KULICKE & SOFFA INDUSTRIES INC
Form DEF 14A
December 30, 2008

## UNITED STATES

## SECURITIES AND EXCHANGE COMMISSION

**WASHINGTON, D.C. 20549**

# SCHEDULE 14A

**Proxy Statement Pursuant to Section 14(a) of the**

**Securities Exchange Act of 1934**

Filed by the Registrant x          Filed by a Party other than the Registrant ¨

Check the appropriate box:

¨ Preliminary Proxy statement

¨ **Confidential, For Use of the Commission Only as permitted by Rule 14a-6(e)(2))**

x Definitive Proxy Statement

¨ Definitive Additional Materials

¨ Soliciting Material Pursuant to § 240.14a-12

**KULICKE AND SOFFA INDUSTRIES, INC.**

**(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):

x No fee required

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

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

(2) Aggregate number of securities to which transaction applies:

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

(4) Proposed maximum aggregate value of transaction:

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¨ Fee paid previously with preliminary materials.

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

(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.

(3) Filing Party:

(4) Date Filed:

1005 Virginia Drive, Fort Washington, PA 19034

**NOTICE OF ANNUAL MEETING OF SHAREHOLDERS**

**February 10, 2009**

THE ANNUAL MEETING OF SHAREHOLDERS OF KULICKE AND SOFFA INDUSTRIES, INC. (the Company ) will be held on Tuesday, February 10, 2009, at 4:30 p.m. (Pacific Time) at the Embassy Suites, 1325 E. Dyer Road, Santa Ana, CA 92705, for the following purposes:

1. Election of Mr. Garrett E. Pierce and Mr. C. William Zadel as directors to serve until the 2013 Annual Meeting;

2. Approval of our 2009 Equity Plan;

3. Ratification of the appointment of PricewaterhouseCoopers LLP as our independent registered public accounting firm for the fiscal year ending October 3, 2009; and

4. Transaction of such other business as may properly come before the annual meeting.

The board of directors has fixed the close of business on December 15, 2008 as the record date for the determination of holders of common shares entitled to notice of and to vote at the annual meeting.

**All shareholders are cordially invited to attend the annual meeting, but whether or not you expect to attend the annual meeting in person, we encourage you to vote promptly. You may vote your shares using a toll-free telephone number, over the Internet, or, if you requested a paper copy of the proxy card, by signing and dating it and returning it promptly. If you attend the annual meeting, you may (but do not have to) revoke your proxy and vote in person.**

By Order of the Board of Directors
SUSAN WATERS
Secretary

December 31, 2008

1005 Virginia Drive, Fort Washington, PA 19034

**PROXY STATEMENT**

December 31, 2008

The enclosed proxy is solicited by the board of directors of Kulicke & Soffa Industries, Inc. (the Company ). As permitted by rules adopted by the Securities and Exchange Commission, the Company is making its proxy statement and its 2008 Annual Report to Shareholders (which includes the Company s Annual Report on Form 10-K) available electronically via the Internet. On December 31, 2008, we mailed to our shareholders a Notice of Internet Availability of Proxy Materials (the Notice ) containing the instructions on how to access this proxy statement and our annual report and how to vote online. Shareholders who received the Notice will not receive a printed copy of the proxy materials in the mail. If you would like to receive a printed copy of our proxy materials, please follow the instructions included in the Notice.

**Voting and Revocability of Proxies**

Our board of directors has fixed the close of business on December 15, 2008 as the record date for determining the shareholders entitled to vote at our 2009 annual meeting of shareholders. As of the record date, there were 60,881,343 of the Company s common shares outstanding. Each common share is entitled to one vote on all matters presented at the meeting.

