PULSE ELECTRONICS CORP
Form PRE 14A
April 04, 2013

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

SCHEDULE 14A

(Rule 14a-101)

SCHEDULE 14A INFORMATION

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

Filed by the Registrant R
Filed by a Party other than the Registrant £

Check the appropriate box:

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

PULSE ELECTRONICS CORPORATION
(Name of Registrant as Specified in its Charter

(Name of Person(s) Filing Proxy Statement, if Other Than the Registrant)

Payment of Filing Fee (Check the appropriate box):

R	No fee required	
£	Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.	
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(1) Amount Previously Paid:

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

(3) Filing Party:

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Notice of Annual Shareholders Meeting

May 17, 2013

Our annual shareholders meeting will be held on Friday, May 17, 2013, at 5 PM (PDT) at the offices of Pulse Electronics Corporation at 12220 World Trade Drive, San Diego, CA 92128. At the meeting, we plan to ask you to:

1) Elect seven directors for a one year term;

2) Ratify the selection of KPMG LLP as our independent registered public accounting firm for the fiscal year ending December 27, 2013;

3) Approve the adoption of an amendment to our Amended and Restated Articles of Incorporation to effect a reverse split of our common stock, par value $0.125 per share (the "Common Stock"), at a ratio of not less than 1-for-10 and not more than 1-for-40 and to authorized the Board of Directors to implement the reverse stock split within this range at its discretion at any time prior to May 17, 2014 by filing an amendment to our Amended and Restated Articles of Incorporation;

4) Approve the adoption of an amendment to our Amended and Restated Articles of Incorporation to increase the conversion ratio of our outstanding Series A Preferred Stock, no par value (the "Series A Preferred Stock"), as more fully described herein;

5) Approve the adoption of an amendment to our Amended and Restated Articles of Incorporation to (i) increase the number of authorized shares of our Common Stock, par value $0.125 per share, from 275.0 million shares to 310.0 million shares and (ii) increase the number of authorized shares of preferred stock, no par value ("Preferred Stock") from 1,000 shares to 2,000 shares;

6) Approve an amendment of the Pulse Electronics Corporation 2012 Omnibus Incentive Compensation Plan to increase the maximum number of shares of our Common Stock that may be granted to any individual person per calendar year from 600,000 shares to 2.5 million shares;

7) Approve, on an advisory basis, the compensation of our named executive officers; and

8) Transact any other business as may properly come before the meeting and any adjournments or postponements thereof.

If you were a shareholder at the close of business on March 8, 2013, you may vote at the meeting, and any adjournment or postponement.

We urge you to vote for the nominees recommended by your Board of Directors – John E. Burrows, Jr., Steven G. Crane, Justin C. Choi, Ralph E. Faison, Daniel E. Pittard, John E. Major and Gary E. Sutton - using the enclosed proxy card.

By order of the Board of Directors,

San Diego, California
April [15], 2013

Please Vote - Your vote is important.
Please return the enclosed proxy as soon as possible in the envelope provided.

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Proxy Statement
Annual Shareholders Meeting
Friday, May 17, 2013

Introduction

This proxy statement is distributed on behalf of our Board of Directors. We are sending it to you to solicit proxies for voting at our 2013 annual meeting. The meeting will be held at the offices of Pulse Electronics Corporation, a Pennsylvania corporation (the "Company"), 12220 World Trade Drive, San Diego, CA 92128. The meeting is scheduled for Friday, May 17, 2013, at 5 PM (PDT). If necessary, the meeting may be continued at a later time. This proxy statement, the proxy card and a copy of our annual report have been mailed by April [15], 2013 to our shareholders of record as of March 8, 2013. Our annual report includes our consolidated financial statements for 2011 and 2012.

The following section includes answers to questions that are frequently asked about the voting process.

Q: What matters will be voted on at the Annual Meeting?

A: Eight proposals will be taken up at the meeting as well as such other business as may properly come before the meeting and any adjournments or postponements thereof. The eight proposals are:

1. To elect seven directors to our Board of Directors ("Board") to serve until the next Annual Meeting of Stockholders and until their respective successors have been duly elected and qualified, or until their earlier resignation or removal;

2. To ratify the selection of KPMG LLP as our independent registered public accounting firm for the fiscal year ending December 27, 2013;

3. Approve the adoption of an amendment to our Amended and Restated Articles of Incorporation to effect a reverse split of our common stock, par value $0.125 per share (the "Common Stock"), at a ratio of not less than 1-for-10 and not more than 1-for-40 and to authorized the Board to implement the reverse stock split within this range at its discretion at any time prior to May 17, 2014 by filing an amendment to our Amended and Restated Articles of Incorporation;

4. Approve the adoption of an amendment to our Amended and Restated Articles of Incorporation to increase the conversion ratio of our outstanding Series A Preferred Stock, no par value, as more fully described herein;

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5. Approve the adoption of an amendment to our Amended and Restated Articles of Incorporation to (i) increase the number of authorized shares of our Common Stock from 275.0 million shares to 310.0 million shares and (ii) increase the number of our authorized shares of our Preferred Stock from 1,000 shares to 2,000 shares;

6. To approve the amendment of the Pulse Electronics Corporation 2012 Omnibus Incentive Compensation Plan (the "2012 Omnibus Incentive Compensation Plan") to increase the maximum number of shares of our Common Stock that may be granted to any individual person per calendar year from 600,000 shares to 2.5 million shares;

7. To approve, on an advisory basis, the compensation of our named executive officers; and

8. To transact any other business as may properly come before the meeting and any adjournments or postponements thereof.

If Proposal 3 is approved and the Board decides in its discretion to implement a reverse split, such reverse split will proportionately reduce the number of authorized shares of our Common Stock from 275.0 million shares, or from 310.0 million shares if Proposal 5 is approved. In addition, if Proposals 3 is approved, the number of shares Common Stock that may be granted to any individual person per calendar year under the 2012 Omnibus Incentive Compensation Plan will be proportionately reduced from 600,000 shares, or from 2.5 million shares if Proposal 6 is approved.

Q: How many votes can I cast?

A: Holders of shares of our Common Stock as of March 8, 2013 are entitled to one vote per share on all proposals considered at the annual meeting. In the election of directors, you may cumulate your votes.

Q: What is cumulative voting?

A: For the election of directors, cumulative voting means that you can multiply the number of votes to which you are entitled by the total number of directors to be elected. You may then cast the whole number of votes for one candidate or distribute them among any two or more candidates in any proportion. Unless you indicate otherwise on the proxy card, Ralph E. Faison and Drew A. Moyer, the proxies, will be able to vote cumulatively for the election of directors. If you want to vote in person and use cumulative voting for electing directors, you must notify the chairman of the annual meeting prior to voting. Cumulative voting applies only to the election of directors.

Q: How do I vote?

A: You may vote by telephone, over the Internet or by signing, dating and returning your proxy card in the postage-paid envelope provided. If you are a registered shareholder or have a legal proxy from your custodian, you may vote in person at the meeting.

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Q: How do I vote if I hold shares in the Pulse Electronics 401(k) plan?

A: If you are a participant in our 401(k) plan, the enclosed proxy card will serve to direct Fidelity Management Trust Company, as trustee of our 401(k) plan, how to vote the shares of our Common Stock attributable to your individual account. Fidelity will vote shares as instructed by participants. If you do not provide voting directions to Fidelity by 5 p.m. Eastern Time on May 13, 2013, the shares attributable to your account will not be voted.

Q: What vote is necessary to approve each of the proposals?

A: For the election of directors in proposal 1, each director will be elected by the vote of the majority of votes cast with respect to that director nominee, unless the election of directors is contested. A majority of the votes cast means that the number of shares voted “for” a director nominee must exceed the number of votes cast “against” that director nominee (excluding abstentions). If the election of directors is contested, the director nominees receiving the highest number of votes, up to the number of directors to be elected, will be elected (a plurality vote). We believe the election of directors at the meeting will not be contested.

Approval of proposals 2, 3, and 6 require the affirmative vote of a majority of shares of Common Stock represented in person or by proxy at the annual meeting and entitled to vote, assuming a quorum is present.

Approval of proposals 4 and 5 require the affirmative vote of a majority of shares of Common Stock and the Preferred Stock, voting as separate classes, represented in person or by proxy at the annual meeting and entitled to vote, assuming a quorum is present.

For proposal 7, our shareholders will have an advisory vote. Because the vote is advisory, it will not be binding on our Board. However, the Board and the Compensation Committee will consider the result of the vote when making future decisions regarding our executive compensation policies and practices.

Q: Are proxy materials available on the Internet?

A: Yes. Please see the notice below:

Important notice regarding the availability of proxy materials
for the annual shareholder meeting to be held on May 17, 2013.

Our Proxy Statement and 2012 Annual Report are available on our web site at
http://phx.corporate-ir.net/phoenix.zhtml?c=83040&p=proxy

Q: How will the proxies be voted?

A: Proxies signed and received in time will be voted in accordance with your directions. Unless otherwise directed, the shares will be voted for the election of the nominated directors recommended by the Board, for the ratification of KPMG LLP as our independent registered public accounting firm for the fiscal year ended December 30, 2013, for approval of the reverse split, for the approval of the increase in the conversion ratio of Series A Preferred Stock, for the approval of the increase of the authorized shares of Common Stock and Preferred Stock, for approval of the amendment of the Pulse Electronics Corporation 2012 Omnibus Incentive Compensation Plan and for the vote, on an advisory basis, on the compensation of our named executive officers.

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The granting of a proxy by return of a signed proxy card or voting instruction card without providing instructions about cumulative voting will give the designated proxy holders discretionary authority to exercise cumulative voting. In exercising cumulative voting, the proxy holders may cast the shareholder's votes in favor of the election of some or all of the nominees in the discretion of the proxy holders, except that none of the shareholder's votes will be cast for any nominee the shareholder has given instructions to vote against or abstain from voting. If a shareholder does not wish to grant the proxy holders authority to cumulate the shareholder's votes in the election of directors, the shareholder must state this objection on the shareholder's proxy card or voting instruction card, as applicable.

If you later wish to revoke your proxy, you may do so by notifying our Corporate Secretary in writing prior to the vote at the meeting. If you timely revoke your proxy by notifying our Corporate Secretary in writing, you can still vote in person at the meeting.

Q: What constitutes a quorum?

A: The holders of a majority of our outstanding shares entitled to vote, present in person or by proxy, represent a quorum for the conduct of business at the annual meeting. Abstentions are counted as present for establishing a quorum so long as the shareholder has executed a valid proxy or is physically present at the meeting.

Q: What is the impact of broker non-votes and abstentions?

A: Broker non-votes are proxies where the broker or nominee does not have discretionary authority to vote shares on the matter. Under the New York Stock Exchange ("NYSE") rules that govern brokers and nominees who have record ownership of shares that are held in "street name" for account holders (who are the beneficial owners of the shares), brokers typically have the discretion to vote such shares on routine matters, but not on non-routine matters. If a broker has not received voting instructions from an account holder and does not have discretionary authority to vote shares on a particular item, a "broker non-vote" occurs. Abstentions and broker non-votes have no effect on the outcome of the vote for the election of directors because only the number of votes cast is relevant. We believe that all of the agenda proposals are non-routine matters under NYSE rules and brokers will not have discretionary authority, except, however, that the ratification of our independent auditor is a routine matter. Accordingly, if an account holder does not provide its broker with voting instructions, a broker non-vote will occur on the agenda proposals, other than with respect to auditor ratification.

Q: How many shares are outstanding?

A: There are 79,473,375 shares of Common Stock entitled to vote at the annual meeting. This was the number of shares outstanding on March 8, 2013. There are 1,000 shares of our Series A Preferred Stock outstanding on March 8, 2013. Shares of our Series A Preferred Stock are only entitled to vote on proposals 4 and 5 at the Annual Meeting.

Q: Who pays for soliciting the proxies?

A: We will pay the cost of soliciting proxies for the annual meeting, including the cost of preparing, assembling and mailing the notice, proxy card and proxy statement. We may solicit proxies by mail, over the Internet, telephone, facsimile, through brokers and banking institutions, or by our officers and regular employees.

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DISCUSSION OF MATTERS FOR VOTING

Proposal 1 — Election of Directors

Our Board is elected each year at the Annual Meeting of Shareholders. The Board currently consists of seven directors. Upon the recommendation of the Governance Committee, four of the current directors have been nominated by the Board for election at the Annual Meeting and each nominee has decided to stand for election. As of the date of this Proxy Statement, the Board is not aware of any nominee who is unable or unwilling to serve as a director. If any of the nominees listed below becomes unable to stand for election at the Annual Meeting, the persons named as proxies may vote for any person designated by the Board to replace the nominee.

Our Bylaws provide that at the 2013 Annual Meeting, the terms of all directors previously elected shall expire and all successors shall be elected to serve one-year terms. Therefore, each director elected at the Annual Meeting will serve until our 2014 Annual Meeting of Shareholders and until he or she is succeeded by another qualified director who has been elected, or, if earlier, until his or her death, resignation or removal. There is no limit to the number of terms that a director may serve. In order to be elected, a nominee must receive the votes of a majority of the votes cast with respect to such nominee in uncontested elections, which means the number of votes “for” a nominee must exceed the number of votes “against” that nominee. Abstentions are not counted as votes cast. If an incumbent director receives more “against” than “for” votes, he is expected to tender his resignation. The Governance Committee will consider the offer of resignation and recommend to the Board the action to be taken, and the Board will publicly disclose its decision as to whether to accept or reject the offered resignation. This practice is discussed further under the section entitled “Board Policies and Procedures.” The Board has approved the following persons as nominees for election at this meeting.

- John E. Burrows, Jr.
- Justin C. Choi
- Steven G. Crane
- Ralph E. Faison
- Daniel E. Pittard
- John E. Major
- Gary E. Sutton

For more information on each of the nominees for director, including his biographical information, please see page 35 below.

