johnson Controls, Inc.
5757 North Green Bay Avenue
Post Office Box 591
Milwaukee, WI
53201-0591

December 7, 2007

Dear Shareholder:

The Johnson Controls Annual Shareholders Meeting will convene on Wednesday, January 23, 2008, at 1:00 P.M. CST at Discovery World at Pier Wisconsin, 500 N. Harbor Drive, Milwaukee, Wisconsin. We are mailing our proxy statement, which details the business we will conduct at the Annual Shareholders Meeting, to shareholders on or about December 7, 2007, together with the Company s Annual Report on Form 10-K for fiscal year 2007. Shareholders are not to regard the Annual Report on Form 10-K, which contains our audited financial statements, as proxy solicitation material.

We are pleased to once again offer multiple options for voting your shares. As detailed in the Questions and Answers section of this proxy statement, you can vote your shares via the Internet, by telephone, by mail or by written ballot at the Annual Meeting. We encourage you to use the Internet to vote your shares as it is the most cost-effective method.

Thank you for your continued support of Johnson Controls.

Sincerely,

JOHNSON CONTROLS, INC.

John M. Barth Chairman	Stephen A. Roell Chief Executive Officer

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* *Agenda items for the Annual Meeting*

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QUESTIONS AND ANSWERS

Q: What am I voting on?

A: You are voting on TWO proposals:

1. Election of four directors for a term of three years, with the following as the Board s nominees:
   Natalie A. Black
   Robert A. Cornog
   William H. Lacy
   Stephen A. Roell
2. Ratification of the appointment of PricewaterhouseCoopers LLP as our independent registered public accounting firm for fiscal year 2008.

Q: What are the voting recommendations of the Board?

A: The Board of Directors is soliciting this proxy and recommends the following votes:

FOR each of the director nominees; and

FOR ratification of the appointment of PricewaterhouseCoopers LLP as our independent registered public accounting firm for fiscal year 2008.

Q: Will any other matters be voted on?

A: We are not aware of any other matters that you will be asked to vote on at the Annual Meeting. If other matters are properly brought before the Annual Meeting, the proxy holders will use their discretion to vote on these matters as they may arise. Furthermore, if a nominee cannot or will not serve as director, then the proxy holders will vote for a person whom they believe will carry out our present policies.

Q: Who can vote?

A: If you hold shares of our Common Stock, CUSIP No. 478366107, as of the close of business on November 15, 2007, then you are entitled to one vote per share at the Annual Meeting. There is no cumulative voting.

Q: How do I vote?

A: There are four ways to vote:

by Internet at **http://www.eproxy.com/jci/**

We encourage you to vote this way as it is the most cost-effective method;

by toll-free telephone at 1-800-560-1965;

by completing and mailing your proxy card; or

by written ballot at the Annual Meeting.

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Q: What is the effect of not voting?

A: It will depend on how your share ownership is registered.

If shares you own are registered in your name and you do not vote, your unvoted shares will not be represented at the meeting and will not count toward the quorum requirement. In the case of a non-routine proposal, if a quorum is obtained and shareholders holding a majority of the outstanding shares of Johnson Controls stock cast votes on the non-routine proposal, your unvoted shares will not affect whether the proposal is approved or rejected. There are no non-routine proposals to be voted upon at this year s Annual Meeting.

If you own shares in street name through a broker and do not vote, your broker may represent your shares at the meeting for purposes of obtaining a quorum. In the absence of your voting instructions, your broker may or may not vote your shares at its discretion depending on the proposals before the meeting. Your broker may vote your shares at its discretion and your shares will count toward the quorum requirement on routine matters. Your broker may not, however, vote your shares on proposals determined to be non-routine. In such cases, the absence of voting instructions results in a broker non-vote. Broker non-voted shares are counted toward the quorum requirement but they do not affect the determination of whether a non-routine matter is approved or rejected. We believe that Proposals One and Two are routine matters on which brokers will be permitted to vote on behalf of their clients if no voting instructions are furnished. Again, there are no non-routine proposals to be voted upon at this year s Annual Meeting.

If you own shares through a Johnson Controls retirement or employee savings and investment plan [401(k)], and you do not direct the trustee of the 401(k) plan to vote your shares, or if the trustee does not receive your proxy card by January 17, 2008, then the trustee will vote the shares credited to your account in the same proportion as the voting of shares for which the trustee receives direction from other participants.

If you sign and return a proxy card for your shares but you do not indicate a voting direction, then the shares you hold will be voted FOR each of the nominees listed in Proposal One, FOR Proposal Two, and in the discretion of the persons named as proxies, upon such other matters that may properly come before the meeting or any adjournments thereof.

Q: Can I change my vote?

A: Yes. You can change your vote or revoke your proxy any time before the Annual Meeting by:

entering a new vote by Internet or phone;

returning a later-dated proxy card;

notifying Jerome D. Okarma, Vice President, Secretary and General Counsel, by written revocation letter addressed to the Milwaukee address listed on the front page; or

completing a written ballot at the Annual Meeting.

Q: What vote is required to approve each proposal?

A: Provided a quorum is present at the Annual Meeting, shareholders will elect the four director nominees receiving the greatest number of votes. Also provided a quorum is present, the votes shareholders cast for must exceed the votes shareholders cast against to approve the ratification of the appointment of PricewaterhouseCoopers LLP as the Company s independent registered public accounting firm for fiscal year 2008.

Q: Is my vote confidential?

A: Yes. Only the election inspectors and certain individuals, independent of our company, who help with the processing and counting of the vote have access to your vote. Our directors and employees may see your vote only if we need to defend ourselves against a claim or in the event of a proxy solicitation by someone other than our company.

Q: Who will count the vote?

A: Wells Fargo Bank, N.A. will count the vote. Its representatives will serve as the inspectors of the election.

Q: What shares are covered by my proxy card?

A: The shares covered by your proxy card represent the shares of our Common Stock that you own that are registered with our company and our transfer agent, Wells Fargo Bank, N.A., including those shares you own through our dividend reinvestment plan and employee stock purchase plan. Additionally, shares our employees own that are credited to our employee retirement and savings and investment plans [401(k)] are also covered by your proxy card. The trustee of these plans will vote these shares as directed.

Q: What does it mean if I get more than one proxy card?

A: It means your shares are held in more than one account. You should vote the shares on all your proxy cards using one of the four ways to vote. To provide better shareholder services, we encourage you to have all your non-broker account shares registered in the same name and address. You may do this by contacting our transfer agent, Wells Fargo Bank, N.A., toll-free at 1-877-602-7397.

Q: Who can attend the Annual Meeting?

A: All shareholders of record as of the close of business on November 15, 2007 can attend the meeting. Seating, however, is limited. Attendance at the Annual Meeting will be on a first arrival basis.

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Q: What do I need to do to attend the Annual Meeting?