When voting is properly authorized over the Internet or by telephone, or proxies are properly dated, executed and returned, the common shares so represented will be voted at the annual meeting in accordance with the instructions of the shareholder. If no specific instructions are given, the common shares will be voted **FOR** the: (1) election of Mr. Garrett E. Pierce and Mr. C. William Zadel as directors; (2) approval of our 2009 Equity Plan; and (3) ratification of the appointment of PricewaterhouseCoopers LLP as our independent registered public accounting firm for the fiscal year ending October 3, 2009. A shareholder may revoke a proxy at any time before its use by (1) delivering a later executed proxy or written notice of revocation to the Secretary of the Company, (2) by attending the annual meeting and giving notice of such revocation or (3) granting a subsequent proxy by Internet or telephone. Attendance at the annual meeting does not by itself constitute revocation of a proxy.

The presence of a majority of the common shares entitled to vote at the annual meeting, represented in person or by proxy, constitutes a quorum. If a quorum is present, (i) the nominees for director receiving the highest number of votes cast at the annual meeting will be elected and (ii) the affirmative vote of a majority of the total votes cast by all shareholders entitled to vote at the annual meeting will be required to approve Item 2 and to ratify Item 3. Abstentions, the withholding of authority to vote or the specific direction not to cast a vote, such as a broker non-vote, will not constitute the casting of a vote on any matter. Consequently, Item 2 will be approved and Item 3 will be ratified if more votes are cast **FOR** than **AGAINST** the respective proposals.

**How You Can Vote**

Shareholders of record may vote by any of the following methods:

**Voting by internet.** The website for internet voting is on the Notice, and voting is available 24 hours a day.

**Voting by telephone.** The toll-free telephone number for voting is on the proxy card.

**Voting by mail.** If you choose to receive a printed copy of the proxy materials, you may vote by mail by marking the proxy card enclosed with the proxy statement, dating and signing it, and returning it in the postage-paid envelope provided.

Shareholders who hold their shares through a broker (in street name ) must vote their shares in the manner prescribed by their broker.

## ITEM 1 ELECTION OF DIRECTORS

The board of directors has nominated Garrett E. Pierce and C. William Zadel for re-election at the annual meeting to serve until the 2013 annual meeting and until their successors have been duly elected and qualified. Shareholders have the right to cumulate votes in the election of directors (i.e. each shareholder may multiply the number of votes the shareholder is entitled to cast by the total number of directors to be elected and cast the whole number of votes for one candidate or distribute them among some or all candidates). If either Mr. Pierce or Mr. Zadel should be unable to serve as director at the time of the election, the persons named as proxies in the proxy may vote the proxies for any other individual (or individuals, as applicable) as they may choose, unless the board of directors determines that no director should be elected at the annual meeting.

The following table provides information concerning Mr. Pierce and Mr. Zadel, as well as the other directors of the Company, the executive officers of the Company named in the beneficial ownership table below (referred to in the table below as the Named Executive Officers ), and the executive officers and directors of the Company as a group. Unless otherwise specified, the directors have held the positions indicated (other than directorships) for at least five years. To the knowledge of the Company, each of the persons listed below has sole voting and investment power with respect to their beneficial ownership (as defined by Rule 13d-3 under the Securities Exchange Act of 1934, or the Exchange Act ) of the Company s common shares identified in the table below as so owned, unless otherwise indicated. Unless otherwise indicated, each person below has an address of c/o Kulicke and Soffa Industries, Inc., 1005 Virginia Drive, Fort Washington, PA 19034.