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Pursuant to the Investment Agreement we entered into with Oaktree Capital Management, L.P. (such affiliates of such investment funds collectively, "Oaktree"), Oaktree has a contractual right to nominate three directors to serve on our Board for so long as they own 50% of the shares of our Common Stock they received as part of our recapitalization transaction. Oaktree suggested John E. Major to our Board's Governance Committee as a director candidate, and Mr. Major suggested Gary E. Sutton and Daniel E. Pittard as director candidates to our Board's Governance Committee. All three of these candidates were vetted by our Board's Governance Committee and found to be independent and fit for service on our Board. Our Board expresses its sincere gratitude to our outgoing directors, Howard C. Deck, C. Mark Melliar-Smith and Lawrence P. Reinhold for their service and for consistently providing valuable, independent advice and insights.

Votes on proxy cards will be cast "FOR" all seven of the nominees for director, unless you indicate otherwise on your proxy card. However, as noted above, the persons designated as proxies may cumulate their votes. If any of our nominees are unable or unwilling to serve as director, we may nominate another person in place of him.

THE BOARD OF DIRECTORS RECOMMENDS THAT YOU
VOTE "FOR" ALL OF THE ABOVE DIRECTOR NOMINEES

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Proposal 2 — Ratification of KPMG LLP

The Audit Committee of our Board expects to reappoint the firm of KPMG LLP ("KPMG") as our independent registered public accounting firm, to audit and report on the financial statements of our Company for our fiscal year ending December 27, 2013. Although shareholder ratification of the appointment of our independent registered public accounting firm is not required by our Bylaws or other applicable legal requirements, we are submitting the selection of KPMG to our shareholders for ratification to permit shareholders to participate in this important corporate decision. If the shareholders do not ratify the appointment, the Board will consider the selection of another independent registered public accounting firm, but is not required to select a different independent registered public accounting firm. If KPMG shall decline to accept or become incapable of accepting its appointment, or if its appointment is otherwise discontinued, the Board will appoint another independent registered public accounting firm.

A representative of KPMG is expected to be present at the Annual Meeting. The representative will have the opportunity to make a statement, if he or she desires to do so, and will be available to respond to appropriate questions.

THE BOARD OF DIRECTORS RECOMMENDS
THAT YOU VOTE "FOR" PROPOSAL 2

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Proposal 3 — Approve the adoption of an amendment to our Amended and Restated Articles of Incorporation to effect a reverse split of our Common Stock at a ratio of not less than 1-for-10 and not more than 1-for-40 and to authorize the Board to implement the reverse stock split within this range in its discretion at any time prior to May 17, 2014 by filing an amendment to our Amended and Restated Articles of Incorporation

Introduction

We are seeking shareholder approval to amend our Amended and Restated Articles of Incorporation to effect a reverse stock split of our outstanding shares of Common Stock at a ratio of not less than 1-for-10 and not more than 1-for-40 at the discretion of our Board (the "Reverse Split Amendment"). Shareholder approval of this proposal will authorize the Board, in its discretion, to effect a reverse stock split at any time prior to May 17, 2014 and, if it does so, to determine the ratio of the reverse stock split within the approved range. The Board believes that granting it the discretion to effect a reverse stock split and to determine the ratio, instead of approving an immediate reverse stock split at a specific ratio, will provide the Board with maximum flexibility to react to current market conditions and to better achieve the goals of a reverse stock split, if implemented, and to act in the best interests of the Company and our shareholders.

To effect the reverse stock split, our Board would file an amendment to our Amended and Restated Articles of Incorporation with the Pennsylvania Department of State. The form of the Reverse Split Amendment is attached to this proxy statement as Exhibit A, and the discussion of the Reverse Split Amendment is qualified in its entirety by such Exhibit. If the amendment is approved by our shareholders and the Board elects to implement the reverse stock split, the number of issued and outstanding shares of our Common Stock and the number of shares of our Common Stock we are authorized to issue, including the potential increase to the number of authorized shares of our Common Stock pursuant to Proposal 5 below, would be reduced in accordance with the ratio selected for the reverse stock split. The par value of our Common Stock would remain unchanged. The number of shares of Common Stock that our Series A Preferred Stock would be convertible into will also be proportionately reduced in the same manner. However, the reverse stock split would not change the number of authorized shares of Preferred Stock, including our Series A Preferred Stock, or the relative voting power of our shareholders. The reverse stock split, if effected by our Board, would affect all of our holders of Common Stock uniformly.

On March 28, 2013, the Board unanimously adopted a resolution approving the Reverse Split Amendment and directing that it be submitted to our shareholders for approval.

The Board may elect not to implement a reverse stock split at its sole discretion, even if the Reverse Split Amendment is approved by our shareholders.

The Board's decision as to whether and when to effect the reverse stock split will be based, in part, on its utility in effecting our compliance plan with the NYSE. As part of our NYSE compliance plan discussed at "Reasons for the Reverse Split -- Meet Continuing NYSE Listing Requirements," we expect to effectuate a reverse split promptly following the shareholder meeting, if the Reverse Split Amendment is approved by our shareholders at the meeting.

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Following a reverse stock split, the number of our outstanding shares of Common Stock would be significantly reduced. A reverse stock split would also affect our outstanding stock options and shares of Common Stock issued and issuable under our stock incentive plans, including (i) our 2012 Omnibus Incentive Compensation Plan and (ii) the number of shares of Common Stock issuable upon conversion of our outstanding 7% Convertible Senior Notes due 2014 (our "Senior Convertible Notes"). Under our 2012 Omnibus Incentive Compensation Plan and any of our outstanding stock options, the number of shares of Common Stock deliverable upon exercise or grant must be appropriately adjusted and appropriate adjustments must be made to the purchase price per share to reflect a reverse stock split.

The Reverse Split Amendment is not being proposed in response to any effort of which we are aware to accumulate our shares of Common Stock or obtain control of our Company, nor is it a plan by management to recommend a series of similar actions to our Board or our shareholders.

There are certain risks associated with a reverse stock split, and we cannot accurately predict or assure the reverse stock split will produce or maintain the desired results (for more information on the risks see the section below entitled "Certain Risks Associated with a Reverse Stock Split"). However, our Board believes that the potential benefits to our company and our shareholders outweigh the risks and recommends that you vote in favor of granting the Board the discretionary authority to effect a reverse stock split.

Reasons for the Reverse Stock Split

One purpose for effecting the reverse stock split, should the Board choose to effect one, would be to increase the per share price of our Common Stock. The Board believes that, should the appropriate circumstances arise, effecting the reverse stock split would, among other things, help us to:

- Meet certain continued listing requirements of the NYSE;
- Appeal to a broader range of investors to generate greater investor interest in our company; and
- Improve the perception of our Common Stock as an investment security.

Meet Continuing NYSE Listing Requirements - Our Common Stock is listed on the NYSE under the symbol PULS. On October 12, 2012, the NYSE provided notice to our company that the decline in the share price of our Common Stock has caused it to be out of compliance with one of the NYSE's continued listing standards. Section 802.01C of the NYSE Listed Company Manual requires the average closing price of our Common Stock to be at least $1.00 per share over a consecutive 30 trading-day period.

Under the NYSE's rules, in order to get back in compliance with the listing standard, both the closing share price on the last day of any calendar month and the average closing share price (over a consecutive 30-trading day period ending on the last day of that month) must exceed $1.00 within six months following receipt of the non-compliance notice. Notwithstanding the foregoing, by determining to remedy the non-compliance by taking action requiring shareholder approval such as the reverse stock split, the NYSE will forbear from delisting our Common Stock for this reason pending shareholder approval at the 2013 annual meeting and the implementation of such action promptly thereafter. Although we believe that implementing the reverse split is likely to lead to compliance with the NYSE rules, there can be no assurance that the closing share price after implementation of the reverse split will succeed in restoring such compliance.

Improve the Perception of Our Common Stock as an Investment Security - We believe that the economic environment and conditions in specific markets in which we and certain other electronic component manufacturers are currently

operating has been a significant contributing factor in the decline in the price of our Common Stock. Our Board unanimously approved the Reverse Split Amendment as one potential means of increasing the share price of our Common Stock to improve the perception of our Common Stock as a viable investment security. Lower-priced stocks have a perception in the investment community as being risky and speculative, which may negatively impact not only the price of our Common Stock, but also our market liquidity. We believe that we may be particularly sensitive to this type of negative public perception and, if the Reverse Split Amendment is approved, our Board would have the ability to increase our per share price if it determines that it is undermining our current or future prospects.

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Appeal to a Broader Range of Investors to Generate Greater Investor Interest in our company - An increase in our stock price may make our Common Stock more attractive to investors. Brokerage firms may be reluctant to recommend lower-priced securities to their clients. Many institutional investors have policies prohibiting them from holding lower-priced stocks in their portfolios, which reduces the number of potential purchasers of our Common Stock. Investment funds may also be reluctant to invest in lower-priced stocks. Investors may also be dissuaded from purchasing lower-priced stocks because the brokerage commissions, as a percentage of the total transaction, tend to be higher for such stocks. Moreover, the analysts at many brokerage firms do not monitor the trading activity or otherwise provide coverage of lower-priced stocks. Giving the Board the ability to effect a reverse stock split, and thereby increase the price of our Common Stock, would give the Board the ability to address these issues if it is deemed necessary.

Certain Risks Associated with a Reverse Stock Split

Even if a reverse stock split is effected, some or all of the expected benefits discussed above may not be realized or maintained. Immediately following a reverse stock split, the price per share of our Common Stock may increase in proportion to the decrease in the amount of outstanding shares of Common Stock resulting from the reverse split. However, there can be no assurance that any such higher price per share of our Common Stock immediately after the reverse split can be maintained for any period of time. The market price of our Common Stock would continue to be based, in part, on our operating and financial performance and other factors unrelated to the number of shares outstanding. Liquidity in our Common Stock could also be adversely affected by the reduced number of shares outstanding after the reverse split.

Principal Effects of a Reverse Stock Split

If our shareholders approve the Reverse Split Amendment and the Board elects to effect a reverse stock split, our issued and outstanding shares of Common Stock would decrease at a rate between (i) one share of Common Stock for every ten shares of Common Stock currently outstanding on the low end and (ii) one share of Common Stock for every forty shares of Common Stock currently outstanding on the high end. The reverse stock split would be effected simultaneously for all of our Common Stock, and the exchange ratio would be the same for all shares of Common Stock. The reverse stock split would affect all of our shareholders uniformly and would not affect any shareholder's percentage ownership interest in our company or affect the relative voting or other rights that accompany the shares of our Common Stock, except to the extent that it results in a shareholder receiving cash in lieu of fractional shares. Common Stock issued pursuant to the reverse stock split would remain fully paid and non-assessable. The reverse stock split would not affect our securities law reporting and disclosure obligations, and we would continue to be subject to the periodic reporting requirements of the Securities Exchange Act of 1934, as amended (the “Exchange Act”). We have no current plans to take our company private. Accordingly, a reverse stock split is not related to a strategy to do so.

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The following table contains approximate information relating to our Common Stock, based on share information as of March 8, 2013:

	Current	After Reverse Split if 1:10 Ratio is Selected	After Reverse Split if 1:40 Ratio is Selected
Authorized Common Stock	275,00,000	27,500,000	6,875,000
Common Stock issued and outstanding	79,473,375	7,947,338	1,986,835
Common Stock issuable upon exercise of outstanding stock options and settlement of stock unit awards	2,308,000	230,800	57,700
Common Stock reserved for issuance for future grants under 2012 Omnibus Incentive Plan	5,410,650	541,065	135,266
Common Stock available for issuance upon conversion of the Senior Convertible Notes	3,500,000	350,000	87,500
Common Stock available for issuance upon conversion of Series A Preferred Stock (assuming Proposal 4 is approved)	132,120,019	13,212,002	3,303,001
Common Stock issuable upon exercise of outstanding warrants	1,086,945	108,695	27,174
Common Stock authorized but unissued and unreserved/unallocated (if Proposal 3 is not approved)	41,101,011	4,110,101	1,027,525
Common Stock authorized but unissued and unreserved/unallocated (if Proposal 3 is approved)	76,101,011	7,610,101	1,902,525

Procedure for Effecting Reverse Stock Split and Exchange of Stock Certificates

If the Reverse Split Amendment is approved by our shareholders, our Board, in its sole discretion, would determine whether to implement the reverse stock split, taking into consideration the factors discussed above, and, if implemented, determine the ratio of the reverse stock split.

We would then file Articles of Amendment amending our Amended and Restated Articles of Incorporation with the Pennsylvania Department of State. The form of the Amendment is attached to this proxy statement as Exhibit A and is considered a part of this proxy statement. Upon the filing of the Articles of Amendment, without any further action on our part or our shareholders, the issued shares of Common Stock held by shareholders of record as of the effective date of the reverse stock split would be converted into a lesser number of shares of Common Stock calculated in accordance with the reverse stock split ratio of not less than one-for-ten or not more than one-for-forty, as selected by our Board and set forth in the Reverse Split Amendment as filed with the Articles of Amendment.

Effect on Beneficial Holders (i.e., Shareholders Who Hold in “Street Name”)

If the Reverse Split Amendment is approved and we effect a reverse stock split, we intend to treat Common Stock held by shareholders in “street name,” through a bank, broker or other nominee, in the same manner as shareholders whose shares are registered in their own names. Banks, brokers or other nominees will be instructed to effect the reverse stock split for their customers holding Common Stock in “street name.” However, these banks, brokers or other nominees may have different procedures than registered shareholders for processing the reverse stock split. If you hold shares of Common Stock with a bank, broker or other nominee and have any questions in this regard, you are encouraged to contact your bank, broker or other nominee.

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Effect on Registered “Book-Entry” Holders (i.e., Shareholders That are Registered on the Transfer Agent's Books and Records but do not Hold Certificates)

Some of our registered holders of Common Stock may hold some or all of their shares electronically in book-entry form with our transfer agent, Registrar & Transfer Company. These shareholders do not have stock certificates evidencing their ownership of Common Stock. They are, however, provided with a statement reflecting the number of shares registered in their accounts. If a shareholder holds registered shares in book-entry form with our transfer agent, no action would need to be taken to receive post-reverse stock split shares or fractional shares, if applicable. If a shareholder is entitled to post-reverse stock split shares, a transaction statement would automatically be sent to the shareholder's address of record indicating the number of shares (including fractional shares) of Common Stock held following the reverse stock split.