A: To attend the Annual Meeting, please follow these instructions:

If shares you own are registered in your name or if you own shares through a Johnson Controls retirement or employee savings and investment plan, bring your proof of ownership of our Common Stock and a form of identification; or

If a broker or other nominee holds your shares, bring proof of your ownership of our Common Stock through such broker or nominee and a form of identification.

Q: Will there be a management presentation at the Annual Meeting?

A: Management will give a brief presentation at the Annual Meeting.

Q: Can I bring a guest?

A: While bringing a guest is not prohibited, please be aware that seating availability at the Annual Meeting is limited.

Q: What is the quorum requirement of the Annual Meeting?

A: A majority of the shares outstanding on November 15, 2007 constitutes a quorum for voting at the Annual Meeting. If you vote, your shares will be part of the quorum. Abstentions and broker non-votes will be counted in determining the quorum, but neither will be counted as votes cast FOR or AGAINST any of the proposals. On the record date, 594,617,318 shares of our Common Stock were outstanding.

Q: How much did this proxy solicitation cost?

A: We will primarily solicit proxies by mail and we will cover the expense of such solicitation. Georgeson Inc. will help us solicit proxies from all brokers and nominees at a cost of $10,000 plus expenses. Our officers and employees may also solicit proxies for no additional compensation. We may reimburse brokers or other nominees for reasonable expenses they incur in sending these proxy materials to you if a broker or other nominee holds your shares.

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Q: How do I recommend or nominate someone to be considered as a director for the 2009 Annual Meeting?

A: You may recommend any person as a candidate for director by writing to Jerome D. Okarma, our Vice President, Secretary and General Counsel. The Corporate Governance Committee reviews all submissions of recommendations from shareholders. The Corporate Governance Committee will determine whether the candidate is qualified to serve on our Board of Directors by evaluating the candidate using the criteria contained under the Director Qualifications and Selection section of the Company s Corporate Governance Guidelines, which is discussed under Proposal One: Election of Directors Nominating Committee Disclosure. Alternatively, if shares you own are registered in your name and you are entitled to vote at the Annual Meeting, then you may nominate any person for director by writing to Mr. Okarma. Your letter must include your intention to nominate a person as a director and include the candidate s name, biographical data, and qualifications, as well as the written consent of the person to be named in our proxy statement as a nominee and to serve as a director. To nominate a person as a director for the 2009 Annual Meeting, our By-Laws require that a shareholder send written notice not less than 45 days and not more than 75 days prior to the month and day in the current year corresponding to the date on which we first mailed our proxy materials for the prior year s Annual Meeting. Therefore, since we anticipate mailing this proxy statement on December 7, 2007, we must receive notice of shareholder intent to nominate a person as a director no sooner than September 23, 2008, and no later than October 23, 2008. A copy of the Corporate Governance Guidelines is provided at our website at *http://www.johnsoncontrols.com/governance*, or you may request a copy of these materials by contacting Shareholder Services at the address or phone number provided in the Questions and Answers section of this proxy statement and they will be mailed to you at no cost.

Q: When are shareholder proposals due for the 2009 Annual Meeting?

A: Pursuant to Rule 14a-8 of the Securities Exchange Act of 1934, we must receive shareholder proposals by August 9, 2008 to consider them for inclusion in our proxy materials for the 2009 Annual Meeting.

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Q: What are the requirements for proposing business other than by a shareholder proposal at the 2009 Annual Meeting?

A: A shareholder who intends to propose business at the 2009 Annual Meeting, other than pursuant to Rule 14a-8 of the Securities Exchange Act of 1934, must comply with the requirements set forth in our By-Laws. Among other things, a shareholder must give written notice of the intent to propose business before the Annual Meeting to us during the 30-day timeframe described above relating to nominating a person as a director. Therefore, based upon the anticipated mailing date of December 7, 2007, we must receive notice of shareholder intent to propose business before the Annual Meeting, submitted other than pursuant to Rule 14a-8 of the Securities Exchange Act of 1934, no sooner than September 23, 2008, and no later than October 23, 2008.

If the notice is received after October 23, 2008, then the notice will be considered untimely and we are not required to present the shareholder information at the 2009 Annual Meeting. If the Board of Directors chooses to present any information submitted after October 23, 2008, other than pursuant to Rule 14a-8 of the Securities Exchange Act of 1934, at the 2009 Annual Meeting, then the persons named in proxies solicited by the Board of Directors for the 2009 Annual Meeting may exercise discretionary voting power with respect to such information.

Q: What changes were made to the Company s Articles of Incorporation due to the 3 for 1 stock split?

A: We amended and restated the Articles of Incorporation. The total number of authorized shares was changed to 1,802,000,000, the number of authorized shares of Common Stock was changed from 600,000,000 to 1,800,000,000, and the par value per share of Common Stock was changed from $0.041/16 to $0.017/18.

Q: Where can I find Corporate Governance materials for Johnson Controls?

A: We have provided our Corporate Governance Guidelines, Ethics Policy, Disclosure Policy, Communication Policy, Insider Trading Policy, and the Charters for the Audit, Compensation, Corporate Governance, Executive, Finance, and Qualified Legal Compliance Committees of our Board of Directors, as well as our Disclosure Committee, on our website at *http://www.johnsoncontrols.com/governance*. Our Securities and Exchange Commission, or SEC, filings (including our Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and Section 16 insider trading transactions) are available at *http://www.johnsoncontrols.com/investors.* The Ethics Policy is applicable to the members of the Board of Directors and to all of our employees, including, but not limited to, the principal executive officer, principal financial officer, principal accounting officer or controller, or any person performing similar functions. Any amendments to, or waivers of, the Ethics Policy that the Board of Directors approves will be disclosed on our website. We are not including the information contained on our website as part of, or incorporating it by reference into, this Proxy Statement.

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Q: How can I obtain Corporate Governance materials for Johnson Controls if I do not have access to the Internet?

A: You may receive a copy of our Corporate Governance materials free of charge by:

contacting Shareholder Services at 1-800-524-6220; or

writing to:

Johnson Controls, Inc.
Attn: Shareholder Services X-76
5757 North Green Bay Ave.
Post Office Box 591
Milwaukee, WI 53201-0591

Q: What is the process for reporting possible violations of Johnson Controls policies?

A: Employees may anonymously report a possible violation of our policies by calling 866-444-1313 in the U.S. and Canada, or 678-250-7578 if located elsewhere. Reports of possible violations of the Ethics Policy may also be made to Jerome D. Okarma, our Vice President, Secretary and General Counsel, at *Jerome.D.Okarma@jci.com* or to the attention of Mr. Okarma at 5757 North Green Bay Avenue, P.O. Box 591, Milwaukee, Wisconsin, 53201-0591. Reports of possible violations of financial or accounting policies may be made to the Chairman of the Audit Committee, Robert A. Cornog, at *Robert.A.Cornog@jci.com* or to the attention of Mr. Cornog at 5757 North Green Bay Avenue, P.O. Box 591, Milwaukee, Wisconsin, 53201-0591. Reports of possible violations of the Ethics Policy that the complainant wishes to go directly to the Board may be addressed to the Chairman of the Corporate Governance Committee, Robert L. Barnett, at *Robert.L.Barnett@jci.com* or to the attention of Mr. Barnett at 5757 North Green Bay Avenue, P.O. Box 591, Milwaukee, Wisconsin, 53201-0591.