| Name, Age and Occupation | Director Since | Present Term Expires | Common Shares Beneficially Owned On December 4, 2008 Number (1) | Percent |
|---|---|---|---|---|
| ***Directors Nominated for Re-Election*** | | | | |
| **Garrett E. Pierce** (64) | 2005 | 2009 | 40,846 | * |
| Mr. Pierce has served as Vice Chairman and Chief Financial Officer of Orbital Sciences Corporation, a developer and manufacturer of small rockets and space systems, since April 2002 and as a member of its board of directors since August 2000. Between August 2000 and April 2002, he was Executive Vice President and Chief Financial Officer of Orbital Sciences Corporation. From 1996 until August 2000, Mr. Pierce was Executive Vice President and Chief Financial Officer of Sensormatic Electronics Corp., a producer of electronic surveillance systems, and in July 1998 was also named its Chief Administrative Officer. Before that, Mr. Pierce was the Executive Vice President and Chief Financial Officer of California Microwave, Inc. He has also served as Chief Financial Officer, President and Chief Executive Officer of Materials Research Corporation, acquired by Sony Corporation in 1989. From 1972 to 1980, Mr. Pierce held various management positions with The Signal Companies. | | | | |
| **C. William Zadel** (65) | 1989 | 2009 | 103,346 | * |
| In December of 2004, Mr. Zadel retired from Mykrolis Corporation. From August of 2001 until December of 2004, Mr. Zadel was Chairman and Chief Executive Officer of Mykrolis Corporation, a multinational company focused on developing, manufacturing and marketing technically advanced filtration, purification and control products for the global semiconductor industry. Mykrolis is the former microelectronics division of Millipore Corporation. Before becoming Chief Executive Officer of Mykrolis at its separation from Millipore in August 2001, Mr. Zadel was Chairman and Chief Executive Officer of Millipore since April of 1996. Mr. Zadel also serves as a director of CIRCOR International, Inc. | | | | |
| ***Continuing Directors*** | | | | |
| **C. Scott Kulicke** (59) | 1975 | 2011 | 1,405,818(2) | 2.3% |
| Mr. Kulicke has served as the Company s Chairman of the Board since 1984 and Chief Executive Officer of the Company since 1980. | | | | |

| Name, Age and Occupation | Director Since | Present Term Expires | Common Shares Beneficially Owned On December 4, 2008 Number (1) | Percent |
|---|---|---|---|---|
| **Brian R. Bachman** (63) | 2003 | 2012 | 52,124 | * |
| Mr. Bachman is a private investor and the Managing Partner of River Farm LLC. From 2000 to 2002, Mr. Bachman served as Chief Executive Officer and Vice Chairman of Axcelis Technologies, which produces equipment used in the fabrication of semiconductors. Mr. Bachman also serves as a director of Keithley Instruments, Trident Microsystems Inc. and Ultra Clean Technology. | | | | |
| **John A. O Steen** (64) | 1988 | 2010 | 121,346 | * |
| Mr. O Steen served as Executive Vice President, Business Development from March 2003 until his retirement in May 2004 of Cornerstone Brands, Inc., a consumer catalog company. From 1998 to 2003, Mr. O Steen served as Executive Vice President of Cornerstone Brands, Inc. From 1991 to 1998, Mr. O Steen served as Chairman and Chief Executive Officer of Cinmar, L.P., a mail order catalog company that was acquired by the predecessor of Cornerstone Brands in September 1995. Before that time, Mr. O Steen served as President, Chief Executive Officer and a director of Cincinnati Microwave, Inc., a manufacturer of electronic products. Mr. O Steen also serves as a director of Riggs Heinrich Media, Inc. | | | | |
| **MacDonell Roehm, Jr.** (69) | 1984 | 2010 | 109,346 | * |
| Mr. Roehm is Chairman and Chief Executive Officer of Crooked Creek Capital LLC, a provider of strategic, operational and financial restructuring services, a position he has held since 1998. From September 2002 to April 2003, Mr. Roehm also served as Chief Executive Officer of CH4 Gas Limited, a natural resources company. From 2000 to 2001, Mr. Roehm served as Chairman and Chief Executive Officer of Mackenzie-Childs Ltd., a manufacturer and retailer of furniture and home accessories. From 1999 to 2007, Mr. Roehm also served as Chairman of Australian Ventures LLC, a private equity fund. From 1994 until 1998, Mr. Roehm served as Chairman, President and Chief Executive Officer of Bill s Dollar Stores, Inc., a chain of retail convenience stores. Before that time, he served as Managing Director of AEA Investors, Inc., a private investment firm. | | | | |
| **Barry Waite** (60) | 2003 | 2011 | 63,346 | * |
| From May 1998 until his retirement in May 2002, Mr. Waite served as President and Chief Executive Officer of Chartered Semiconductor, a major wafer foundry. From 1982 to 1998, Mr. Waite held positions of increasing responsibility with Motorola Corporation, Semiconductor Products Sector, including Senior Vice President and General Manager, Europe, Middle East and Africa (1997 to 1998) and Senior Vice President and General Manager Microprocessor and Memory Technology Group (1993 to 1997). Mr. Waite also serves as a director of Innovative Micro Technology, and is senior advisor to Investor Growth Capital, an investment fund, and Mubadala Development Company P.J.S.C., a development company formed by the Abu Dhabi government for the purpose of diversifying the emirate s economy. | | | | |