Effect on Certificated Shares

Our transfer agent would act as our exchange agent for the reverse stock split and would assist holders of Common Stock in implementing the exchange of their certificates.

As soon as practicable after the effective date of a reverse stock split, shareholders holding shares in certificated form would be sent a transmittal letter by our transfer agent. The letter of transmittal would contain instructions on how a shareholder should surrender his or her certificates representing Common Stock (“Old Certificates”) to the transfer agent in exchange for certificates representing the appropriate number of whole post-reverse stock split Common Stock, as applicable (“New Certificates”). No New Certificates would be issued to a shareholder until that shareholder has surrendered all Old Certificates, together with a properly completed and executed letter of transmittal, to the transfer agent. No shareholder would be required to pay a transfer or other fee to exchange Old Certificates. The letter of transmittal would contain instructions on how you may obtain New Certificates if your Old Certificates have been lost. If you have lost your certificates, you may have to pay any surety premium and the service fee required by our transfer agent.

Until surrendered, we would deem outstanding Old Certificates held by shareholders to be canceled and only to represent the number of whole shares to which these shareholders are entitled.

Any Old Certificates submitted for exchange, whether because of a sale, transfer or other disposition of shares, would automatically be exchanged for New Certificates.

Shareholders should not destroy any stock certificates and should not submit any certificates until requested to do so by the transfer agent. Shortly after a reverse stock split the transfer agent would provide registered shareholders with instructions and a letter of transmittal for converting Old Certificates into New Certificates. In that case, shareholders are encouraged to promptly surrender Old Certificates to the transfer agent (acting as exchange agent in connection with the reverse stock split) in order to avoid having shares become subject to escheat laws.

Fractional Shares

No fractional shares will be issued in connection with the reverse stock split. Shareholders of record who otherwise would be entitled to receive fractional shares will be entitled to receive cash (without interest and subject to applicable withholding taxes) in lieu of such fractional shares. The total amount of cash that will be paid to holders of fractional shares following the reverse stock split will be an amount equal to the net proceeds (after customary brokerage commissions, other expenses and applicable withholding taxes) attributable to the sale of such fractional shares following the aggregation and sale by the Company or its agent of all fractional interests otherwise issuable. Holders of fractional interests as a result of the reverse stock split will be paid such proceeds on a pro rata basis, depending on

the fractional interests that they owned.

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Shareholders should be aware that, under the escheat laws of the various jurisdictions where shareholders may reside, where we are domiciled, and where the funds will be deposited, sums due for fractional interests that are not timely claimed after the effective date of the reverse stock split may be required to be paid to the designated agent for each such jurisdiction, unless correspondence has been received by us or the exchange agent concerning ownership of such funds within the time permitted in such jurisdiction. Thereafter, shareholders otherwise entitled to receive such funds will have to seek to obtain them directly from the state to which they were paid.

No Dissenters Rights

Our shareholders are not entitled to dissenters rights with respect to the Amendment, and we will not independently provide shareholders with any such right.

Federal Income Tax Consequences of a Reverse Stock Split

The following discussion is a summary of certain U.S. federal income tax consequences of the reverse stock split to our company and to shareholders that hold shares of Common Stock as capital assets for U.S. federal income tax purposes. This discussion is based upon provisions of the U.S. Internal Revenue Code of 1986, as amended (the "Code"), the Treasury regulations promulgated under the Code, and U.S. administrative rulings and court decisions, all as in effect on the date hereof and all of which are subject to change, possibly with retroactive effect, and differing interpretations. Changes in these authorities may cause the U.S. federal income tax consequences of the reverse stock split to vary substantially from the consequences summarized below.

This summary does not address all aspects of U.S. federal income taxation that may be relevant to shareholders in light of their particular circumstances or to shareholders who may be subject to special tax treatment under the Code, including, without limitation, dealers in securities, commodities or foreign currency, persons who are treated as non-U.S. persons for U.S. federal income tax purposes, certain former citizens or long-term residents of the United States, insurance companies, tax-exempt organizations, banks, financial institutions, small business investment companies, regulated investment companies, real estate investment trusts, retirement plans, persons that are partnerships or other pass-through entities for U.S. federal income tax purposes, persons whose functional currency is not the U.S. dollar, traders that mark-to-market their securities, persons subject to the alternative minimum tax, persons who hold their shares of Common Stock as part of a hedge, straddle, conversion or other risk reduction transaction, or who acquired their shares of Common Stock pursuant to the exercise of compensatory stock options, the vesting of previously restricted shares of stock or otherwise as compensation. If a partnership or other entity classified as a partnership for U.S. federal income tax purposes holds shares of Common Stock, the tax treatment of a partner thereof will generally depend upon the status of the partner and upon the activities of the partnership. If you are a partner in a partnership holding shares of our Common Stock, you should consult your tax advisor regarding the tax consequences of the reverse stock split.

We have not sought and will not seek an opinion of counsel or a ruling from the Internal Revenue Service ("IRS") regarding the federal income tax consequences of the reverse stock split. The state and local tax consequences of the reverse split may vary as to each shareholder, depending on the jurisdiction in which such shareholder resides. This discussion should not be considered as tax or investment advice, and the tax consequences of the reverse stock split may not be the same for all shareholders. Shareholders should consult their own tax advisors to know their individual federal, state, local and foreign tax consequences.

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Tax Consequences to our Company. We believe that the reverse stock split will constitute a reorganization under Section 368(a)(1)(E) of the Internal Revenue Code. Accordingly, we should not recognize taxable income, gain or loss in connection with the reverse stock split. In addition, we do not expect the reverse stock split to affect our ability to utilize our net operating loss carryforwards.

Tax Consequences to Shareholders. Shareholders should not recognize any gain or loss for U.S. federal income tax purposes as a result of the reverse stock split, except to the extent of any cash received in lieu of a fractional share of Common Stock (which fractional share will be treated as received and then exchanged for cash). Each shareholder's aggregate tax basis in the Common Stock received in the reverse stock split, including any fractional share treated as received and then exchanged for cash, should equal the shareholder's aggregate tax basis in the Common Stock exchanged in the reverse stock split. In addition, each shareholder's holding period for the Common Stock it receives in the reverse stock split should include the shareholder's holding period for the Common Stock exchanged in the reverse stock split.

In general, a shareholder who receives cash in lieu of a fractional share of Common Stock pursuant to the reverse stock split should be treated for U.S. federal income tax purposes as having received a fractional share pursuant to the reverse stock split and then as having received cash in exchange for the fractional share and should generally recognize capital gain or loss equal to the difference between the amount of cash received and the shareholder's tax basis allocable to the fractional share. Any capital gain or loss will generally be long term capital gain or loss if the shareholder's holding period in the fractional share is greater than one year as of the effective date of the reverse stock split. Special rules may apply to cause all or a portion of the cash received in lieu of a fractional share to be treated as dividend income with respect to certain shareholders who own more than a minimal amount of Common Stock (generally more than 1%) or who exercise some control over our affairs. Shareholders should consult their own tax advisors regarding the tax effects to them of receiving cash in lieu of fractional shares based on their particular circumstances.

Interests of Directors and Executive Officers

Our directors and executive officers have no substantial interests, directly or indirectly, in the proposal for the Reverse Split Amendment except to the extent of their ownership of shares of our Common Stock.

Reservation of Right Not to Implement Reverse Stock Split

We reserve the right not to implement a reverse stock split, even if the Reverse Split Amendment has been approved by our shareholders. By voting in favor of the Reverse Split Amendment, you are expressly also authorizing the Board to not implement a reverse stock split if it should so decide, in its sole discretion, that such action would not be in the best interests of the Company and its shareholders.

On March 28, 2013, our Board unanimously adopted a resolution approving the Reverse Split Amendment and directing that it be submitted to our shareholders for approval. The form of the Reverse Split Amendment is attached as Exhibit A. The material features of the Reverse Split Amendment are summarized above and such summary is qualified in its entirety by reference to the complete text of the Reverse Split Amendment. The Reverse Split Amendment is intended to give the Board the discretionary authority to implement a reverse split of our Common Stock in a range of not less than ten shares and not more than forty shares, into one share of Common Stock. Stockholders are being asked to approve the amendment. The Board recommends that you vote FOR approval of the adoption of the Reverse Split Amendment.

THE BOARD OF DIRECTORS RECOMMENDS
THAT YOU VOTE “FOR” PROPOSAL 3

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Proposal 4 — Approval of the adoption of an amendment to our Amended and Restated Articles of Incorporation to increase the conversion ratio of our outstanding Series A Preferred Stock

Background

On November 20, 2012, we consummated the first phase of our recapitalization with Oaktree pursuant to which Oaktree extended a $75.0 million senior secured Term A Loan and exchanged approximately $28.5 million principal amount and unpaid interest of our $50.0 million outstanding in Senior Convertible Notes for a new $28.5 million secured Term B Loan. We used approximately $55.0 million of the proceeds to retire our pre-existing senior credit facility and are using the remaining $20.0 million for working capital, transaction fees, general business purposes, and to increase our cash on hand.

Forbearance Agreement

On March 11, 2013, we entered into a forbearance agreement (the "Forbearance Agreement") with Oaktree relating to our credit agreement, as well as an amendment to the terms of our investment agreement with Oaktree that requires us to seek shareholder approval of Proposal 4.

Under the Forbearance Agreement, the Lenders under the credit agreement, agreed to forebear from taking any action, including, without limitation, an acceleration of any of the obligations secured under the credit agreement, permitted to be taken by the Lenders under the credit agreement and the related loan documents in connection with certain specified defaults or events of default (the "Specified Defaults"). Under the Forbearance Agreement, a Specified Default is defined as (i) any default resulting from our failure to satisfy the financial covenants specified in Sections 7.11(a), (b) and (c) of the credit agreement as of the last day of each following dates: December 31, 2012, March 31, 2013, June 30, 2013, September 30, 2013 and December 31, 2013, (ii) any incurrence or settlement of any pension plan obligation not in the ordinary course prior to December 31, 2013 and not exceeding $6.5 million in the aggregate, of which no more than $1.5 million can be paid in any year and (iii) only until January 1, 2014 and not at any time thereafter, any default resulting from our ongoing patent litigation with Halo Electronics, Inc. ("Halo") and the Turkish VAT-related dispute, provided that, with respect to the litigation against Halo, we file an appeal following entry of the court judgment relating to the jury verdict reached in November 2012, and with respect to the Turkish VAT-related dispute, the only entity that has exposure is our Turkish subsidiary, Pulse Elektronik Sanayi Ve Ticaret Limited Sirketi.

Under Section 7.11(a) of the credit agreement, outstanding borrowings are subject to leverage covenants computed on a quarterly basis as of the most recent quarter end. These covenants require the calculation of a rolling four quarter EBITDA according to the definition prescribed by the credit agreement. Under Section 7.11(b) of the credit agreement, we may not exceed the Total Net Debt Leverage Ratio, calculated as the ratio of (a) the sum of consolidated debt, which includes the Oaktree term loans and our outstanding Senior Convertible Notes, less unrestricted cash (as defined in the credit agreement) and our rolling four quarters' EBITDA. Under Section 7.11(c) of the credit agreement, we may not permit the aggregate amount of Unrestricted Cash, as defined in the credit agreement, at any time to be less than $10.0 million.

However, the Forbearance Agreement provides that any forbearance shall automatically, and without action, notice, demand or any other occurrence, expire on and as of the occurrence of any of the following events (such termination date, the "Forbearance Termination Date"): (a) the occurrence of any default or event of default not constituting a Specified Default and (b) our failure to comply with any of the terms of the Forbearance Agreement.

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Pursuant to the Forbearance Agreement, the Lenders under the Credit Agreement committed, subject to the terms and conditions specified therein, to making additional loans available to us through March 31, 2014, in an aggregate principal amount of up to $23.0 million, provided that such amount may only be used for the purpose of repurchasing our outstanding Senior Convertible Notes following a delisting of our Common Stock from the NYSE, and further provided that we are in compliance with the covenants contained in the Forbearance Agreement at the time of funding. This additional loan would have identical terms to that of the Term A Loan under the credit agreement.

Amendment to Investment Agreement

On March 11, 2013, in consideration for the execution and as a condition precedent to the effectiveness of the Forbearance Agreement, we agreed to enter into an amendment to the investment agreement we entered into with Oaktree in connection with the first phase of the recapitalization last November, to provide for an adjustment to the conversion ratio of our outstanding Series A Preferred Stock so that such Series A Preferred Stock, together with the number of shares of our Common Stock delivered to Oaktree under the investment agreement, shall, upon conversion, equal 67.9% of our Common Stock (on a fully diluted basis immediately following November 19, 2012, the initial closing date of our recapitalization, and without giving effect to shares of Common Stock and warrants owned by Oaktree prior to such date). Under our original investment agreement with Oaktree, the Series A Preferred Stock was convertible into such shares of our Common Stock, together with the number of shares of our Common Stock delivered to Oaktree under the investment agreement, shall, equal 64.3795% of the our Common Stock (on a fully diluted basis immediately following November 19, 2012, the initial closing date of our recapitalization, and without giving effect to shares of Common Stock and warrants owned by Oaktree prior to such date). As a result, as of March 11, 2013, the number of shares of Common Stock into which the Series A Preferred stock will be converted will be within a range of 58.4 million shares, if none of our outstanding Senior Convertible Notes are exchanged pursuant to our contemplated exchange offer, to 132.1 million shares, (in each case, subject to adjustment for the reverse split as described in Proposal 3) if all of our outstanding Senior Convertible Notes are exchanged pursuant to our contemplated exchange offer.