Q: How do I obtain more information about Johnson Controls, Inc.?

A: To obtain additional information about our company, you may contact Shareholder Services by:

calling 1-800-524-6220;

visiting the website at *http://www.johnsoncontrols.com;* or

writing to:

Johnson Controls, Inc.
Attn: Shareholder Services X-76
5757 North Green Bay Ave.
Post Office Box 591
Milwaukee, WI 53201-0591

Q: Is the proxy statement available online?

A: Yes, we have provided the proxy statement on our website at *http://www.johnsoncontrols.com/proxy.*

Q: If more than one shareholder lives in my household, how can I obtain an extra copy of this proxy statement?

A: Pursuant to the rules of the SEC, services that deliver our communications to shareholders who hold their stock through a broker or other nominee may deliver to multiple shareholders sharing the same address a single copy of our proxy statement. Upon written or oral request, we will mail a separate copy of the proxy statement to any shareholder at a shared address to which a single copy of each document was delivered. You may contact us with your request by calling or writing to Shareholder Services at the address or phone number provided above. We will mail materials you request at no cost. You can also access the proxy statement online at *www.johnsoncontrols.com/proxy*.

PLEASE VOTE. YOUR VOTE IS VERY IMPORTANT.

Promptly returning your proxy card or voting via telephone or the Internet will help to reduce the cost of this solicitation.

PROPOSAL ONE: ELECTION OF DIRECTORS

Retirement of Paul A. Brunner: Mr. Paul A. Brunner will retire as a director on December 31, 2007 after having reached our mandatory retirement age for directors. He has served as a director since 1983 and is currently in the class whose terms expire at the 2009 Annual Meeting. Our Board of Directors has not at this time taken formal action to nominate a candidate to serve as a twelfth director after Mr. Brunner s retirement, but the Corporate Governance Committee is in the process of identifying and qualifying an appropriate candidate.

Board Structure: As a result, the size of our Board of Directors will decrease to eleven effective upon his retirement, which we expect to be a temporary change. This action did not require a By-laws amendment because our current By-laws provide for a range of no less than ten nor more than thirteen members. Directors are divided into three classes. At each Annual Meeting, the term of one class expires. Directors in each class serve three-year terms, or until the director s earlier retirement pursuant to the Board of Directors Retirement Policy, or until his or her successor is duly qualified and elected.

Shareholder and Other Interested Party Communication with the Board: We encourage shareholder and other interested party communication with directors. General communication with any member of the board may be sent to his or her attention at 5757 North Green Bay Avenue, P.O. Box 591, Milwaukee, Wisconsin, 53201-0591. You may send communications regarding financial or accounting policies to the Chairman of the Audit Committee, Robert A. Cornog, at *Robert.A.Cornog@jci.com* or to the attention of Mr. Cornog at 5757 North Green Bay Avenue, P.O. Box 591, Milwaukee, Wisconsin, 53201-0591. You may send other communications to the Chairman of the Corporate Governance Committee, Robert L. Barnett, at *Robert.L.Barnett@jci.com* or to the attention of Mr. Barnett at the address noted above. We do not screen emails to these individuals. We do, however, screen regular mail for security purposes.

Director Attendance at the Annual Meeting: We have a long-standing policy of director attendance at the Annual Meeting. All of the directors attended the 2007 Annual Meeting of Shareholders.

Nominating Committee Disclosure: The Corporate Governance Committee serves the nominating committee role. We describe the material terms of this role in the committee s Charter, a description of which appears under the Board Committees section of this proxy statement. The committee s Charter, the Corporate Governance Guidelines, and the committee s procedures are published at *http://www.johnsoncontrols.com/governance*. The Committee Independence section of the Corporate Governance Guidelines requires that all members of the committee be independent, as defined by the New York Stock Exchange listing standards and the Company s Corporate Governance Guidelines. The committee has a process under which the committee identifies and evaluates all director candidates, regardless of whether nominated as required by the By-laws, or recommended. In order to identify director candidates, the

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committee maintains a file of recommended potential director nominees (including those recommended by shareholders), solicits candidates from current directors, evaluates recommendations and nominations by shareholders and will, if deemed appropriate, retain for a fee recruiting professionals to identify and evaluate candidates. The committee uses the following criteria, among others, to evaluate any candidate s capabilities to serve as a member of the Board: skill sets, professional experience, independence, other time demands (including service on other boards), diversity, technical capabilities, and international and industry experience. Further, the committee reviews the qualifications of any candidate with those of current directors to determine coverage and gaps in experience in related industries, such as automotive and electronics, and in functional areas, such as finance, manufacturing, technology, labor, employment and investing. The Chairman of the Board and the Chairperson of the committee will also lead an evaluation of each candidate who may stand for reelection based upon the preceding criteria before nominating such director for reelection. Therefore, the committee will evaluate all director candidates in a similar manner regardless of how each director was identified, recommended, or nominated.

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BOARD NOMINEES

At the Annual Meeting, four directors will be elected for terms expiring in 2011. The Corporate Governance Committee has recommended and the Board of Directors has selected the following nominees for election: Natalie A. Black, Robert A. Cornog, William H. Lacy, and Stephen A. Roell, all of whom are current directors of our company. Each person that shareholders elect as a director will serve until the Annual Meeting of Shareholders in 2011, or until his or her successor has been duly qualified and elected. Brief biographies of the director nominees and continuing directors as of September 30, 2007 follow.

The Board recommends that you vote FOR the election of Natalie A. Black, Robert A. Cornog, William H. Lacy, and Stephen A. Roell.

Natalie A. Black
Director since 1998
Age 57
Senior Vice President, General Counsel and Corporate Secretary, Kohler Co., Kohler, Wisconsin, since 2001 (manufacturer and marketer of plumbing products, power systems and furniture). Ms. Black served as a Group President for Kohler Co. from 1998 to 2001.

Robert A. Cornog
Director since 1992
Age 67
Retired Chairman of the Board of Directors, Chief Executive Officer and President, Snap-on Inc., Kenosha, Wisconsin (tool manufacturer). Mr. Cornog served as Chief Executive Officer and President from 1991 to 2001 and as Chairman from 1991 to 2002. Mr. Cornog is a director of Oshkosh Truck Corporation and Wisconsin Energy Corp. (We Energies). Mr. Cornog serves on the Human Resources Committee (compensation) of Oshkosh Truck Corporation and the Audit Committee of We Energies.