| Name, Age and Occupation | Officer Since | Present Term Expires | Common Shares Beneficially Owned On December 4, 2008 Number (1) | Percent |
|---|---|---|---|---|
| ***Named Executive Officers*** | | | | |
| **Jagdish (Jack) Belani** (55)[1] | 1999 | | 361,112 | * |
| Senior Vice President of Package Materials and Corporate Marketing and Sales | | | | |
| Mr. Belani served as Senior Vice President of the Packaging Materials segment and Corporate Marketing from November 2005 until the sale of the Company s Wire business on September 29, 2008. From 1999 until November 2005, Mr. Belani served as Vice President of Wire Bonding and Corporate Marketing, Vice President of Business Units and Marketing, President of the Wire Bonding Division and President of XLAM, the Company s high density substrate group. Mr. Belani earned a Bachelor of Science degree in chemical engineering from Indian Institute of Technology, Madras, India; a Masters of Science degree in metallurgical and materials engineering from Illinois Institute of Technology and a Juris Doctor from the University of Santa Clara. | | | | |
| **Maurice E. Carson** (51) | 2003 | | 257,223 | * |
| Senior Vice President and Chief Financial Officer | | | | |
| Mr. Carson became Senior Vice President and Chief Financial Officer ( CFO ) in November 2007 after serving as Vice President, CFO since September 2003. From 1996 until 2003, Mr. Carson served in various finance positions culminating as the Vice President, Finance and Corporate Controller for Cypress Semiconductor Corporation. Mr. Carson earned a Bachelor of Science degree from the University of Colorado and a Masters in Business Administration degree from the University of Chicago. | | | | |
| **Christian Rheault** (43) | 2005 | | 159,322 | * |
| Senior Vice President, Equipment | | | | |
| Mr. Rheault became Senior Vice President, Equipment segment in November 2007 after serving as Vice President, Equipment segment since 2006. Prior to that time, he served as Vice President and General Manager of our Ball Bonder Business Unit and Director of Strategic Marketing and Vice President, General Manager of the Microelectronics Business Unit. Mr. Rheault earned an Electrical Engineering degree from Laval University, Canada and a DSA (Business Administration Diploma) from Sherbrooke University, Canada. | | | | |
| **Charles Salmons** (53) | 1992 | | 348,833 | * |
| Senior Vice President, Acquisition Integration | | | | |
| Mr. Salmons has served as Senior Vice President, Engineering since March 2008, after serving as Senior Vice President, Acquisition Integration (September 2006 March 2008), Senior Vice President, Wafer Test (November 2004-September 2006), Senior Vice President, Product Development (September 2002-November 2004), Senior Vice President Operations (1999 to 2004), General Manager, Ball Bonder operations (1998-1999), and Vice President of Operations (1994-1998). Mr. Salmons earned a Masters in Business Administration degree from LaSalle University. | | | | |

1 Mr. Belani left the Company on September 30, 2008, after the end of fiscal 2008, to join the acquirer of the Company s Wire business. His share ownership information is as of September 30, 2008.