Amendment to Increase Conversion Ratio of the Series A Preferred Stock

The adjustment to the conversion ratio for the Series A Preferred Stock requires an amendment to our Amended & Restated Articles of Incorporation and thus, is subject to approval by the holders of our Common Stock and Preferred Stock, voting as separate classes.

If our shareholders do not approve the amendment to the investment agreement to increase the conversion rate of our Series A Preferred Stock as discussed above and we cannot fully effectuate this increase by the earlier of (x) May 31, 2013 and (y) our 2013 annual meeting, we will be obligated to pay Oaktree $5.0 million in cash, or if such cash payment would cause a default under our agreements with Oaktree, or if any other default or event of default exists at that time, the amount of the outstanding Term A Loans will increase by $10.0 million.

On March 28, 2013, our Board considered and approved the adjustment to the conversion ratio for the Series A Preferred Stock, and unanimously recommends that our shareholders approve Proposal 4. Oaktree, who, as of the record date, has beneficial ownership of approximately 49% of our outstanding shares of Common Stock and has beneficial ownership of 100% of our Series A Preferred Stock, has indicated to us that they intend to vote in favor of Proposal 4 at the annual meeting. Furthermore, certain of our officers and directors, who as of the record date, have beneficial ownership of approximately 2.5% of our outstanding Common Stock have entered into a voting and support agreement to vote in favor of Proposal 4.

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The investment agreement and the amendment to the investment agreement are set forth in Exhibit C-1 and C-2, respectively, to this proxy statement, and the discussion thereof is qualified in its entirety by such Exhibits.

THE BOARD OF DIRECTORS RECOMMENDS
THAT YOU VOTE “FOR” PROPOSAL 4

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Proposal 5 — Increase in the Number of Authorized Shares of Common and Preferred Stock

Changes Proposed By the Amendment to our existing Amended and Restated Articles of Incorporation

The proposed amendment (the "Authorized Shares Amendment") would make the following changes to our existing Amended and Restated Articles of Incorporation.

Increase the Number of Shares of Common Stock We May Issue

The Authorized Shares Amendment would increase the number of shares of Common Stock we are authorized to issue from 275.0 million to 310.0 million, subject to adjustment for the reverse split as described in Proposal 3.

Increase the Number of Shares of Preferred Stock We May Issue

The Authorized Shares Amendment would increase the number of shares of Preferred Stock we are authorized to issue from 1,000 to 2,000. The 1,000 newly authorized shares of Preferred Stock would be "blank check" preferred stock, and our Board may establish the series and the number of the shares of each series of Preferred Stock and the voting powers, designations, preferences, limitations, restrictions and relative rights of the shares of each series of Preferred Stock, subject to the limitations in the investment agreement with Oaktree.

Reasons for the New Articles

We believe that an increase to 310.0 million shares of authorized Common Stock and to 2,000 shares of authorized Preferred Stock is in the best interests of our company because such extra shares of authorized Common Stock and Preferred Stock would be available for issuance from time to time as our Board determines for any proper corporate purpose. Such purposes might include, without limitation, issuance in public or private sales for cash as a means of obtaining additional working capital and issuance under our incentive plan for our employees, executives and directors.

The authorization of 1,000 newly authorized "blank check" preferred stock would also permit our Board to offer and issue Preferred Stock, if and when it determines that it would be in our best interests and the best interests of our shareholders, without the delay and expense ordinarily attendant on obtaining further stockholder approval. It should be noted, however, that the Board has no current plans, understandings or agreements with respect to and is not engaged in any negotiations that will involve, the designation, offer or issuance of any new class or series of Preferred Stock.

Effects of Issuing Preferred Stock

The issuance of shares of Preferred Stock will generally dilute or otherwise adversely affect the interests of holders of our Common Stock. It is not possible to state the specific effects of the proposed amendment upon the rights of the holders of Common Stock unless and until our board determines the respective rights of and issues one or more new classes or series of Preferred Stock.

Depending on the particular terms of any class or series of Preferred Stock, holders of a newly created class of Preferred Stock may have significant voting rights and the right to representation on our Board. In addition, the approval of the holders of Preferred Stock, voting as a class or as a series, may be required for the taking of certain corporate actions, such as mergers.

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Possible Anti-Takeover Effects of Proposed Amendment

The issuance, or even the availability, of authorized and unissued “blank check” Preferred Stock may have the effect of discouraging or thwarting persons seeking to take control of Pulse through a tender offer, proxy fight or otherwise seeking to bring about removal of incumbent management, or seeking a corporate transaction, such as a merger. Given the inherent flexibility in “blank check” Preferred Stock, the Board could designate and issue a class or series of Preferred Stock, which, based on its terms, may make more difficult or discourage an attempt to obtain control of Pulse by means of a merger, tender offer, proxy contest or other action. If, in the judgment of the Board, this action would be in our best interests and the best interests of our shareholders, such shares could be used to create voting or other impediments or to discourage persons seeking to gain control of Pulse. Such shares also could be privately placed with purchasers who might align themselves with the Board in opposing such action. The existence of the additional authorized shares of blank check Preferred Stock could have the effect of discouraging unsolicited takeover attempts.

While it may be deemed to have potential anti-takeover effects, the Authorized Shares Amendment has not been made in response to and is not being submitted to deter any effort to obtain control of Pulse, and is not being proposed as an anti-takeover measure.

On March 28, 2013, the Board considered and adopted the Authorized Shares Amendment, subject to shareholder approval. The Board unanimously recommends that our shareholders approve Proposal 5.

The form of the Authorized Share Amendment is attached to this proxy statement as Exhibit D, and the discussion thereof is qualified in its entirety by such Exhibit.

THE BOARD OF DIRECTORS RECOMMENDS
THAT YOU VOTE “FOR” PROPOSAL 5

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Proposal 6 — Approval of the amendment of the 2012 Omnibus Incentive Compensation Plan

Introduction

Our Compensation Committee and our Board believe that in order to successfully attract and retain the best possible candidates, we must continue to offer a competitive equity incentive program. As of March 8, 2013, there were 5,410,650 shares of our Common Stock available for future grant of stock awards under the Pulse Electronics Corporation 2012 Omnibus Incentive Compensation Plan (the "Plan"). The Plan places a limit on the number of shares that may be issued to any single individual at 600,000 shares per calendar year, a number that the Compensation Committee and the Board believe to be insufficient to attract and retain the best possible talent.

Therefore, on March 28, 2013, our Compensation Committee recommended and the Board adopted the amendment (the "Plan Amendment") to the Plan, subject to stockholder approval. The Plan Amendment increases the maximum number of shares of our Common Stock that may be granted to any individual person per calendar year from 600,000 shares to 2.5 million shares, subject to shareholder approval.

Our Compensation Committee and the Board, in conjunction with its independent compensation consultant, determined that the increase of the maximum number of shares of our Common Stock that may be granted to any individual person per calendar year from 600,000 shares to 2.5 million shares provides the Company with flexibility needed to attract and retain talent in the immediate future.

Stockholders are being asked to approve the Plan Amendment. The Board recommends that you vote FOR approval of the adoption of the Plan Amendment.

Stockholder approval of the Plan Amendment is necessary, among other reasons, to meet the requirements of the New York Stock Exchange, to allow us to grant incentive stock options described in Section 421 of the Internal Revenue Code, of 1986, as amended (the "Code"), and to allow performance-based awards made under the Plan to our executive officers potentially to be fully deductible by us for federal income tax purposes under Code Section 162(m) if and to the extent the Committee determines that compliance with the performance-based exception to tax deductibility limitations under Code Section 162(m) is desirable. If this change is not approved by our shareholders, the individual annual share limit will remain at 600,000 shares per year

A full copy of the Plan Amendment is attached as Exhibit E. The material features of the Plan Amendment are summarized below and such summary is qualified in its entirety by reference to the complete text of the Plan. Copies of the Plan were delivered to our shareholders as part of our proxy statement for the 2012 Annual Meeting and may be obtained through the SEC's website at www.sec.gov. The Plan appears as Exhibit A to the our definitive proxy statement for the 2012 Annual Meeting, filed with the SEC on April 11, 2012. The Plan may also be obtained without charge by requesting them by completing an information request form online at http://phx.corporate-ir.net/phoenix.zhtml?c=83040&p=irol-inforeq or via telephone at (858) 674-8100.

Summary of the Plan

The Plan is intended to allow selected employees (including officers), non-employee consultants and non-employee directors of our Company or an affiliate of the Company to acquire or increase equity ownership in the Company, thereby strengthening their commitment to the success of the Company and stimulating their efforts on behalf of the Company, to assist the Company and its affiliates in attracting new employees, officers and consultants and retaining existing employees and consultants, to provide annual cash incentive compensation opportunities that are competitive with those of other peer corporations, to optimize the profitability and growth of the Company and its affiliates through incentives which are consistent with our Company's goals, to provide such employees and consultants with an

incentive for excellence in individual performance, to promote teamwork among employees, consultants and directors, and to attract and retain highly qualified persons to serve as non-employee directors and to promote ownership by such non-employee directors of a greater proprietary interest in the Company, thereby aligning such non-employee directors' interests more closely with the interests of our shareholders.

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Administration

The Plan will be administered by a committee (the "Committee") the members of which are appointed by the Board of Directors. If and to the extent that compliance with Rule 16b-3 under the Securities Exchange Act of 1934 or the performance-based exception to tax deductibility limitations under Code Section 162(m) is desirable, the Committee must be comprised of two or more Directors who qualify as "non-employee directors" under Rule 16b-3 and "outside directors" under Code Section 162(m). The Board has appointed the members of the Compensation Committee to serve as the Committee under the Plan. Subject to the terms of the Plan, the Committee has full power and discretion to select those persons to whom awards will be granted; to determine the amounts and terms of awards; to change and determine the terms of any award agreement, including but not limited to the term and the vesting schedule; to determine and change the conditions, restrictions and performance criteria relating to any award; to determine the settlement, cancellation, forfeiture, exchange or surrender of any award; to make adjustments in the terms and conditions of awards; to construe and interpret the Plan and any award agreement; to establish, amend and revoke rules and regulations for the administration of the Plan; to make all determinations deemed necessary or advisable for administration of the Plan; and to exercise any powers and perform any acts it deems necessary or advisable to administer the Plan and subject to certain exceptions, to amend, alter or discontinue the Plan or amend the terms of any award.

The Committee may delegate any or all of its administrative authority to our Chief Executive Officer or to a management committee except with respect to awards to executive officers who are subject to Section 16 of the Securities Exchange Act of 1934 and awards that are intended to comply with the performance-based exception to tax deductibility limitations under Code Section 162(m). In addition, the full Board of Directors must serve as the Committee with respect to any awards to our non-employee directors.

No Option or SAR Repricings Permitted

Notwithstanding the Committee's powers and authority described above, neither the Board nor the Committee has the authority under the Plan to reduce the exercise price of any outstanding option or SAR. The prohibition against repricing does do not apply to adjustments the Committee deems necessary to prevent the dilution or enlargement of the benefits provided under such awards, as described more fully under "Offering of Common Stock" below.

Eligibility

The Plan provides for awards to employees (including officers) and non-employee directors of, and non-employee consultants to, our Company or an affiliate (including potential employees and consultants). Some awards will be provided to officers and others who are deemed by us to be "insiders" for purposes of Section 16 of the Securities Exchange Act of 1934. For purposes of the Plan, an entity (including a partnership, limited liability Company or joint venture) will be considered our "affiliate" if we, directly or indirectly, own (i) stock possessing more than 50% of the total combined voting power of all outstanding classes of stock of such corporate entity or more than 50% of the total value of all outstanding shares of all classes of stock of such corporate entity or (ii) more than 50% of the profits interest or capital interest in any non-corporate entity.

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In addition, the Plan provides that if our Company acquires another corporation or other entity (an "Acquired Entity") as a result of a merger or consolidation of the Acquired Entity into our Company or any of our affiliates or as a result of the acquisition of the stock or property of the Acquired Entity by us or any of our affiliates, the Committee may grant awards ("Substitute Awards") to the current and former employees, consultants and non-employee directors of the Acquired Entity in substitution for options and other stock-based awards granted by the Acquired Entity in order to preserve the economic value of the awards held by the current and former employees and non-employee directors of, and non-employee consultants to, the Acquired Entity immediately prior to its merger or consolidation into, or acquisition by, our Company or any of our affiliates.

Offering of Common Stock

Under the terms of the Plan, approximately 5.4 million shares of our Common Stock is currently available for delivery in settlement of awards (including incentive stock options). The stock delivered to settle awards made under the Plan may be authorized and unissued shares or treasury shares, including shares repurchased by us for purposes of the Plan. If any shares subject to any award granted under the Plan (other than a Substitute Award) is forfeited or otherwise terminated without delivery of such shares (or if such shares are returned to us due to a forfeiture restriction under such award), the shares subject to such awards will again be available for issuance under the Plan. However, any shares that are withheld or applied as payment for shares issued upon exercise of an award or for the withholding or payment of taxes due upon exercise of the award will continue to be treated as having been delivered under the Plan and will not again be available for grant under the Plan.

At April [__], 2013, the last reported sale price of our Common Stock on the New York Stock Exchange was $[__] per share.

If a dividend or other distribution (whether in cash, shares of our Common Stock or other property), recapitalization, forward or reverse stock split, subdivision, consolidation or reduction of capital, reorganization, merger, consolidation, scheme of arrangement, split-up, spin-off or combination involving the Company or repurchase or exchange of shares or other securities of the Company, or other rights to purchase shares of the Company's securities or other similar transaction or event affects the Common Stock such that the Committee determines that an adjustment is appropriate in order to prevent dilution or enlargement of the benefits (or potential benefits) provided to grantees under the Plan, the Committee will make an equitable change or adjustment as it deems appropriate in the number and kind of securities subject to or to be issued in connection with awards (whether or not then outstanding) and the exercise price relating to an award in order to prevent the dilution or enlargement of the benefits (or potential benefits) intended to be made available under the Plan. The Committee will not make any adjustment to the number of shares underlying any option or SAR or to the exercise price of any such option or SAR if such adjustment would subject the grantee to tax penalties under Section 409A of the Code or would cause such option or SAR (determined as if such option or SAR was an incentive stock option) to violate Section 424(a) of the Code.