William H. Lacy
Director since 1997
Age 62
Retired Chairman and Chief Executive Officer, MGIC Investment Corp., Milwaukee, Wisconsin. Mr. Lacy retired in 1999 after a 28-year career at MGIC Investment Corp. and its principal subsidiary, Mortgage Guaranty Insurance Corp. (MGIC), the nation s leading private mortgage insurer. Mr. Lacy is a Director of American Capital Access Inc. (ACA Capital) and Ocwen Financial Corp. He serves on the Corporate Governance Committee of Ocwen Financial Corp. and the Audit and Risk Management Committee of ACA Capital Holdings, Inc.

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Stephen A. Roell
Director since 2004
Age 57
Chief Executive Officer and, effective January 1, 2008, Chairman of the Board of Directors, Johnson Controls, Inc. Mr. Roell served as Vice Chairman from 2005 through 2007 and Executive Vice President from 2004 to 2007. Previously, Mr. Roell served as Chief Financial Officer of Johnson Controls, Inc. from 1991 to 2005.

THE BOARD RECOMMENDS THAT YOU VOTE FOR EACH OF ITS NOMINEES.

CONTINUING DIRECTORS

Terms Expire at the 2009 Annual Meeting:

Dennis W. Archer
Director since 2002
Age 65
Chairman, Dickinson Wright PLLC, Detroit, Michigan since 2002 (law firm). Mr. Archer served as president of the American Bar Association from 2003 to 2004. Mr. Archer served as Mayor of Detroit from 1994 to 2001. Mr. Archer is a director of Compuware Corp. and Masco Corp. Mr. Archer also serves on the Audit Committee of Masco Corp.

John M. Barth
Director since 1997
Age 61
Retired Chief Executive Officer and, effective December 31, 2007, retired Chairman of the Board, Johnson Controls, Inc. Mr. Barth served as Chairman of the Board of Directors from 2004 through 2007, and Chief Executive Officer from 2002 to 2007. Previously, Mr. Barth served as Chief Operating Officer from 1998 to 2002.

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Southwood J. Morcott
Director since 1993
Age 69
Retired Chairman of the Board, President, and Chief Executive Officer, Dana Corp., Toledo, Ohio (vehicular and industrial systems manufacturer). Mr. Morcott is a director of CSX Corp. and Navistar International Corp. Mr. Morcott serves as the Chairman of the Compensation Committee of Navistar International Corp.

Terms Expire at the 2010 Annual Meeting:

Robert L. Barnett
Director since 1986
Age 67
Retired Executive Vice President, Motorola, Inc., Schaumburg, Illinois (manufacturer of electronics products). Mr. Barnett served as Executive Vice President of Motorola from 2003 to 2005. Prior to that, he served as President and Chief Executive Officer, Commercial, Government and Industrial Solutions Sector, Motorola, Inc., from 1998 to 2002. Mr. Barnett is a director of Central Vermont Public Service and USG Corp. Mr. Barnett is Chairman of the Compensation Committee of Central Vermont Public Service and is Chairman of the Audit Committee of USG Corp.

Eugenio Clariond Reyes-Retana
Director since 2005
Age 64
Retired Chairman and Chief Executive Officer, Grupo IMSA S.A., Nuevo Leon, Mexico (industrial conglomerate specializing in steel, aluminum and plastic products). He served as Chief Executive Officer from 1985 through 2006 and as Chairman from 2003 through 2006. Mr. Clariond serves as a director of Navistar International Corp., The Mexico Fund, Inc., Mexichem, S.A., Grupo Financiero Banorte, S.A., Grupo Industrial Saltillo, S.A., and Versatec, S. de R.L. Mr. Clariond serves on the Audit Committees of Grupo Industrial Saltillo, S.A. and The Mexico Fund, Inc. and is a member of the Compensation Committees of Navistar International Corp. and Mexichem, S.A.

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Jeffrey A. Joerres
Director since 2001
Age 48
Chairman, Chief Executive Officer and President of Manpower Inc., Milwaukee, Wisconsin (provider of employment services). Mr. Joerres served as Senior Vice President of European Operations from 1998 to 1999, and Senior Vice President of Major Account Development from 1995 to 1998. Mr. Joerres is a director of Artisan Funds and serves on the board of trustees for the Committee for Economic Development. Mr. Joerres serves on the Audit Committee of Artisan Funds.

Richard F. Teerlink
Director since 1994
Age 71
Retired Chairman of the Board and Retired President and Chief Executive Officer, Harley-Davidson, Inc., Milwaukee, Wisconsin, 1998 and 1997, respectively (manufacturer of motorcycles). Mr. Teerlink was a member of the board of directors of Harley-Davidson, Inc. from 1987 to 2002. Mr. Teerlink is a director of Snap-on Inc. Mr. Teerlink serves as Chairman of the Audit Committee of Snap-on Inc.

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PROPOSAL TWO:
RATIFICATION OF THE APPOINTMENT OF THE COMPANY S INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM FOR FISCAL YEAR 2008

We ask that you ratify the appointment of PricewaterhouseCoopers LLP as our independent registered public accounting firm for fiscal year 2008.

PricewaterhouseCoopers LLP has audited our accounts for many years. The Audit Committee appointed them as the Company s independent registered public accounting firm for fiscal year 2008.

Representatives of PricewaterhouseCoopers LLP are expected to be present at the Annual Meeting with the opportunity to make a statement if they so desire and to be available to respond to appropriate questions.

If the appointment is not ratified by a majority of the votes cast, the adverse vote will be considered as an indication to the Audit Committee that it should consider selecting another independent registered public accounting firm for the following fiscal year. Even if the selection is ratified, the Audit Committee, in its discretion, may select a new independent registered public accounting firm at any time during the year if it believes that such a change would be in our best interest.

THE BOARD RECOMMENDS THAT YOU VOTE FOR THE RATIFICATION OF THE APPOINTMENT OF PRICEWATERHOUSECOOPERS LLP AS THE COMPANY S INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM FOR FISCAL YEAR 2008.

COMPENSATION COMMITTEE REPORT

The Compensation Committee has reviewed and discussed the Compensation Discussion and Analysis included in this proxy statement with management. Based on this review, the Compensation Committee recommended to the Board of Directors that the Compensation Discussion and Analysis be included in our proxy statement relating to the 2008 Annual Meeting of Shareholders.

Southwood J. Morcott, Chairman
Dennis W. Archer
Paul A. Brunner
Jeffrey A. Joerres
William H. Lacy
Members, Compensation Committee

EXECUTIVE COMPENSATION
COMPENSATION DISCUSSION AND ANALYSIS

As we discuss on page 54, the Compensation Committee (the Committee) of our Board of Directors (the Board) has the sole authority, delegated by our Board, to approve and monitor all compensation and benefit programs (other than broad-based welfare benefit programs) for our executive officers including the officers we name in the Summary Compensation Table (named executive officers). The Committee seeks to ensure that our compensation policies and practices are consistent with our values and support the successful recruitment, development, and retention of executive talent so we can achieve our business objectives and optimize our long-term financial returns. The Committee reports its actions and decisions to the Board.