| | Number (1) | Percent |
|---|---|---|
| **All directors, nominees and executive officers as a group** (14 persons) | 5,392,514(3) | 8.6% |

* Less than 1.0%

(1) Includes or consists of shares subject to outstanding options that are currently exercisable or exercisable within 60 days after December 4, 2008 (September 30, 2008 in the case of Mr. Belani) in the following amounts: Mr. Pierce (10,000); Mr. Zadel (70,500); Mr. Kulicke (648,449); Mr. Bachman (22,500); Mr. O Steen (70,500); Mr. Roehm (72,500); Mr. Waite (32,500); Mr. Belani (319,246); Mr. Carson (220,085); Mr. Rheault (124,911); and Mr. Salmons (300,942).

(2) Includes shares jointly held with the individual s spouse in the following amounts: Mr. Kulicke 497,684.

(3) Includes 2,141,107 shares subject to options that are currently exercisable or exercisable within 60 days after December 4, 2008. See also footnote (1) above.

***Other Executive Officers***

**Gregg Kelly** (51)

President, Orthodyne Electronics Division

As President of the Company s Orthodyne Electronics Division, Mr. Kelly leads the world-wide operations of the Orthodyne division, which includes the engineering, manufacturing, sales, marketing, and human resource functions. Mr. Kelly joined the Company in 2008 when it acquired Orthodyne Electronics. He became President of Orthodyne Electronics in 1991. Mr. Kelly has over 29 years in the Power Electronics and Semiconductor Industries. He joined Orthodyne Electronics in 1979, and has served in positions of increasing responsibility, including Vice President of Sales & Marketing, Sales Manager, and Applications Engineer. Mr. Kelly earned a Bachelor of Science from California Polytechnic State University at San Luis Obispo, with a degree in Industrial Technology.

**Tek Chee Mak** (54)

Vice President, Worldwide Sales

As Vice President, Worldwide Sales, T.C. Mak leads the Company s global sales force and customer service organization. Mr. Mak has served as Vice President, Worldwide Sales, since 2001 and has been a leader in the Company s sales organization since joining the Company in 1977. In December of 2008, Mr. Mak became an executive officer of the Company. Mr. Mak was educated in Hong Kong and holds a higher diploma in electronic engineering from Hong Kong Polytechnic University.

**Shay Torton** (47)

Vice President, Worldwide Operations and Supply Chain

Mr. Torton was appointed Vice President, Worldwide Operations and Supply Chain in November, 2005. He is responsible for the Company s manufacturing, manufacturing engineering, and supply chain management. Mr. Torton was appointed Vice President, China Operations and K&S Suzhou General Manager in January, 2002. He also served as Vice President and GM of the Company s Materials Business Unit in 2001. In 1996, Mr. Torton was appointed General Manager for K&S Bonding Wire in the US. Beginning in 1997, Mr. Torton was K&S Bonding Wire Business Unit Managing Director based in Singapore. In 1999 he was appointed Vice President. Mr. Torton joined Kulicke & Soffa (Israel) Ltd. in 1991. Before joining the Company, he worked at Aviv, a leading consultant company. Mr. Torton earned a Bachelor of Science in Industrial Engineering and Management from the Israel Institute of Technology.

**THE BOARD OF DIRECTORS RECOMMENDS VOTING FOR THE ELECTION OF**

**MR. GARRETT E. PIERCE AND MR. C. WILLIAM ZADEL AS DIRECTORS.**

## ITEM 2 PROPOSAL TO APPROVE THE 2009 EQUITY PLAN

On December 18, 2008, the board of directors adopted the 2009 Equity Plan (the 2009 Plan ), subject to shareholder approval, because the board believes that having common shares available for granting equity-based incentive awards is essential if the Company is to continue to hire, retain and motivate the highly qualified officers and other employees and attract and retain highly qualified non-employee directors upon whom the Company s continued success depends. Up to 7,000,000 of the Company s common shares (subject to adjustment in the event of stock dividends, stock splits and other similar events) may be issued under the 2009 Plan. (The total shares that may potentially be issued with respect to incentive stock options pursuant to the 2009 Plan is 7,000,000.)