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In connection with an Acquired Entity's merger or consolidation into, or acquisition by, our Company or any of our affiliates, the Committee may grant Substitute Awards to current and former employees and non-employee directors of, and non-employee consultants to, the Acquired Entity in substitution of stock or other stock-based awards granted to such individuals by the Acquired Entity in order to preserve the economic value of the awards held by the current and former employees and non-employee directors of, and non-employee consultants to, the Acquired Entity immediately prior to its merger or consolidation into, or acquisition by, our Company or any of our affiliates. Substitute Awards will not count against the overall limit on the number of shares of Common Stock available for issuance under this Plan nor will they count against the individual annual limits on awards described below.

Individual Annual Limits on Awards

The Plan, as amended, limits the number of shares that may be issued and the amount of cash that may be paid to any individual pursuant to awards granted in any calendar year. If the Plan Amendment is approved by our shareholders, the maximum number of shares of our Common Stock that are subject to awards granted to any individual in a single calendar year may not exceed 2.5 million shares. In addition, the maximum value of all awards to be settled in cash or property other than our Common Stock that may be granted to any individual in a single calendar year may not exceed $2.5 million for all such Awards with performance periods exceeding 18 months and $1.75 million for all such Awards with performance periods that do not exceed 18 months. These limitations apply to the calendar year in which the awards are granted and not the year in which such awards settle.

Summary of Awards under the Plan (Including What Rights as a Stockholder, if any, Are Entailed by an Award)

The Plan permits the granting of any or all of the following types of awards to all grantees:

- stock options, including incentive stock options ("ISOs");
- stock appreciation rights ("SARs");
- restricted stock;
- deferred stock and restricted stock units;
- performance units and performance shares;
- dividend equivalents;
- bonus shares;
- other stock-based awards; and
- cash incentive awards.

Generally, awards under the Plan are granted for no consideration other than prior and future services. Awards granted under the Plan may, in the discretion of the Committee, be granted alone or in addition to, in tandem with or in substitution for, any other award under the Plan or other plan of ours; provided, however, that if an SAR is granted in tandem with an ISO, the SAR and ISO must have the same grant date and term and the exercise price of the SAR may not be less than the exercise price of the ISO. The material terms of each award will be set forth in a written award agreement between the grantee and us.

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Stock Options and SARs.

The Committee is authorized to grant SARs and stock options (including ISOs except that an ISO may only be granted to an employee of ours or one of our subsidiary corporations). A stock option allows a grantee to purchase a specified number of shares of our Common Stock at a predetermined price per share (the "exercise price") during a fixed period measured from the date of grant. An SAR entitles the grantee to receive the excess of the fair market value of a specified number of shares on the date of exercise over a predetermined exercise price per share. The exercise price of an option or an SAR will be determined by the Committee and set forth in the award agreement but the exercise price may not be less than the fair market value of a share of our Common Stock on the grant date. The term of each option or SAR is determined by the Committee and set forth in the award agreement, except that the term may not exceed 10 years. Such awards are exercisable in whole or in part at such time or times as determined by the Committee and set forth in the award agreement. Options may be exercised by payment of the purchase price through one or more of the following means: payment in cash (including personal check or wire transfer), by delivering shares of our Common Stock previously owned by the grantee, or with the approval of the Committee, by delivery of shares of our Common Stock acquired upon the exercise of such option or by delivering restricted shares. The Committee may also permit a grantee to pay the exercise price of an option through the sale of shares acquired upon exercise of the option through a broker-dealer to whom the grantee has delivered irrevocable instructions to deliver sales proceeds sufficient to pay the purchase price to us. Methods of exercise and settlement and other terms of the SARs will be determined by the Committee and set forth in the award agreement.

Restricted Shares.

The Committee may award restricted shares consisting of shares of our Common Stock which remain subject to a risk of forfeiture and may not be disposed of by grantees until certain restrictions established by the Committee lapse. The vesting conditions may be service-based (i.e., requiring continuous service for a specified period) or performance-based (i.e., requiring achievement of certain specified performance objectives) or both. A grantee receiving restricted shares will have all of the rights of a stockholder, including the right to vote the shares and the right to receive any dividends, except as otherwise provided in the award agreement. Upon termination of the grantee's affiliation with us during the restriction period (or, if applicable, upon the failure to satisfy the specified performance objectives during the restriction period), the restricted shares will be forfeited as provided in the award agreement.

Restricted Stock Units and Deferred Stock.

The Committee may also grant restricted stock unit awards and/or deferred stock awards. A deferred stock award is the grant of a right to receive a specified number of shares of our Common Stock at the end of specified deferral periods or upon the occurrence of a specified event, which satisfies the requirements of Section 409A of the Code. A restricted stock unit award is the grant of a right to receive a specified number of shares of our Common Stock upon lapse of a specified forfeiture condition (such as completion of a specified period of service or achieved of certain specified performance objectives). If the service condition and/or specified performance objectives are not satisfied during the restriction period, the award will be lapse without the issuance of the shares underlying such award.

Awards of restricted stock units and deferred stock are subject to such limitations as the Committee may impose in the award agreement. Restricted stock units and deferred stock awards carry no voting or other rights associated with stock ownership. The award agreement will provide whether grantees may receive dividend equivalents with respect to restricted stock units or deferred stock, and if so, whether such dividend equivalents are distributed when credited or deemed to be reinvested in additional shares of restricted stock units or deferred stock.

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Performance Units.

The Committee may grant performance units, which entitle a grantee to cash or shares conditioned upon the fulfillment of certain performance conditions and other restrictions as specified by the Committee and reflected in the award agreement. The initial value of a performance unit will be determined by the Committee at the time of grant. The Committee will determine the terms and conditions of such awards, including performance and other restrictions placed on these awards, which will be reflected in the award agreement.

Performance Shares.

The Committee may grant performance shares, which entitle a grantee to a certain number of shares of our Common Stock, conditioned upon the fulfillment of certain performance conditions and other restrictions as specified by the Committee and reflected in the award agreement. The Committee will determine the terms and conditions of such awards, including performance and other restrictions placed on these awards, which will be reflected in the award agreement.

Bonus Shares.

The Committee may grant fully vested shares of our Common Stock as bonus shares on such terms and conditions as specified in the award agreement.

Dividend Equivalents.

The Committee is authorized to grant dividend equivalents which provide a grantee the right to receive payment equal to the dividends paid on a specified number of shares of our Common Stock. Dividend equivalents may be paid directly to grantees or may be deferred for later delivery under the Plan. If deferred such dividend equivalents may be credited with interest or may be deemed to be invested in shares of our Common Stock or in other property. No dividend equivalents may be granted in conjunction with any grant of stock options or SARs.

Cash Incentive Awards.

The Committee may grant cash incentive awards to any eligible person in such amounts and upon such terms, including the achievement of specific performance goals during the applicable performance period, as the Committee may determine. An eligible person may have more than one cash incentive award outstanding at any time. For instance, the Committee may grant an eligible employee one cash incentive award with a calendar year performance period as an annual incentive bonus and a separate cash incentive award with a multi-year performance period as a long-term cash incentive bonus.

The Committee shall establish performance goals applicable to each cash incentive award in its discretion and the amount that will be paid to the grantee pursuant to such cash incentive award if the applicable performance goals for the performance period are met. If an eligible person earns the right to receive a payment with respect to a cash incentive award, such payment will be made in cash in accordance with the terms of the award agreement. If the award agreement does not specify a payment date with respect to a cash incentive award, payment of the cash incentive award will be made no later than the 15th day of the third month following the end of the taxable year of the grantee or our fiscal year during which the performance period ends.

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Other Stock-Based Awards.

In order to enable us to respond to material developments in the area of taxes and other legislation and regulations and interpretations thereof, and to trends in executive compensation practices, the Plan authorizes the Committee to grant awards that are valued in whole or in part by reference to or otherwise based on our securities. The Committee determines the terms and conditions of such awards, including consideration paid for awards granted as share purchase rights and whether awards are paid in shares or cash.

Performance-Based Awards

The Committee may require satisfaction of preestablished performance goals, consisting of one or more business criteria and a targeted performance level with respect to such criteria, as a condition of awards being granted or becoming exercisable or payable under the Plan, or as a condition to accelerating the timing of such events.

The performance measure(s) to be used for purposes of any awards (other than stock options or SARs) that are intended to satisfy the "performance based" exception to tax deductibility limitations under Code Section 162(m) will be chosen from among the following: the attainment of a specified fair market value per share of our Common Stock for a specified period of time; earnings per share; earnings per share from continuing operations; total shareholder return; return on assets; return on equity; return on capital; earnings before or after taxes, interest, depreciation, and/or amortization; return on investment; interest expense; cash flow; cash flow from operations; revenues; sales; costs; assets; debt; expenses; inventory turnover; economic value added; cost of capital; operating margin; gross margin; net income before or after taxes; operating earnings either before or after interest expense and either before or after incentives or asset impairments; attainment of cost reduction goals; revenue per customer; customer turnover rate; asset impairments; financing costs; capital expenditures; working capital; strategic business criteria, consisting of one or more objectives based on meeting specified revenue, market penetration, geographic business expansion goals, objectively identified project milestones, production volume levels, cost targets, and goals relating to acquisitions or divestitures; customer satisfaction, aggregate product price and other product price measures; safety record; service reliability; debt rating; and achievement of business and operational goals, such as market share, new products, and/or business development.

Applicable performance measures may be applied on a pre- or post-tax basis. In addition, the Committee may provide that the formula for such award may include or exclude certain items to measure specific objectives, such as losses from discontinued operations, extraordinary gains or losses, the cumulative effect of accounting changes, acquisitions or divestitures, foreign exchange impacts and any unusual, nonrecurring gain or loss.

The Committee has the discretion to adjust the determinations of the degree of attainment of the preestablished performance goals; provided, however, that awards which the Committee intends to qualify for the performance-based exception to the tax deduction limitations under Code Section 162(m) may not be adjusted upward unless the Committee intends to amend the award to no longer qualify for the performance-based exception. The Committee retains the discretion in all events to adjust such awards downward.

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Payment and Deferral of Awards

Awards may be settled in cash, stock, other awards or other property, in the discretion of the Committee. The Committee may permit grantees to defer the distribution of all or part of an award in accordance with such terms and conditions as the Committee may establish, which must comply in both form and substance with the requirements of Section 409A of the Code to ensure that the grantee will not be subjected to tax penalties imposed under Section 409A of the Code. The Plan authorizes the Committee to place shares or other property in trusts or make other arrangements to provide for payment of our obligations under the Plan. The Committee may condition the payment of an award on the withholding of taxes and may provide that a portion of the stock or other property to be distributed will be withheld to satisfy such tax obligations.

Transfer Limitations on Awards

Awards granted under the Plan generally may not be pledged or otherwise encumbered and generally are not transferable except by will or by the laws of descent and distribution or pursuant to a qualified domestic relations order. Each award will be exercisable during the grantee's lifetime only by the grantee or, if permitted under applicable law, by the grantee's guardian or legal representative. However, transfers of awards to family members (or family trusts or family-controlled partnerships) for estate planning purposes may be permitted in the discretion of the Committee.

Change of Control

If there is a merger or consolidation of us with or into another corporation or a sale of substantially all of our stock (a "Corporate Transaction") and the outstanding awards are not assumed by surviving company (or its parent company) or replaced with economically equivalent awards granted by the surviving company (or its parent company), such awards will vest and become non-forfeitable and will be become exercisable and any conditions on such awards will lapse. If an option or SAR becomes exercisable as a result of a Corporate Transaction in which such awards are not assumed or replaced by the surviving company (or its parent company), the Committee may either (i) allow grantees to exercise such outstanding options and SARs within a reasonable period prior to the Corporate Transaction and cancel any outstanding options or SARs that remain unexercised upon consummation of the Corporate Transaction, or (ii) cancel any or all outstanding options and SARs in exchange for a payment (in cash, or in securities or other property) in an amount equal to the amount that the grantee would have received (net of the exercise price) if the options and SARs were exercised immediately prior to the Corporate Transaction. If an exercise price of the option or SAR exceeds the fair market value of our Common Stock and the option or SAR is not assumed or replaced by the surviving company (or its parent company), such options and SARs will be cancelled without any payment to the grantee.

Amendment to and Termination of the Plan

The Plan may be amended, altered, suspended, discontinued or terminated by the Board without further stockholder approval, unless such approval of an amendment or alteration is required by law or regulation or under the rules of any stock exchange or automated quotation system on which our Common Stock is then listed or quoted. Thus, stockholder approval will not necessarily be required for amendments which might increase the cost of the Plan or broaden eligibility. Stockholder approval will not be deemed to be required under laws or regulations that condition favorable treatment of grantees on such approval, although the Board may, in its discretion, seek stockholder approval in any circumstance in which it deems such approval advisable.

In addition, subject to the terms of the Plan, no amendment or termination of the Plan may materially and adversely affect the right of a grantee under any award granted under the Plan.

Unless earlier terminated by the Board, the Plan will terminate when no shares remain reserved and available for issuance or, if earlier, on May 17, 2022. The terms of the Plan shall continue to apply to any awards made prior to the termination of the Plan until we have no further obligation with respect to any award granted under the Plan.

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Federal Income Tax Consequences

The following discussion summarizes the certain Federal income tax consequences of the Plan based on current provisions of the Code, which are subject to change. This summary is not intended to be exhaustive and does not address all matters which may be relevant to a particular grantee based on his or her specific circumstances. The summary expressly does not discuss the income tax laws of any state, municipality, or non-U.S. taxing jurisdiction, or the gift, estate, excise (including the rules applicable to deferred compensation under Code Section 409A or golden parachute excise taxes under Code Section 4999), or other tax laws other than federal income tax law. The following is not intended or written to be used, and cannot be used, for the purposes of avoiding taxpayer penalties. Because individual circumstances may vary, the Company advises all grantees to consult their own tax advisors concerning the tax implications of awards granted under the Plan.