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We have a long history of strong results, and we believe our practice of linking compensation with corporate performance has contributed significantly to our track record. Over the past five years, we have delivered an average annualized shareholder return of 27%. This has translated into an increase in our market capitalization of $16.8 billion over the past five years. Over those five years, we have grown net sales at an average annualized growth rate of 13% and have grown earnings at an average annualized growth rate of 15%. We have also had a consistent track record of growth, achieving 61 consecutive years of revenue increases, 17 consecutive years of earnings increases, and 32 consecutive years of dividend increases. Our operations are located in more than 50 countries throughout the world, and we generate over 50% of our net sales outside of the United States.

What are the objectives of our compensation programs and what have we designed our compensation programs to reward?

We have designed our compensation programs to attract, motivate, reward and retain a highly qualified and effective global management team to deliver superior performance that builds shareholder value over the long term. We design our compensation programs specifically to reward achievement of strategic, financial and leadership objectives closely aligned with the interests of our shareholders. We develop our compensation plans to motivate our executives to improve our overall corporate performance, return on investment, and profitability of the specific region or unit for which they are responsible. We link a significant portion of each executive officer s total compensation to accomplishing specific, measurable results that we believe will build long-term value for shareholders.

We generally set our compensation at the 50th percentile of market practice. Final decisions concerning compensation, however, also reflect an executive officer s annual achievements, company performance and our views regarding an executive officer s scope of responsibilities, demonstrated leadership abilities, and management experience and effectiveness. The Committee considers these factors collectively and ultimately uses its judgment in making final decisions concerning compensation.

To focus our senior management on continuing to deliver strong results for our shareholders, we place primary emphasis on performance-based variable compensation. We design annual and long-term cash incentive awards to recognize achievement of growth in pre-tax earnings regardless of global economic conditions and factors impacting our markets. Long-term equity incentive awards include stock options that deliver value to the executive only if our stock price rises above the stock price on the grant date and restricted stock, which we consider a key retention component of compensation. Decisions regarding salary increases take into account the executive s current salary, the amounts paid to the executive s peers within and outside the company, and the factors specific to individual executive officers that we discuss above.

What is each element of our executive compensation?

Our executive compensation program consists of the following elements:

- base salary;
- annual incentive performance awards (an annual cash-based incentive);
- long-term incentive performance awards (a rolling three year cash-based incentive);
- stock options;
- restricted stock; and

retirement and other benefits.
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Net income per share – diluted	$0.03	$0.05
Weighted average common shares Outstanding – basic	2,688,291	2,711,680
Weighted average common shares Outstanding – diluted	2,688,291	2,719,385

The accompanying notes are an integral part of the consolidated financial statements.

ARRHYTHMIA RESEARCH TECHNOLOGY, INC. AND SUBSIDIARY

Consolidated Statements of Cash Flows

(Unaudited)

	Three Months Ended March 31, 2009	Three Months Ended March 31, 2008
Cash flows from operating activities:		
Net income	$ 81,774	$ 149,372
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation and amortization	346,628	358,482
Share based compensation	32,270	26,970
Provision for doubtful accounts	6,000	17,500
Deferred tax assets	(15,500)	-
Changes in operating assets and liabilities:		
Trade and other accounts receivable	(515,967)	(1,528,599)
Inventories	(91,408)	(837,465)
Deposits, prepaid expenses and other assets	244,085	(99,068)
Accounts payable and accrued expenses	311,102	1,853,844
Net cash provided by (used in) operating activities	398,984	(58,964)
Cash flows from investing activities:		
Capital expenditures, net of disposals	(193,932)	(157,272)
Net cash used in investing activities	(193,932)	(157,272)
Cash flows from financing activities:		
Payments on acquisition note payable	(23,548)	(160,034)
Net cash used in financing activities	(23,548)	(160,034)
Net increase (decrease) in cash and cash equivalents	181,504	(376,270)
Cash and cash equivalents at beginning of period	2,320,467	1,684,411
Cash and cash equivalents at end of period	$ 2,501,971	$ 1,308,141

The accompanying notes are an integral part of the consolidated financial statements.

Notes to the Consolidated Financial Statements

1. Basis of Presentation:

The unaudited interim consolidated financial statements and related notes have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission. Accordingly, certain information and footnote disclosures normally included in complete financial statements prepared in accordance with generally accepted accounting principles have been omitted pursuant to such rules and regulations. The accompanying unaudited interim consolidated financial statements and related notes should be read in conjunction with the consolidated financial statements and notes thereto included in the Arrhythmia Research Technology, Inc. and subsidiary (the "Company") Annual Report on Form 10-K for the year ended December 31, 2008 filed March 25, 2009.

The information presented reflects, in the opinion of the management of the Company, all adjustments necessary for a fair presentation of the financial results for the interim period presented.

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Operating results for interim periods are not necessarily indicative of results that may be expected for the entire fiscal year.

2. Inventories:

Inventories consist of the following as of:	March 31, 2009	December 31, 2008
Raw materials	$ 1,142,754	$ 1,099,876
Work-in-process	875,041	773,245
Finished goods	1,801,105	1,854,371
Total	$ 3,818,900	$ 3,727,492

3. Share-Based Compensation:

The Company accounts for non-cash share based compensation under Statement of Financial Accounting Standards (SFAS) No. 123(R), Share-Based Payment, which accounts for equity instruments exchanged for employee services. Under the provisions of SFAS 123(R), share-based compensation cost is measured at the grant date, based on the fair value of the award, and is recognized as an expense over the employee's requisite service period (generally the vesting period of the equity grant).

The Company estimates the fair value of stock options using the Black-Scholes valuation model. Key input assumptions used to estimate the fair value of stock options include the exercise price of the award, the expected option term, the expected volatility of the Company's stock over the option's expected term, the risk-free interest rate over the option's expected term, and the Company's expected annual dividend yield. The Company believes that the valuation technique and the approach utilized to develop the underlying assumptions are appropriate in calculating the fair values of the Company's stock options. Estimates of fair value are not intended to predict actual future events or the value ultimately realized by persons who receive equity awards.

The following assumptions were used to estimate the fair market value of options granted using the Black Scholes valuation method:

	Three Months Ended March 31, 2008
Dividend Yield	0%
Expected Volatility	40.65%
Risk Free Interest Rate	3.28%
Expected Option Terms (in years)	4.5

The Company recognized share-based compensation expense of $32,270 and $26,970 in general and administrative expense for the three months ended March 31, 2009 and 2008, respectively. A grant totaling 107,500 options to 24 persons including directors and management was made during the three months ended March 31, 2008. No grants were made in the first three months of 2009.

Share-based Incentive Plan

At March 31, 2009, the Company has one stock option plan that includes both incentive stock options and non-statutory stock options to be granted to certain eligible employees, non-employee directors, or consultants of the Company. The maximum number of shares reserved for issuance is 400,000 shares. The options granted have six-year contractual terms and either vest immediately or vest annually over a five-year term.