If the 2009 Plan is approved by shareholders, no further authorized but un-issued stock options or other awards will be made under the Company s existing non-employee director or employee equity award plans, but shares subject to awards currently outstanding under those plans which are terminated, cancelled, surrendered or forfeited may be re-issued in the discretion of the Management Development and Compensation Committee of our board of directors (the Committee ) under the 2009 Plan.

The following is a summary of the material features of the 2009 Plan, but is qualified in its entirety by reference to the 2009 Plan, a copy of which is included as Appendix A to this proxy statement. You are encouraged to read the 2009 Plan, as well as this summary, in its entirety.

**Types of Awards**

The 2009 Plan provides for the grant of performance share unit awards ( Performance Share Units ), restricted stock awards ( Restricted Stock ), restricted share unit awards ( Restricted Share Units ), options intended to qualify as incentive stock options under Section 422 of the Internal Revenue Code of 1986, as amended (the Code ), options which are not intended to so qualify ( nonqualified stock options ), stock appreciation rights awards ( Stock Appreciation Rights ) and stock grant awards ( Stock Grants, and collectively, Awards ). Awards under the 2009 Plan will be granted at the discretion of the Committee except for Stock Grants to non-employee directors which will be awarded at specified times and in specified amounts. For a discussion of the Committee s objectives, criteria and discretion for granting Awards to officers and other employees, see Compensation Discussion and Analysis beginning on page 11 of this proxy statement.

*Performance Share Units*. The Committee may grant awards entitling recipients to receive common shares without payment at the end of a specified performance period if specified performance criteria are met. Performance Share unit performance periods shall be at least one year. In certain circumstances described in the Change in Control provisions under Administration below, a participant may receive cash (instead of common shares) in payment of his or her Performance Share Units.

*Restricted Stock*. The Committee may grant awards of common shares (for no consideration), subject to restrictions on the sale, assignment, transfer, pledge, encumbrance and disposal of such shares. Those restrictions will lapse at the time(s) and on service-based conditions determined by the Committee, provided that if such conditions are not met, the shares will be forfeited to the Company. A participant will have voting and dividend rights on these shares before the restrictions lapse. At least 90% of the restricted stock awards shall vest over no less than a three-year period.

*Restricted Share Units*. Under the 2009 Plan, the Committee may grant Awards that are valued based upon the value of the Company s common shares. Such Awards will be subject to service conditions and will have terms and conditions (including any purchase price applicable to such an Award) as the Committee may determine and may be paid in common shares or in cash as the Committee may determine. At least 90% of Restricted Share Unit awards shall vest over no less than a three-year period.

*Incentive Stock Options and Nonqualified Stock Options*. The Committee may grant incentive stock options and nonqualified stock options which provide participants the right to purchase a specified number of common shares at a specified price, subject to the particular terms and conditions specified by the Committee in connection with the option grant. Incentive stock options may be granted only to employees. The exercise price of any option must at least equal the fair market value of the Company s common shares on the date of grant. In addition, under present law, incentive stock options may not be granted at an exercise price less than 110% of the fair market value of the common shares on the date of grant in the case of incentive stock options granted to participants holding more than 10% of the voting power of the Company. Options may not be granted for a term in excess of ten years. The 2009 Plan permits participants to pay the exercise price of options: (i) by cash or check, (ii) in a cashless exercise through a broker, (iii) by surrender to the Company of common shares previously acquired by the participant, or (iv) any combination of these forms of payment.

*Stock Appreciation Rights.* Under the 2009 Plan, the Committee may grant Awards entitling the recipient to receive an amount in shares upon exercise equal to the appreciation in the fair market value of the shares since the date of grant. The stock appreciation rights will be subject to the terms and conditions specified by the Committee in connection with the grant.