Options and SARs. A recipient of a stock option or SAR will not have taxable income upon the grant of the stock option or SAR. For stock options that are not incentive stock options and for stock appreciation rights, the grantee will recognize ordinary income upon exercise in an amount equal to the value of any cash received, plus the difference between the fair market value of the freely transferable and non-forfeitable shares received by the grantee on the date of exercise and the exercise price. Any gain or loss recognized upon any later disposition of the shares generally will be a long-term or short-term capital gain or loss.

The acquisition of shares upon exercise of an incentive stock option will not result in any taxable income to the grantee, except, possibly, for purposes of the alternative minimum tax. The gain or loss recognized by the grantee on a later sale or other disposition of such shares will either be long-term capital gain or loss or ordinary income, depending upon whether the grantee holds the shares for the legally-required period (currently two years from the date of grant and one year from the date of exercise). If the shares are not held for the legally-required period, the grantee will recognize ordinary income equal to the lesser of (i) the difference between the fair market value of the shares on the date of exercise and the exercise price, or (ii) the difference between the sales price and the exercise price.

Generally, a company can claim a Federal income tax deduction equal to the amount recognized as ordinary income by a grantee in connection with the exercise of a stock option or SAR, but not relating to a grantee’s capital gains. Accordingly, we will not be entitled to any tax deduction with respect to an incentive stock option if the grantee holds the shares for the legally-required period.

Restricted Shares. Unless a grantee makes the election described below, a grant of restricted shares will not result in taxable income to the grantee or a deduction for us in the year of grant. The value of such restricted shares will be taxable to a grantee as ordinary income in the year in which the restrictions lapse. Alternatively, a grantee may elect to treat as income in the year of grant the fair market value of the restricted stock on the date of grant, provided the grantee makes the election within 30 days after the date of such grant. If such an election were made, the grantee would not be allowed to deduct at a later date the amount included as taxable income if the grantee should forfeit the shares of restricted stock. The amount of ordinary income recognized by a grantee is deductible by us in the year such income is recognized by the grantee, provided such amount constitutes reasonable compensation to the grantee. If the election described above is not made, then prior to the lapse of restrictions, dividends paid on the shares subject to such restrictions will be taxable to the grantee as additional compensation in the year received, and we will be allowed a corresponding deduction.

Other Awards. Generally, when a grantee receives payment in settlement of any other award granted under the Plan, the amount of cash and the fair market value of the shares received will be ordinary income to such grantee, and we will be allowed a corresponding deduction for Federal income tax purposes.

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Generally, when a grantee receives payment with respect to dividend equivalents, the amount of cash and the fair market value of any shares or other property received will be ordinary income to such grantee. We will be entitled to a Federal income tax deduction in an amount equal to the amount the grantee includes in income.

If the grantee is an employee or former employee, the amount the grantee recognizes as ordinary income in connection with an award (other than an incentive stock option) is subject to tax withholding.

Limitations on Deductions. Code Section 162(m) limits the Federal income tax deductibility of compensation paid to our chief executive officer and any of our three other most highly compensated executive officers (other than the chief financial officer) serving on the last day of the fiscal year and listed as “named executive officers” in our proxy statement (“covered employees”). The limit is generally $1 million. Compensation that qualifies as performance-based compensation is excluded from the $1 million deductibility cap of Code Section 162(m) and therefore remains fully deductible by us. Stock options and SARs granted under the Plan will qualify as such performance-based compensation. The Committee may also condition other awards intended to qualify as performance-based compensation upon achievement of pre-established performance goals granted to Company employees whom the Committee expects to be covered employees at the time the compensation is received. Generally, time-vested awards under the Plan, such as restricted stock and time-vested restricted stock units, will not qualify as performance-based compensation, so that compensation paid to covered employees in connection with such awards, to the extent it and other compensation subject to the Code Section 162(m) deductibility cap exceed $1 million in a given year, may not be deductible by us. A number of requirements must be met in order for particular compensation to qualify as performance-based, including a requirement that the performance measures used to measure performance must be approved by our stockholders. Accordingly, we are seeking stockholder approval of the Plan to permit awards to comply with the performance-based compensation requirements of Code Section 162(m). However, there can be no assurance that all such compensation under the Plan will be fully deductible under all circumstances.

Deferred Compensation Under Section 409A of the Code. Any award that is deemed to be a deferral arrangement (excluding certain exempted short-term deferrals) will be subject to Code Section 409A. Generally, Code Section 409A imposes accelerated inclusion in income and tax penalties on the recipient of deferred compensation that does not satisfy the requirements of Code Section 409A. Options, SARs and restricted shares granted under the Plan will typically be exempt from Code Section 409A. Other awards may result in the deferral of compensation. Awards under the Plan that may result in the deferral of compensation are intended to be structured to meet applicable requirements under Code Section 409A. Certain grantee elections and the timing of distributions relating to such awards must also meet requirements under Code Section 409A in order for income taxation to be deferred and tax penalties avoided by the grantee upon vesting of the award.

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Equity Compensation Plan Information

The following table provides information as of December 28, 2012, the last day of our fiscal year end, regarding shares outstanding and available for issuance under our existing equity compensation plans:

Plan Category	Number of shares to be issued upon exercise of outstanding options, grant of restricted shares or other incentive shares	Weighted average exercise price of outstanding options––	Number of securities remaining available for future issuance under equity compensation plans
Equity compensation plans approved by security holders	2,308,000 (1)	$ 4.51	5,410,650 (2)
Equity compensation plans not approved by security holders	--	--	--
Total	2,308,000 (1)	$ 4.51	5,410,650 (2)

(1) As of April 5, 2013, such number of shares to be issued upon exercise of outstanding options, grant of restricted shares or other incentive shares is unchanged since December 28, 2012.

(2) As of April 5, 2013, such number of securities remaining available for future issuance under equity compensation plans is unchanged since December 28, 2012.

THE BOARD OF DIRECTORS RECOMMENDS
THAT YOU VOTE “FOR” PROPOSAL 6

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Proposal 7—Advisory Vote on the Compensation of our Named Executive Officers

We are providing our shareholders with the opportunity to cast an advisory vote on the compensation of the executive officers named in the summary compensation table of this proxy statement (our "named executive officers" or "NEOs"). We believe that it is appropriate to seek the views of our shareholders on the design and effectiveness of our executive compensation program. This resolution is required by Section 14A of the Securities Exchange Act of 1934. While our Board intends to carefully consider the shareholder vote resulting from this proposal, the final vote will not be binding on us and is advisory in nature.

Our goal for the executive compensation program is to attract, motivate and retain a talented and experienced team of executives who will provide leadership for success in increasing the value of our company for shareholders. We seek to accomplish this goal in a way that rewards performance and is aligned with shareholders' long-term interests. We believe that our executive compensation program, which emphasizes performance-based compensation, achieves this goal and is strongly aligned with the long-term interests of our shareholders.

Each of the named executive officers is employed at will and is expected to demonstrate exceptional personal performance in order to continue serving as a member of the executive team. We believe the compensation program for the named executive officers is instrumental in helping us achieve strong financial performance. We request shareholder approval of the compensation for our named executive officers as disclosed according to the SEC's compensation disclosure rules. This disclosure includes the Compensation Discussion and Analysis, the compensation tables and the narrative disclosures that accompany the compensation tables.

The Board recommends a vote "FOR" adoption of the following advisory resolution:

"RESOLVED, that the shareholders of Pulse Electronics Corporation approve the compensation of our named executive officers as disclosed in this Proxy Statement, including the Compensation Discussion and Analysis, the compensation tables and the related discussion."

The Compensation Committee, which is responsible for designing and administering our executive compensation program, and the Board value the opinions expressed by shareholders in their vote on this proposal and will consider the outcome of the vote when making future compensation decisions for our named executive officers.

THE BOARD OF DIRECTORS RECOMMENDS
THAT YOU VOTE "FOR" PROPOSAL 7

Proposal 8 — Other Business

The Board does not know of any other matters to come before the meeting. However, if additional matters are presented at the meeting, the enclosed proxy confers discretionary authority with respect to those matters.

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PERSONS OWNING MORE THAN FIVE PERCENT OF OUR STOCK

The following table describes persons we know to have beneficial ownership of more than 5% of our Common Stock at March 8, 2013. Our knowledge is based on reports filed with the Securities and Exchange Commission by each person or entity listed below. Beneficial ownership refers to shares of Common Stock that are held directly or indirectly by the owner.

Name and Address of Beneficial Owner	Amount and Nature of Beneficial Ownership	Percent of Class
OCM PE Holdings, L.P. 333 South Grand Avenue, 28th Floor Los Angeles, California 90071	39,145,143(1)	49.0%

(1) Of the 39,145,143 shares reported as beneficially owned by OCM PE Holdings, L.P., it has both sole voting power and sole dispositive power over all 39,145,143 shares. This information is based on a Schedule 13D filed on November 7, 2012. OCM PE Holdings, L.P. also owns 1,000 shares of our Series A Preferred Stock, which is not currently convertible into Common Stock but may become convertible into Common Stock pursuant to an exchange offer related to our Senior Convertible Notes that we are required to commence by June 30, 2013 in accordance with the Investment Agreement we signed with Oaktree. As of March 11, 2013, the number of shares of Common Stock into which the Series A Preferred stock will be converted will be within a range of 58.4 million shares to 132.1 million shares, (in each case, subject to adjustment for the reverse split as described in Proposal 3) if Proposal 4 is approved by our shareholders.

STOCK OWNED BY DIRECTORS AND OFFICERS

The following table describes the beneficial ownership of Common Stock by each of our named executive officers, directors and nominees, and our named executive officers and directors as a group, at March 8, 2013:

Name	Common Stock (1)		Common Stock Equivalents (2)	Total Beneficial Ownership	Percent of Class	
Alan H. Benjamin	122,595	(3)	34,921	157,516	*	
John E. Burrows, Jr.	104,568	(4)	--	104,568	*	
Justin C. Choi	52,465	(4)	--	52,465	*	
Steven G. Crane	76,581	(4)	--	76,581	*	
Howard C. Deck	55,999	(4)	--	55,999	*	
John R. D. Dickson	54,848	(4)	27,815	82,663	*	
Ralph E. Faison	670,929	(4)	302,388	973,317	1.2	%
John A. Houston	162,568	(4)	19,728	182,296	*	
C. Mark Melliar-Smith	100,154	(4)	--	100,154	*	
Drew A. Moyer	123,171	(4)	34,266	157,437	*	
Lawrence P. Reinhold	66,855	(4)	--	66,855	*	
Daniel E. Pittard	-		-	-	*	
John E. Major	-		-	-	*	
Gary E. Sutton	-		-	-	*	
Directors, nominess and executive officers as a group (14 people)	1,590,733		419,118	2,009,851	2.5	%

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* Less than one percent (1%).

(1) Includes shares with restrictions and forfeiture risks under our restricted stock plan. Owners of restricted stock have the same voting and dividend rights as our other shareholders except they do not have the right to sell or transfer the shares until the applicable restricted period has ended. See "Compensation Discussion and Analysis – Long-Term Equity Incentives" on page 51. This calculation, however, does not include unvested Restricted Stock Units ("RSUs") granted to our directors under our Policy that do not have voting and dividend rights. As of March 7, 2013, Mr. Burrows owned 61,364 unvested RSUs, Mr. Choi owned 43,364 unvested RSUs, Mr. Crane owned 55,636 unvested RSUs, and Mr. Deck owned 55,636 unvested RSUs, Mr. Melliar-Smith owned 47,455 unvested RSUs, and Mr. Reinhold owned unvested 56,455 RSUs.

(2) Common Stock Equivalents include shares of our Common Stock subject to options currently exercisable or exercisable within 60 days after March 8, 2013 held by each person named above.

(3) Includes shares directly owned and shares owned by a trust of which Mr. Benjamin is a trustee.

(4) All shares are directly owned by the officer or director.

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DIRECTORS AND EXECUTIVE OFFICERS

Identification of Directors, Nominees and Executive Officers

The following table describes each person nominated for election to the Board and each executive officer. Our executive officers are appointed to their offices annually.

Name	Age	Position
Alan H. Benjamin	53	Senior Vice President and Chief Operating Officer
John E. Burrows, Jr.	65	Director (nominee)
Justin C. Choi	47	Director (nominee)
Steven G. Crane	56	Director (nominee)
John R. D. Dickson	58	Senior Vice President, Human Resources and Chief Information Officer
Ralph E. Faison	54	President, Chief Executive Officer and Chairman (nominee)
John A. Houston	67	Senior Vice President, Sales and Marketing
John E. Major	67	Nominee
Drew A. Moyer	48	Senior Vice President, Chief Financial Officer, and Corporate Secretary
Daniel E. Pittard	61	Nominee
Gary E. Sutton	70	Nominee

There are no family relationships between any officers or directors. There are no arrangements or understandings between any officers or directors and another person that would provide for the other person to become an officer or director.

Background and Qualifications of Officers and Nominees

Alan H. Benjamin has served as Chief Operating Officer since February 2011 and as our Senior Vice President since May 2008. Mr. Benjamin was President of our subsidiary Pulse Electronics, Inc. (formerly Pulse Engineering, Inc.) from March 2008 until August 2010. He was Chief Operating Officer of Pulse Electronics, Inc. from January 2007 until March 2008, Senior Vice President from 2005 until 2007, and Vice President from 1998 until 2005. Prior to joining Pulse, Mr. Benjamin worked in various marketing, sales and engineering positions for Hewlett-Packard and Pacific Data Products. He holds a Bachelor of Science degree in Electrical Engineering from Duke University and is a graduate of Harvard’s Advanced Management Program.