At March 31, 2009, there were 140,000 shares available for future grants under the above stock option plan. The weighted average exercise price of options outstanding was $8.76 at March 31, 2009.

The following table presents the average price and contractual life information about options outstanding and exercisable at March 31, 2009:

Exercise Price	Number of Outstanding Shares	Weighted Average Remaining Contractual Life (years)	Options Currently Exercisable	Average Fair Value at Grant Date
$ 4.85	25,000	0.33	25,000	$ 0.66
7.15	96,000	4.76	19,200	2.74
9.86	69,000	2.72	66,000	4.22
12.42	10,000	3.35	4,000	5.38
14.10	10,000	4.18	--	6.88
23.10	10,000	3.93	4,000	10.77

The aggregated intrinsic value of options outstanding and vested at March 31, 2009 was $0. The Company expects 73,000 of the 88,800 options to vest over their remaining life.

The following table summarizes the status of Company's non-vested options since December 31, 2008:

	Non-Vested Options	
	Number of Shares	Weighted Average Fair Value
Non-vested at December 31, 2008	111,000	$ 3.46
Granted	-	-
Vested	(21,200)	3.50
Forfeited	(1,000)	2.74
Non-vested at March 31, 2009	88,800	$ 3.48

At March 31, 2009, there was $277,974 of total unrecognized cost related to non-vested share-based compensation arrangements granted under the Plan. This cost is expected to be recognized over a weighted average period of 4.47 years.

4. Income Taxes:

The Company accounts for income taxes in accordance with FASB Interpretation No. 48 ("FIN 48"), Accounting for Uncertainty in Income Taxes which is an interpretation of SFAS No. 109, Accounting for Income Taxes. FIN 48 requires management to perform a two-step evaluation of all tax positions, ensuring that these tax return positions meet the "more-likely than not" recognition threshold and can be measured with sufficient precision to determine the benefit recognized in the financial statements.

The Company files income tax returns in the U.S. Federal jurisdiction and various state jurisdictions. The periods from 2005 to 2008 remain open to examination by the IRS and state jurisdictions. The Company believes it is not subject to any significant tax risk. The Company does not have any accrued interest or penalties associated with any unrecognized tax benefits, nor was any interest expense recognized during the three months ended March 31, 2009.

5. Recent Accounting Pronouncements:

In March 2008, the Financial Accounting Standards Board (“FASB”) issued SFAS No. 161, “Disclosures about Derivative Instruments and Hedging Activities—an amendment of FASB Statement No. 133.” SFAS No. 161 amends and expands the disclosure requirements of SFAS No. 133, “Accounting for Derivative Instruments and Hedging Activities,” to provide improved transparency into the uses and financial statement impact of derivative instruments and hedging activities. The adoption of SFAS No. 161 will not have a material impact on our Financial Statements.

In April 2008, the FASB issued FASB Staff Position (“FSP”) FAS No. 142-3, “Determination of the Useful Life of Intangible Assets” (“FSP FAS 142-3”). This pronouncement amends FASB Statement of Financial Accounting Standards (“SFAS”) No. 142, “Goodwill and Other Intangible Assets” (“SFAS No. 142”), regarding the factors that should be considered in developing the useful lives for intangible assets with renewal or extension provisions. FSP FAS 142-3 requires an entity to consider its own historical experience in renewing or extending similar arrangements, regardless of whether those arrangements have explicit renewal or extension provisions, when determining the useful life of an intangible asset. In the absence of such experience, an entity shall consider the assumptions that market participants would use about renewal or extension, adjusted for entity-specific factors. FSP FAS 142-3 also requires an entity to disclose information regarding the extent to which the expected future cash flows associated with an intangible asset are affected by the entity’s intent and/or ability to renew or extend the arrangement. FSP FAS 142-3 will be effective for qualifying intangible assets acquired by the Company on or after July 1, 2009. The application of FSP FAS 142-3 is not expected to have a material impact on the Company’s results of operations, cash flows or financial positions; however, it could impact future transactions entered into by the Company.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Forward-Looking Statements

Any forward looking statements made herein are based on current expectations of the Company that involve a number of risks and uncertainties and should not be considered as guarantees of future performance. These statements are made under the Safe Harbor Provisions of the Private Securities Litigation Reform Act of 1995. Forward looking statements may be identified by the use of words such as “expect,” “anticipate,” “believe,” “intend,” “plans,” “predict “will”. Although the Company believes that our expectations are based on reasonable assumptions, we can give no assurance that our expectations will materialize. Many factors could cause actual results to differ materially from our forward looking statements. Several of these factors include, without limitation: our ability to maintain our current pricing model and/or decrease our cost of sales; continued availability of supplies or materials used in manufacturing at competitive prices; volatility in commodity and energy prices and our ability to offset higher costs with price increases; the costs inherent with complying with new statutes and regulations applicable to public reporting companies, such as the Sarbanes-Oxley Act of 2002; variability of customer delivery requirements; our ability to efficiently integrate future acquisitions and other new lines of business that the Company may enter in the future, if any; and other risks referenced from time to time elsewhere in this report and in our filings with the SEC.

The Company is under no obligation and does not intend to update, revise or otherwise publicly release any revisions to these forward-looking statements to reflect events or circumstances after the date hereof or to reflect the occurrence of any unanticipated events. More information about factors that potentially could affect the Company's financial results is included in the Company's filings with the Securities and Exchange Commission, including its Annual Report on Form 10-K for the year ended December 31, 2008.

Overview

Arrhythmia Research Technology, Inc. (“ART”) is engaged in the licensing of medical software, which acquires data and analyzes electrical impulses of the heart to detect and aid in the treatment of potentially lethal arrhythmias. Micron Products, Inc. (“Micron”), a wholly owned subsidiary, is the primary source of consolidated revenues. Micron manufactures disposable electrode sensors used as a component part in the manufacture of integrated disposable electro-physiological electrodes. These disposable medical devices are used world wide in the monitoring of electric signals in various medical applications. Micron has expanded into custom plastic injection molded products and product life cycle management. Revenues in this sector are primarily custom injection molding, tooling, and end-to-end product life cycle management through a comprehensive portfolio of value-added services such as design, engineering, prototyping, manufacturing, machining, assembly and packaging.

Results of Operations

Revenue for the three months ended March 31, 2009 was $4,683,454 versus $5,459,742 for the three months ended March 31, 2008, a decrease of 14%. Revenues associated with Micron's medical sensors and snaps with silver surcharge decreased by $271,100 and high volume precision molded products and other miscellaneous sales decreased by $21,400. The change in revenues from sensors and snaps is due to price concessions to several large customers. Revenue from the Micron Integrated Technology's (MIT) product life cycle management programs decreased $438,000 partially a result of eliminating the distribution of an unprofitable forging product. The MIT division in Micron Products includes the custom manufacturing and product life cycle businesses. The revenue is derived from the custom molding, precision metal machining and mold making activities. Other sales, including the snap attaching machine business unit, decreased $45,700 when compared to the same period in 2008. There were no sales of the Company's SAECG products in the first three months of 2009 or 2008.