*Non-Employee Director Stock Grants.* The Plan provides for the grant of common shares to each non-employee director upon his or her initial election to the board and on the first business day of each calendar quarter while serving on the board. The grant to a non-employee director upon his or her initial election to the board, and each quarterly grant, will be a number of common shares closest in value to, without exceeding, $30,000. The amount of equity grants was determined based on non-employee director compensation in the same and similar industries. The board engaged AON Consulting for advice and for compilation of the benchmarking data. The board of directors will review the value of the initial grant and quarterly grants on an annual basis, and may increase the value of such grants in order to provide its non-employee directors with compensation that is comparable to non-employee directors in the same and similar industries. In no event may any such increase result in an Award that exceeds one hundred and fifteen percent of the dollar amount in effect before the increase or exceed the number of common shares available under the Plan. The board may also decrease the value of such grants; any increase following such decrease may increase the value to the greater of $30,000 or fifteen percent above the dollar amount in effect before the increase. The board expects to utilize reports from an independent third-party compensation consultant during its review. For fiscal 2009, the quarterly stock grant will be reduced by one-third, to a number of common shares closest in value to, without exceeding, $20,000. The board reduced its quarterly stock grant in light of the historically low stock price in late 2008, and with the objective of reducing dilution, burn rate and director compensation during the global economic downturn.

**Eligibility to Receive Awards**

Officers and certain employees of the Company and its subsidiaries (currently, approximately 2,400 persons) and non-employee directors (currently 6 persons) of the Company are eligible to receive Awards under the 2009 Plan. The maximum number of common shares with respect to which Awards may be granted to any participant under the 2009 Plan may not exceed 500,000 common shares in any fiscal year of the Company.

**New Plan Benefits**

Except with respect to Stock Grants to non-employee directors, the granting of Awards under the 2009 Plan is discretionary, and the Company cannot now determine the number or type of Awards that may be granted in the future to any particular person or group.

**Market Value of Securities**

On December 19, 2008, the closing sale price of the Company s common shares on the NASDAQ Global Market was $1.69.

**Administration**

The 2009 Plan is administered by the Committee, which has the authority to interpret the plan and to adopt, amend and repeal rules and regulations for its administration. Under the 2009 Plan, the Committee may delegate some of its administrative functions to a plan administrator, and may delegate to the Company s Chief Executive Officer and/or to other senior officers the authority to grant Awards to employees who are not executive officers of the Company, subject to such conditions or limitations as the Committee may establish.

Subject to any applicable limitations contained in the 2009 Plan, the Committee (or its delegate as described above) may select the recipients of Awards and determine (i) the number of common shares covered by options and the dates upon which such options become exercisable, (ii) the exercise price of options, (iii) the duration of options (up to 10 years), (iv) the number of common shares subject to any Performance Share Unit, Restricted Stock, Stock Appreciation Right, or Restricted Share Unit Awards, and (v) the terms and conditions of such Awards, including conditions for the vesting and purchase of such common shares. The Committee also may adjust a particular Performance Share Unit Award provided that no increase may be awarded if the Committee required upon grant that such award must qualify as performance-based compensation within the meaning of Code section 162(m)(4)(c).

The Committee is required to make appropriate adjustments in connection with the 2009 Plan and any outstanding Awards to reflect stock splits, stock dividends, recapitalizations and other similar changes in the Company s capitalization. The 2009 Plan also addresses the consequences of a merger or consolidation of the Company with or into another entity (and similar transactions). In the event of such a transaction, the Committee may terminate all or a portion of any outstanding Awards, if it determines that termination is in the best interests of the Company. If the Committee decides to terminate outstanding options or Stock Appreciation Rights, it will give each participant holding an option or Stock Appreciation Right to be terminated at least 10 days advance notice of the

termination. Upon such notice, any such option or Stock Appreciation Right will become fully exercisable and may be exercised before such termination. Also, the Committee, in the event of such a transaction, may accelerate, in whole or in part, the vesting of any option, Stock Appreciation Right, Restricted Stock or Restricted Share Unit.