John E. Burrows, Jr. has served as a director of our Company since 1994 and is currently lead director of the Board. He is an Operating Partner with the venture capital firm, Element Partners of Radnor, PA, and CEO of one of Element’s portfolio companies, Energex, Inc. From 1995 to 2007, he was the President and CEO of SPI Holding Co., a global producer of specialty chemicals and drug delivery systems. He is also a director of Kingsbury, Inc., a manufacturing company. He holds a degree in Aerospace Engineering from Georgia Tech and an MBA from the University of Virginia.

Mr. Burrows brings to the Board significant leadership experience gained through serving as Chief Executive Officer in multiple companies. He also provides extensive global manufacturing and operational experience, and understands the complexities of international markets and leading a global organization.

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Justin C. Choi has served as a director of our company since May 2010. He is the Vice President, General Counsel and Corporate Secretary of Anixter International Inc., a leading global distributor of communication and security products, electrical and electronic wire and cable, fasteners and other parts. From January 2011 to June 2012 Mr. Choi was Executive Vice President, General Counsel and Secretary of Trustwave Holdings, Inc., a leading provider of on-demand data compliance solutions that enable organizations of all sizes to efficiently and cost effectively achieve and maintain compliance with regulatory requirements and industry standards. From 2006 to 2007, he was the Senior Vice President, General Counsel and Secretary at Andrew Corporation, a NASDAQ company and global manufacturer of electronic components for the wireless industry that operated in 25 countries. Prior to then, Mr. Choi had been an attorney with the law firm Paul Hastings, Senior Counsel at Lucent Technologies, and Vice President of Law, Corporate and Securities with Avaya, a spin-off of Lucent Technologies. He holds a J.D. degree from Northwestern University School of Law and a B.A. from The Johns Hopkins University.

Mr. Choi has substantial experience in corporate governance and best practices for boards of directors for publicly traded companies, and in the legal affairs of publicly traded technology companies. He also brings substantial transactional experience, including mergers and acquisitions.

Steven G. Crane has served as a director of our company since May 2010. He is the Chief Financial Officer of ModusLink Global Solutions, Inc., a NASDAQ company providing customized supply chain management services to the world's leading high technology companies. From 1999 to 2007, he was with Interactive Data Corporation, most recently as subsidiary President, FT Interactive Data from 2006 to 2007 and, prior to that, as its Chief Financial Officer responsible for all aspects of the company's financial functions from 1999 to 2006. He holds a Masters of International Management degree from the Thunderbird Graduate School of International Management and a B.S. in mechanical engineering from Tulane University.

As the Chief Financial Officer of ModusLink, Mr. Crane has the experience of leading the financial management of a global public company, and he understands the challenges of managing complex global organizations. Having been president of a company, he also brings leadership and operational expertise to our Board. Mr. Crane is valuable to our Board due to his depth of financial experience and leadership background.

John R. D. Dickson has served as Senior Vice President and Chief Information Officer of Pulse Electronics Corporation since March 2011. Prior to joining Pulse, Mr. Dickson served as Senior Vice President and Chief Information Officer of Andrew Corporation and held numerous management positions in engineering, business development, and sales and marketing, as well as business unit management and operations. Prior to joining Andrew Corporation in 1975, he was employed by Ferranti Electronics as a radar antenna design engineer. He holds a Higher National Diploma in physics from Napier University, Edinburgh, Scotland.

Ralph E. Faison has served as our Chief Executive Officer since January 2011 and became Chairman of our Board in March 2011. From February 2003 to December 2007, Mr. Faison served as Chief Executive Officer of Andrew Corporation, a public company and manufacturer of communications equipment and systems. From June 2002 to December 2007, Mr. Faison also served as President and a director of Andrew Corporation. From June 2002 to February 2003, Mr. Faison served as a Chief Operating Officer of Andrew Corporation. From June 2001 to June 2002, he served as President and Chief Executive Officer of Celiant Corporation, a manufacturer of power amplifiers and wireless radio frequency systems, which was acquired by Andrew Corporation in June 2002. From October 1997 to June 2001, Mr. Faison was vice president of the New Ventures Group at Lucent Technologies, a communications service provider, and from 1995 to 1997 he was vice president of advertising and brand management at Lucent Technologies. Prior to joining Lucent, Mr. Faison held various positions at AT&T, a voice and data communications company, including as vice president and general manager of AT&T's wireless business unit and manufacturing vice president for its consumer products unit in Bangkok, Thailand. He is a current member of the Board of Directors of NETGEAR, Inc. and BLINQ Networks. Mr. Faison received a B.B.A. degree in marketing from Georgia State

University and a M.S. degree in management as a Sloan Fellow from Stanford University.

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As the only management representative on the Board, Mr. Faison provides an insider's perspective about the business and on the strategic direction of the company to Board discussions. He also brings to the Board strong executive leadership and management vision, as well as public company board experience.

John A. Houston has been Senior Vice President of Pulse Electronics Corporation since November 2010. Mr. Houston has 37 years of experience in worldwide manufacturing, distribution and engineering of high technology products. He is responsible for global sales and marketing. Since joining Pulse in 1982, Mr. Houston held positions including Senior Vice President of the Network, Wireless and Power Products Group, Senior Vice President of the Business Groups and Vice President of the North American Business Unit. His responsibilities included marketing, sales and customer service. He has also held numerous positions at leading manufacturing companies including Philips and Corning. Mr. Houston holds a B.S. degree in Civil Engineering from State University of New York at Buffalo.

John E. Major is the President of MTSG, a strategic consulting and investment company. Previously, Mr. Major was Chairman and Chief Executive Officer of Novatel Wireless, Inc., a wireless data access solutions company. Mr. Major led Novatel's successful IPO in November 2000. He has also served in executive level positions at Qualcomm, including President of its Wireless Infrastructure Division. Prior to that, Mr. Major held various positions at Motorola, Inc., including Senior Vice President and Chief Technology Officer. Mr. Major currently serves as lead director of the board of Broadcom Corporation and as a director of Littelfuse, Inc., Lennox International, Inc. and ORBCOMM Inc. Mr. Major received a B.S. in mechanical and aerospace engineering from the University of Rochester, an M.S. in mechanical engineering from the University of Illinois, an M.B.A. from Northwestern University and a J.D. from Loyola University.

Mr. Major brings to the Board his invaluable experience in a range of areas, including his senior management leadership at both large and startup technology companies, as well as his drive for innovation, as evidenced by his achievements at Novetel Wireless, Qualcomm and Motorola. Mr. Major also brings considerable directorial, financial and governance experience to the Board, currently serving on the boards of directors and several board committees of Littelfuse, Inc., Lennox International, Inc., Broadcom Corporation and ORBCOMM Inc.

Drew A. Moyer has served as our Senior Vice President and Chief Financial Officer since August 2004. Mr. Moyer also served as our Interim Chief Executive Officer and President from August 2010 until January 2011. He was President of our electrical contacts segment, which was sold in 2010, from 2006 until 2009; our Vice President from May 2002 until August 2004; Secretary from January 1997 until August 2004, May 2008 through March 2011, and since July 2011. He was Corporate Controller and Chief Accounting Officer from May 1995 until August 2004. Mr. Moyer joined Pulse in 1989 and was previously employed by Ernst & Young LLP. He holds a Bachelor's degree in accounting from Temple University and an MBA in Finance and International Business from Drexel University. He is a Certified Public Accountant.

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Daniel E. Pittard has had a diverse career in consumer, industrial and high tech industries in the United States and internationally. Early in his career, he was a partner with McKinsey & Company in the United States and Europe. Later, he served as a Senior Executive at PepsiCo, Inc., Amoco Corp. (now part of BP PLC), Gateway Computers and Rubio's Restaurants. During his time with PepsiCo, he was Senior Vice President of Operations for PepsiCo Foods International. While at Amoco, he was Group Vice President, in which capacity he was responsible for four businesses with $13 billion in revenue. At Gateway Computers, he was Senior Vice President of Strategy and Business Development. Mr. Pittard was also President and Chief Executive Officer of Rubio's Restaurants. Most recently, Mr. Pittard was President and CEO of Aditazz Inc, a private technology company focused on applying the software technology used to design microchips to the architectural, engineering and construction industries. He has served as a Board member of two public companies - Novatel Wireless and Rubio's Restaurants. His civic contributions have included serving on the Boards of the Children's Miracle Network, the Georgia Tech Foundation and the Advisory Board to the Georgia Tech College of Computing . In addition he has served as Chairman of the Georgia Tech Advisory Board to the President, and Chairman of the Rancho Santa Fe Foundation. He currently serves on the Board of Directors of the San Diego County YMCA. Mr. Pittard graduated from the Georgia Institute of Technology with a B.S. degree in Industrial Management. He received an M.B.A. from the Harvard Graduate School of Business Administration, where he received the J. Spencer Love Fellowship.

Through his diverse career experiences in the consulting, technology, and food service industries, as well through his charitable work, Mr. Pittard will bring to the Board a fresh perspective and "outside-the-box" thinking that we believe is very valuable to the Board. Furthermore, we believe his international experience is also an asset given Pulse's overseas operations.

Gary E. Sutton is the Chairman of the Board and Chief Executive Officer of SSI, Inc. and Clear Brook Industrial Park. He is also a Director of Websense Inc. Mr. Sutton also served as a director and interim Chief Executive Officer of IQinVision, Inc. Mr. Sutton retired in August 2000 from Skydesk, Inc., a provider of online data protection services, after serving as its President, Chief Executive Officer and Chairman since January 1996. From 1990 to 1995, Mr. Sutton was Chairman of Knight Protective Industries, a security systems provider. Mr. Sutton was also a co-founder of Teledesic, Inc., a low-earth orbit telecommunications service. He holds a B.S. from Iowa State University.

Mr. Sutton's status as a nationally recognized author and top-rated speaker regarding organizational strategies will provide the Board with continuing insight into the best operational and management practices of publicly traded companies. Also, Mr. Sutton is an active investor in start-up enterprises which will provide the Board perspective on emerging areas in the technology industry. In addition to his extensive experience as an executive and director of technology and electronics companies, Mr. Sutton was also a leading columnist for Directors and Boards magazine for six years.

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CORPORATE GOVERNANCE

Corporate Governance Guidelines and Code of Business Conduct

Our Corporate Governance Guidelines and our Code of Business Conduct are available on our website: www.pulseelectronics.com. They are also available in print to any shareholder who requests them. Our Code of Business Conduct is intended to be a code of business conduct and ethics for directors, officers and employees, within the meaning of the NYSE listing standards and SEC rules.

Independent Directors

Our Corporate Governance Guidelines provide that a majority of our directors must be independent. In determining the independence of our directors, our Board has adopted the NYSE's tests for independence as provided in the NYSE listing standards. With the exception of Mr. Faison, none of our directors has any material relationship with Pulse Electronics Corporation and all are independent within the NYSE's definition. Mr. Faison is not independent because he is our Chief Executive Officer.

Board Policies and Procedures

We have adopted a number of policies and procedures to strengthen the independence of our directors and to improve their ability to maximize Pulse's value to you as shareholders. These policies include stock ownership guidelines for directors. To further demonstrate director interest in, and commitment to our company, our Compensation Committee approved the Executive and Director Stock Ownership Guidelines on December 16, 2011. The Guidelines are expressed as a multiple of base salary or a director's annual retainer. Currently, a non-employee Board member's requirement is fixed at five times his annual retainer, but the committee will periodically update the multiple levels for changes in salary/retainer and stock price. Until the applicable guideline is achieved, the director is required to retain an amount equal to 50% of the net shares received as a result of the exercise of Pulse stock options or the vesting of stock grants. Because directors must retain a percentage of shares resulting from any exercise of Pulse stock options or the vesting of stock until they achieve the specified guidelines, there is no minimum time period required to achieve the guidelines. Failure to meet or, in the absence of unique circumstances, to show progress toward meeting the stock ownership requirements may result in a reduction in future long-term incentive equity grants and/or payment of future annual and/or long-term cash incentive payouts in the form of stock. The full text of the Executive and Director Stock Ownership Guidelines can be found on our website at www.pulseelectronics.com/governance.

Certain Relationships and Related Transactions

Under our Code of Business Conduct, conflicts of interest and/or self-dealing between any employee and our company are prohibited. Therefore, no employee may have a financial interest (as defined in this policy) in any transaction in which we are involved. In addition, no employee may retain for him or herself an opportunity that is available to our company. Any such financial interest must be disclosed to our Ethics Officer and any conflict of interest, self-dealing or corporate opportunity involving an employee must be disclosed to our Audit Committee or Chief Executive Officer who will, in turn, bring this matter to the attention of the Audit Committee of our Board. A conflict of interest, self-dealing or personal use of a corporate opportunity may be waived only by our Board and any such waiver will be promptly disclosed to our shareholders, in accordance with applicable laws.

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Compensation Committee Interlocks and Insider Participation

Mr. Burrows, Mr. Crane and Mr. Deck served as members of the Compensation Committee during the fiscal year 2012. None of the members of the Compensation Committee is or has ever served as an officer or employee of our company or any of its subsidiaries. None of our executive officers served as a member of the Board or compensation committee of any entity that has one or more of its executive officers serving as a member of our Board or Compensation Committee.

Board Meetings

The Board held ten meetings in 2012, including regularly scheduled and special meetings. No director attended fewer than 75% of the total Board meetings and committee meetings of which the director was a member during the period that he served.

Board Leadership Structure

We do not have a formal policy regarding the separation of the roles of Chief Executive Officer and Chairman of the Board. Mr. Faison now holds both of these positions. Our Corporate Governance Guidelines provide that at each meeting of the Board, time will be set aside for independent directors to meet separately from management. Mr. Burrows presides over and is the lead director at all executive sessions of non-management directors. Our Board believes that this structure provides the most efficient and effective leadership model while also providing effective oversight of our company. We believe that having a Chief Executive Officer/Chairman with extensive knowledge of our company gained through his day-to-day role in our operations enhances his ability to interact with both the Board and management and to communicate and implement business strategies developed with their guidance. In the Board's view, its current structure, which includes a lead independent director and, assuming that the nominees are all elected, six independent directors out of a total of seven directors, provides effective oversight of risk management and corporate governance issues.