Revenue from domestic and foreign sales for the first three months is as follows:

	Three Months Ending March 31,			
	2009	%	2008	%
United States	$ 2,615,989	56	$ 3,066,751	56
Canada	946,678	20	1,341,015	25
Europe	801,546	17	793,608	14
Pacific Rim	151,430	3	99,653	2
Other	167,811	4	158,715	3
Total	$ 4,683,454	100	$ 5,459,742	100

The decrease in domestic sales was largely a result of the MIT division's elimination of an unprofitable forging product. Canadian sales decrease is the result of price concessions and a decrease in silver surcharge collected for Micron's electrophysiological sensor product lines.

Cost of sales was $3,739,132 for the three months ended March 31, 2009 as compared to $4,348,304 for the same period in 2008. The cost of sales percentage was 80% of revenue for the three months ended March 31, 2009 and for the same period in 2008. Cost of manufacturing has been stabilized with recent success of a company-wide cost reduction team. The stabilization and reduction of costs remains a priority of management efforts. The inability to increase our sensor prices in the competitive global marketplace hinders passing additional material and utility cost increases to our customers, excluding the escalating cost of silver. Management continues to investigate ways to improve the overall gross margin by elimination of low contribution products while expanding higher margin product lines. Increased investment in automated equipment necessary to lower manufacturing costs and improve gross margin is planned for the balance of 2009.

Selling and marketing expense was $150,449 for the three months ended March 31, 2009 as compared to $190,374 for the same period in 2008. The selling and marketing expense was 3.2% of sales in the three months ended March 31, 2009 and 3.5% for the same period in 2008. Selling expenses continue to be stable as a percentage of sales. The decrease in selling expenses reflect a decrease in personnel and travel costs. Selling expenses as a percentage of sales has been and is expected to remain stable in 2009.

General and administrative expense was $575,505 for the three months ended March 31, 2009 as compared to $616,864 for the same period in 2008. The general and administrative expense was 12% of sales in the three months ended March 31, 2009 and 11% for the same period in 2008. The decrease in expense included a net reduction in personnel cost from the same period in 2008 as well as lower period over period costs related to Section 404 of the Sarbanes-Oxley Act of 2002 compliance.

Research and development expense was $68,758 for the three months ended March 31, 2009 as compared to $83,622 for the same period in 2008. The research and development expense was 1.5% of sales in the three months ended March 31, 2009 and in the same period in 2008. Approximately 11% of the expense was related to ART's product, Predictor®7. Although base development work on Predictor 7 has been completed, product testing costs were expended to support a National Institute of Health research project utilizing ART's proprietary Signal Averaged ECG products and patented algorithms. The remaining portion of the research and development expense is associated with continued work on process improvements to Micron sensor and snap product line. This work is expected to continue through the end of 2009.

Other expense, net was $13,836 versus income of $4,794 for the three months ended March 31, 2009 and 2008, respectively. Interest income in the period ended March 31, 2009 was offset by a loss on disposal of assets of $9,304 and interest expense of $10,253 associated with an equipment note compared with $12,353 interest expense in the period ended March 31, 2008.

Income taxes as a percent of income before income taxes were 40% for the three months ended March 31, 2009 as compared to 34% for the same period in 2008. This difference was the result of tax credits earned in 2008. Management will continue to seek to implement any tax planning opportunities that could effectively reduce the Company's income tax obligations in the future.

Liquidity and Capital Resources

Working capital was $7,686,961 at March 31, 2009 compared to $7,440,721 at December 31, 2008, an increase of $246,240. The increase resulted from the operational cash flows exceeding our capital investment and reduction of debt. Capital investment will decrease working capital with any significant investment resulting from future acquisition of assets or businesses, significant expansion of production capacity, a medical study, or further software development. Capital investment in automation equipment is expected to reduce working capital over the next 6 months of 2009.

Net capital expenditures were $193,932 for the first three months of 2009 as compared to $157,272 for the same period in 2008. The largest portion of the capital expenditures in the first three months of 2009 resulted from the routine replacement of tooling on our sensor product line. In addition, 2009 capital expenditures included deposits on production equipment to be installed in the second and third quarters. Included in the capital expenditures for the same period in 2008 was the continued installation of the Enterprise Resource Planning software, including shop floor bar code acquisition devices, as well as upgrades to and replacement of existing machinery and tooling. Capital expenditures for the three months ended March 31, 2009 were made with cash on hand.

The Company has an unsecured $1,000,000 credit line with a large multinational bank. No funds have been drawn down on the line as of March 31, 2009 or December 31, 2008. The Company has a one year term note secured by equipment with a limit of $813,000. The loan was drawn down by $383,000 for equipment delivered and installed in October 2007. A second payment of $383,000 was made in January of 2008 for this equipment. In the third quarter of 2008 the equipment note was extended for one year with a decrease in the fixed rate from 6.75% to 6.5% per annum. The equipment note is amortized over 6 years with a balloon payment for the remaining balance at September 15, 2009. The acquisition note related to the acquisition of Leominster Tool in December of 2006 was paid in full in March 2008.

The Company expects to meet cash demands for its operations at current levels with current operating cash flows for the foreseeable future.

In October 2008, the Company's Board of Directors authorized the repurchase in the open market from time to time of up to $650,000 of the Company's outstanding stock. An aggregate of 23,389 shares were purchased in the fourth quarter of 2008 under the program for an aggregate of $53,975. No purchases were made in the first three months of 2009.

Critical Accounting Policies

The preparation of financial statements and related disclosures in conformity with generally accepted accounting principles requires management to make judgments, assumptions and estimates that affect the amounts reported. Certain of these significant accounting policies are considered to be critical accounting policies, as defined below.

A critical accounting policy is defined as one that is both material to the presentation of the Company's financial statements and requires management to make difficult, subjective, and complex judgments that could have a material effect on the Company's financial condition and results of operations. Specifically, critical accounting estimates have the following attributes: 1) the Company is required to make assumptions about matters that are highly uncertain at the time of the estimate; and 2) different estimates the Company could reasonably have used, or changes in the estimate that are reasonably likely to occur, would have a material effect on the Company's financial condition or results of operations.

Estimates and assumptions about future events and their effects cannot be determined with certainty. The Company bases its estimates on historical experience and on various other assumptions believed to be applicable and reasonable in the circumstances. These estimates may change as new events occur, as additional information is obtained and as the Company's operating environment changes. These changes have historically been minor and have been included in the consolidated financial statements as soon as they became known. In addition, management is periodically faced with uncertainties, the outcomes of which are not within its control and will not be known for prolonged periods of time. These uncertainties are discussed in the section above entitled "Forward-looking Statements." Based on a critical assessment of its accounting policies and the underlying judgments and uncertainties affecting the application of those policies, management believes that the Company's consolidated financial statements are fairly stated in accordance with generally accepted accounting principles, and present a meaningful presentation of the Company's financial condition and results of operations.