Communications with the Board

The Board has implemented a process for shareholders and interested parties to send written, oral or e-mail communications to the non-management directors or the Audit Committee of the Board in an anonymous fashion. This process is further described on our website: www.pulseelectronics.com.

Director Attendance at Annual Meetings

While we do not have a formal policy regarding attendance by members of the Board at our annual meeting, we have always strongly encouraged our directors to attend our annual meeting and will continue to do so. In 2012, all of our directors attended our annual meeting of shareholders in person or by telephone.

In 2013, it is expected that our Chairman, Ralph E. Faison, and our Lead Independent Director, John E. Burrows, Jr., will attend the annual meeting in person and that our other director nominees will attend in person or by telephone.

Committees

Our Board has three standing committees: audit, compensation and governance. The Board has determined that each director who serves on these committees is independent, as defined in applicable NYSE listing standards and SEC rules. The current members of each committee are:

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Audit	Compensation	Governance
Lawrence P. Reinhold, Chairman	Steven G. Crane, Chairman	Justin C. Choi, Chairman
Steven G. Crane	John E. Burrows, Jr.	John E. Burrows, Jr.
C. Mark Melliar-Smith	Howard C. Deck	Howard C. Deck

The responsibilities of each committee are set forth in its respective written charter. Each committee has a written charter, as approved by our Board, and each charter is available in print to any shareholder who requests them and may be found on our website: www.pulseelectronics.com. The material responsibilities of each committee are summarized below.

Compensation Committee

The Compensation Committee

- manages the formal process by which the Board determines our Chief Executive Officer's annual and long-term equity compensation;
- determines the salary and short term incentive compensation of our Chief Executive Officer and submits the recommended amounts and determination criteria to the Board for approval;
- prepares and distributes to the Board, a "tally sheet" including all elements of CEO compensation and benefits for the current year as well as two previous years;
- evaluates all components of executive officer compensation to ensure they are competitive, are aligned with our objectives and are properly structured to recruit, retain, incentivize and reward performance;
- approves new executive compensation plans and recommends action to the Board;
- approves any changes in executive compensation plans, policies, metrics and standards;
- reviews payouts and distribution of all cash and equity-based compensation plans for executives in the incentive compensation plan;
- reviews the fees of independent directors and submits recommendations to the full Board for approval;
- for key executives, other than our Chief Executive Officer, evaluates and ensures that management development and succession plans, programs and processes are in place;
- retains and terminates compensation consultants or other outside advisors as it deems necessary or appropriate for the purpose of assisting the committee in the evaluation of director, CEO or senior executive compensation;

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- oversees the preparation of the Compensation Discussion and Analysis included in our annual proxy statement; and

- establishes annual goals and objectives for the committee and performs an annual self-evaluation of the performance of the committee.

During 2012, the Compensation Committee held two meetings.

Relationship Between Compensation Committee and Independent Compensation Consultant

The Compensation Committee's independent compensation consultant during the 2012 fiscal year was Compensation Strategies, Inc. ("Compensation Strategies"). Compensation Strategies is engaged by, and reports directly to, the Compensation Committee, which has the sole authority to retain or terminate Compensation Strategies and to approve fee arrangements for work performed by Compensation Strategies. Compensation Strategies assists the Compensation Committee in fulfilling its responsibilities under the Committee's charter, including advising on executive compensation packages and plans as well as Board compensation. The Compensation Committee has authorized Compensation Strategies to work directly with certain of our executive officers, as needed in connection with advising the Compensation Committee, and Compensation Strategies participates in discussions with our management team and, when applicable, the Compensation's outside legal counsel on matters being brought to the Compensation Committee for consideration.

It is the Compensation Committee's policy that the Chair of the Compensation Committee or the full Compensation Committee pre-approve any additional services provided to our executives by Compensation Strategies. In the 2012 fiscal year, Compensation Strategies only provided services to the Compensation Committee and did not provide any services to our management team. The Compensation Committee has assessed the independence of Compensation Strategies pursuant to SEC rules and concluded that Compensation Strategies' work for the Compensation Committee does not raise any conflict of interest.

Governance Committee

The Governance Committee

- develops, with the Board, the annual Board objectives and ensures that each Board committee has annual objectives;

- conducts an annual review, with full Board input, of performance against the Board objectives and ensures that each Board committee reports its performance to the Board;

- conducts the director self evaluation process;

- identifies and recommends to the Board qualified individuals to serve as directors. The Governance Committee has the authority to engage, as needed, search firms and to approve fees and terms as appropriate;

- recommends nominees to the shareholders, consistent with our bylaws, for election as directors;

- recommends an appropriate on-boarding process for new directors and recommends appropriate opportunities for director continuing education;

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- periodically reviews, with the Chairman, the meeting frequency, structure and membership of the Board and Board committees;

- facilitates full Board involvement in Chief Executive Officer and key executive succession plans by developing and managing the process;

    - considers and reports to the Board on emerging and relevant issues and trends in corporate governance and makes recommendations as appropriate; and

- periodically reviews, with the Chairman, our governance guidelines and policies to ensure they meet our needs and are compliant with all material regulations.

During 2012, the Governance Committee held three meetings.

The Governance Committee selects nominees to the Board whom it believes have skills, background and experience that can be of assistance to management in guiding our business. The committee believes that members of the Board should have experience sets and skills largely complementary to one another. In filling Board openings, the committee has sometimes engaged an independent search firm to assist in identifying candidates with the requisite skills required of a Board member in general as well as any specific skills believed to be required of an individual given our strategic plans. While we do not have a written policy for Board membership, our Board seeks directors who represent a mix of backgrounds and experiences that will enhance the quality of the Board's deliberations and decisions. The Governance Committee considers, among other factors, diversity with respect to viewpoint, skills, experience and community involvement in its evaluation of candidates for Board membership. These considerations are discussed by the Governance Committee in connection with the general qualifications of each potential nominee.

The committee, together with the Board, is responsible for evaluating overall Board performance. The Board typically conducts an annual formal evaluation of its performance and goals attainment. The Governance Committee determines the process for this evaluation.

The committee will consider nominees recommended by a shareholder, but always reserves the right not to accept nominations that do not represent the best interests of shareholders. A shareholder may nominate individuals to serve as directors at the annual meeting by complying with the advance notice provisions in our Amended and Restated Bylaws.

As part of our recapitalization with certain affiliates of investment funds managed by Oaktree, we granted Oaktree the right to designate (i) up to three individuals to our slate of director nominees at any shareholder meeting so long as Oaktree owns at least 50% of the stock which it receives in the recapitalization, (ii) up to two individuals to our slate of director nominees at any shareholder meeting so long as Oaktree owns less than 50% but more than 25% of the stock it receives in the recapitalization, and (iii) one individual to our slate of director nominees at any shareholder meeting so long as Oaktree owns less than 25% but greater than 5% of the stock it receives in the recapitalization. For the 2013 annual meeting, Oaktree suggested John E. Major to our Board's Governance Committee as a director candidate, and Mr. Major suggested Gary E. Sutton and Daniel E. Pittard as director candidates to our Board's Governance Committee. The Governance Committee evaluated each such nominee and his qualifications for service on our Board on a basis consistent with the policies and practices summarized herein. Our Board's Governance Committee found each such nominee to be independent and fit for service on our Board.

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Audit Committee

The Audit Committee

- reviews the financial reporting process to ensure the integrity of our consolidated financial statements, including, without limitation, review of our Annual Report on Form 10-K and Quarterly Reports on Form 10-Q, as filed with the Securities and Exchange Commission;
- evaluates the independent registered public accountant's qualifications and independence;
- evaluates the performance of our internal audit function and independent registered public accountants;
- assesses the processes relating to the determination and mitigation of risks and the maintenance of an effective control environment; and
- reviews the processes to monitor compliance with laws and regulations and our Code of Business Conduct.

The committee has separate regularly scheduled executive sessions with our independent registered public accountants, senior management and Internal Auditor. During 2012, the Audit Committee held seven meetings.

In accordance with NYSE requirements, our Audit Committee is primarily responsible for overseeing our risk management processes on behalf of the full Board, including the impact of risk on our financial position and the adequacy of our risk-related internal controls. The Audit Committee receives regular reports from management regarding our assessment of risks. The Audit Committee reports to the full Board, which also considers our risk profile. The full Board focuses on the most significant risks facing us and our risk management strategies for these issues. The Board endeavors to match these identified risks to the overall level of risk management, which the Board deems appropriate from time to time. While the Board oversees our risk management strategies, company management is responsible for day-to-day risk management processes. We believe this division of responsibilities is the most effective approach for addressing the risks facing our company.

In November 2012, our Audit Committee reviewed the terms of our recapitalization transactions with Oaktree and our financial condition, and determined that the delay necessary in securing shareholder approval prior to the closing of our recapitalization would seriously jeopardize our financial viability. Therefore, our Audit Committee expressly approved our reliance on the NYSE Financial Viability Exception from NYSE's Shareholder Approval Policy.

Our Board has determined that Mr. Crane and Mr. Reinhold both qualify as audit committee financial experts and meet the criteria set forth in Item 407(d)(5)(ii) of Regulation S-K and are independent, as defined by the NYSE listing standards. This conclusion is based upon each of their backgrounds and experiences. Mr. Crane and Mr. Reinhold each has been Chief Financial Officer of a global public company and Mr. Reinhold is a certified public accountant. Each maintains a broad and deep current working knowledge of the application of current accounting literature and practices in a business of the type and complexity of that of our company.

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Audit Committee Report

Management is responsible for producing our financial statements and for implementing and assessing our financial reporting process, including our system of internal control over financial reporting. KPMG LLP is responsible for performing an independent audit of our consolidated financial statements and expressing an opinion on the conformity of those financial statements with accounting principles generally accepted in the United States of America, as well as expressing an opinion on the effectiveness of internal control over financial reporting. The Audit Committee's responsibility is to assist the Board in its oversight of our consolidated financial statements.

The Audit Committee provided oversight on the progress and results of our testing of internal control over financial reporting. The Audit Committee also reviewed with management and the independent auditors the scope of the annual audit and audit plans, the results of internal and external audit examinations, the quality of our financial reporting, our process for legal and regulatory compliance, fees paid to our independent auditors and other matters.

In fulfilling the above responsibilities, the Audit Committee of the Board has:

1. reviewed and discussed the audited consolidated financial statements for the fiscal year ended December 28, 2012 with our management;

2. discussed with our independent auditors the matters required to be discussed by the Statement on Auditing Standards No. 61, as amended (AICPA Professional Standards, Vol. 1. AU section 380), as adopted by the Public Company Accounting Oversight Board in Rule 3200T;

3. received the written disclosures and the letter from our independent auditors required by applicable requirements of the Public Company Accounting Oversight Board regarding the independent accountant's communications with the Audit Committee concerning independence, as the same were in effect on the date of our consolidated financial statements; and discussed with our independent registered public accountants their independence.

Based on the review and discussions referred to in the items above, the Audit Committee recommended to the Board that the audited consolidated financial statements for the fiscal year ended December 28, 2012 be included in Pulse Electronics Corporation's Annual Report on Form 10-K for the fiscal year ended December 28, 2012.

Members of the Audit Committee

Lawrence P. Reinhold, Chairman
Steven G. Crane
C. Mark Melliar-Smith

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EXECUTIVE COMPENSATION

Compensation Discussion and Analysis

This Compensation Discussion and Analysis ("CD&A") provides a description of our executive compensation philosophy and programs, the compensation decisions that have been made under those programs, and the factors considered in making those decisions. The CD&A focuses on the compensation of our Named Executive Officers ("NEOs") for 2012, who were:

- Ralph E. Faison, President and Chief Executive Officer;
- Drew A. Moyer, Senior Vice President, Chief Financial Officer and Corporate Secretary;
- Alan H. Benjamin, Chief Operating Officer;
- John A. Houston, Senior Vice President, Sales and Marketing; and
- John R.D. Dickson, Senior Vice President, Chief Information Officer & Human Resources.

Executive Summary

The objective of our executive compensation program is to attract, retain, motivate, and reward those executives who are crucial to our success and to create long-term shareholder value. The principal elements of our executive compensation program which are discussed in greater detail below include base salary, annual cash incentives, long-term equity incentives, retirement benefits, limited perquisites, and severance benefits. We strive to align the interests of our executives with those of our shareholders. The Compensation Committee of our Board of Directors (the "Committee") is comprised entirely of independent directors and is responsible for establishing and administering our executive compensation policies and practices.

2012 Highlights: Fiscal year 2012 was an important transitional year for us. We have continued to make progress on our strategic turnaround plan to streamline and simplify the Company, and improve financial and operational performance. Our efforts have included improving liquidity and cash flow through a restructuring of our indebtedness; recapitalizing the Company through investments by funds managed by Oaktree Capital Management, L.P.; further manufacturing plant consolidations, and the disposition of select assets. More specifically, in 2012, we made solid progress on the following key initiatives:

- Improving the wireless business;
- Controlling operating expenses;
- Optimizing manufacturing footprint and efficiencies;
- Implementing a new enterprise resource planning (ERP) system;
- Automating manufacturing; and
- Building on our technology leadership.

A summary of key financial results for 2012 appears below:

- Annual revenue increased by 1.1% notwithstanding continuing soft market conditions in Network and Power;
- Selling, general and administrative expenses were reduced by 8.0% for the full year;
- U.S. GAAP operating loss was also reduced by $5.3 million, with a U.S. GAAP operating loss of $12.5 million, as compared to an operating loss of $17.9 million in 2011, a decrease of 29.9%;

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- Long-term debt remained relatively flat at $96.8 million, up from $94.0 million in 2011, primarily driven by our restructuring needs and the recapitalization with Oaktree; and
- Due to our recapitalization, we improved our liquidity, ending 2012 with $31.5 million in cash and cash equivalents compared to $17.6 million at the end of 2011.