Management believes that the following are critical accounting policies:

Revenue Recognition and Accounts Receivable

Revenues from the sale of products are recorded when the product is shipped, title and risk of loss have transferred to the purchaser, payment terms are fixed or determinable and payment is reasonably assured.

The financing of customer purchased tooling utilizes the direct financing method of revenue recognition. This requires the gain on the sale of the tooling to be recorded at the time the tool is put into service while the expected payments are reflected as a lease receivable.

Based on management's on-going analysis of accounts receivable balances, and after the initial recognition of the revenue, if an event occurs which may adversely affect the ultimate collectability of the related receivable, management will record an allowance for the bad debt. Bad debts have not had a significant impact on the Company's financial condition, results of operations or cash flows.

Stock-Based Compensation

The Company accounts for share based compensation under SFAS No. 123R, "Share Based Payment" ("FAS 123R"). FAS 123R requires that companies recognize and measure compensation expense for all share-based payments at the grant date based on the fair market value of the award. This share-based compensation expense must be included in the Company's statement of operations over the requisite service period.

The Company uses the Black-Scholes option pricing model which requires extensive use of financial estimates and accounting judgment, including the expected volatility of the Company's common stock over the estimated term, and estimates on the expected time period that employees will retain their vested options prior to exercising them. The use of alternative assumptions could produce significantly different estimates of the fair value of the stock-based compensation and as a result, provide significantly different amounts recognized in the Company's statement of income.

Inventory and Inventory Reserves

The Company values its inventory at the lower of cost or market. The Company reviews its inventory for quantities in excess of production requirements, obsolescence and for compliance with internal quality specifications. Any adjustments to inventory would be equal to the difference between the cost of inventory and the estimated net market value based upon assumptions about future demand, market conditions and expected cost to distribute those products to market. If actual market conditions are less favorable than those projected by management, additional inventory reserves may be required.

The Company maintains a reserve for excess, slow moving, and obsolete inventory as well as inventory with a carrying value in excess of its net realizable value. A review of inventory on hand is made at least annually and a provision for excess, slow moving, and obsolete inventory is recorded, if necessary. The review is based on several factors including a current assessment of future product demand, historical experience, and product expiration.

Deferred Tax Assets

The Company assesses its deferred tax assets based upon a more likely than not to be realized criteria. The Company considers future taxable income and ongoing prudent and feasible tax planning strategies in assessing the need for the valuation allowance. In accordance with FIN 48 we recognize the benefits of a tax position if that position is more likely than not to be sustained on audit, based on the technical merit of the position.

Asset Impairment – Goodwill

The Company reviews the valuation of goodwill and intangible assets to assess potential impairments on an annual basis. The management evaluates the carrying value of goodwill and other intangible assets in accordance with the guidelines set forth in SFAS 142. The value assigned to intangible assets is determined by a valuation based on estimates and judgment regarding expectations for the success and life cycle of products and businesses acquired. To test for impairment, present values of an estimate of future discounted cash flows related to the intangible assets are calculated compared to the value of the intangible asset. When impairment exists it could have a material adverse effect on the Company's business, financial condition and results of operations. As of March 31, 2009, no impairment of goodwill was required.

Asset Impairment – Long Lived Assets

The Company assesses the impairment of long-lived assets whenever events or changes in circumstances indicate that the carrying value may not be fully recoverable. When it is determined that the carrying value of such assets may not be recoverable, the Company generally measures any impairment based on projected undiscounted future cash flows attributed to the asset and its carrying value. If the carrying value exceeds the future discounted cash flows, asset impairment would be recorded.

Item 3. Quantitative and Qualitative Disclosure About Market Risks

Not applicable.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

As of the end of the period covered by this Quarterly Report, the Company's management, with the participation of the Company's Chief Executive Officer and Chief Financial Officer ("the Certifying Officers"), conducted evaluations of the Company's disclosure controls and procedures. As defined under Sections 13a – 15(e) and 15d – 15(e) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), the term "disclosure controls and procedures" means controls and other procedures of an issuer that are designed to ensure that information required to be disclosed by the issuer in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the Commission's rules and forms. Disclosure controls and procedures include without limitation, controls and procedures designed to ensure that information required to be disclosed by an issuer in the reports that it files or submits under the Exchange Act is accumulated and communicated to the issuer's management, included the Certifying Officers, to allow timely decisions regarding required disclosures. Based on this evaluation, the Certifying Officers have concluded that the Company's disclosure controls and procedures were effective to ensure that material information is recorded, processed, summarized and reported by management of the Company on a timely basis in order to comply with the Company's disclosure obligations under the Exchange Act and the rules and regulations promulgated thereunder.

Changes in Internal Control over Financial Reporting

Further, there were no changes in the Company's internal control over financial reporting during the Company's first fiscal quarter that materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II - OTHER INFORMATION

Item 5. Other Information

The Company's annual meeting of stockholders will be conducted on June 19, 2009 in Leominster, MA. A record date of April 24, 2009 has been set for the meeting.

Item 6. Exhibits

(a) Exhibits

3.0	Articles of Incorporation(a)
3.1	By-laws(b)
10.43*	Employment agreement between James E. Rouse and the Company dated December 26th, 2006.(d)
10.44*	Employment agreement between David A. Garrison and the Company dated January 1st, 2007.(d)
31.1	Certification of the CEO pursuant to Rule 13a-14(a) or Rule 15(d)-14(a) on page X-1.
31.2	Certification of the CFO pursuant to Rule 13a-14(a) or Rule 15(d)-14(a) on page X-2.
32.1	Certification pursuant to 18 U.S.C. §1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 on page X-3.
32.2	Certification pursuant to 18 U.S.C. §1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 on page X-4.

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* Indicates a management contract or compensatory plan required to be filed as an exhibit.

(a) Incorporated by reference from the Company's Registration Statement on Form S-18 as filed with the Commission in April 1988, Registration Statement No. 33-20945-FW.

(b) Incorporated by reference from the Company's Form 10-Q for period ended September 30, 2002 as filed with the Commission in November 2002.

(c) Incorporated by reference from the Company's Form 8-K as filed with the Commission on May 21, 2004.

(d) Incorporated by reference from the Company's Form 10-KSB for period ended December 31, 2006 as filed with the Commission in March of 2007.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

ARRHYTHMIA RESEARCH TECHNOLOGY, INC.

May 11, 2009

By: /s/ James E. Rouse
James E. Rouse

President and Chief Executive Officer
(Principal Executive Officer)

By: /s/ David A. Garrison
David A. Garrison
Executive Vice President and Chief Financial Officer
(Principal Financial and Accounting Officer)

Index to Exhibits

Number	Exhibit
31.1	Certification of the CEO pursuant to Rule 13a-14(a) or Rule 15(d)-14(a)
31.2	Certification of the CFO pursuant to Rule 13a-14(a) or Rule 15(d)-14(a)
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