The 2009 Plan also addresses the consequences of a Change in Control of the Company, as defined in the 2009 Plan and as described below under Change in Control Arrangements. Upon a Change in Control in which the surviving or successor entity does not agree to assume outstanding Awards under the 2009 Plan, outstanding options, Stock Appreciation Rights, Restricted Stock and Restricted Share Units become fully vested and the performance requirements are waived for Performance Share Units which vest if the participant is employed on the last day of the performance period. A participant who is employed on the last day of the performance period will receive a cash payment with respect to his or her Performance Share Units as if target performance had been attained and based on the value of our common stock on the date of the Change in Control. Such payment shall be made during the period of January 1 to March 15 following the end of the performance period. If a Change in Control occurs in which the surviving or successor entity does agree to assume the outstanding Awards, but a participant is involuntarily terminated without Cause as defined in the 2009 Plan during the two-year period following the Change in Control, outstanding options, Stock Appreciation Rights, Restricted Stock and Restricted Share Units held by the participant become fully vested. In addition, the participant s Performance Share Units are prorated based on the number of full months in the performance period prior to the participant s termination of employment. A participant will receive such prorated portion of any Performance Share Unit Award amount that would otherwise have been received based on the performance goals attained at the end of the performance period, Shares attributable to such prorated Award will be delivered during the period of January 1 to March 15 following the end of the performance period.

If any Award expires or is terminated, surrendered, canceled or forfeited, the unused common shares covered by such Award will again be available for grant under the 2009 Plan, subject, however, in the case of incentive stock options, to any limitations under the Code. Any common shares subject to a Stock Appreciation Right that are not delivered to a participant following exercise and settlement of the Stock Appreciation Right will again be available for grant under the 2009 Plan.

**Amendment or Termination of 2009 Plan**

No Awards may be granted under the 2009 Plan on or after February 9, 2019 (the expected 10-year anniversary of the effective date of the 2009 Plan), but Awards granted before that date may extend beyond such date. The board of directors or the Committee may at any time amend, suspend or terminate the 2009 Plan. The following amendments, however, may not be made without our shareholders approval: (i) an increase in the maximum number of common shares with respect to which incentive stock options may be granted under the 2009 Plan; (ii) a change in the class of employees eligible to receive incentive stock options under the 2009 Plan; (iii) an extension of the 2009 Plan s duration with respect to incentive stock options; (iv) an acceleration of vesting of any Award, outside of the context of a merger, consolidation or similar transaction; (v) any amendment to the 2009 Plan requiring shareholder approval under the $1 million deduction limit on compensation in Section 162(m) of the Code; and (vi) any amendment of the 2009 Plan requiring shareholder approval under the rules of the NASDAQ Global Market, or (vii) as required under any other applicable law, rule or regulation.

If our shareholders do not approve the adoption of the 2009 Plan, the 2009 Plan will not go into effect, and the Company will not grant any Awards under the 2009 Plan. In such event, the board of directors will consider whether to adopt alternative arrangements based on its assessment of the needs of the Company, such as higher cash compensation, which may be necessary to attract and retain qualified officers and employees.

**Listing and Registration of Shares**

We expect that the Company s common shares which would be issued under the 2009 Plan will be listed on the NASDAQ Global Market. If at any time we determine, in our discretion, that the listing, registration or qualification of common shares issuable under the 2009 Plan on the NASDAQ or any other securities exchange or under the laws of any jurisdiction or the consent or approval of any governmental regulatory body is necessary or desirable as a condition of, or in connection with, the operation of the 2009 Plan, or that we or our shareholders or employees should seek to obtain an exemption from any above-listed requirement or to continue any listing, registration, or qualification, then the purchase or grant of common shares under the 2009 Plan may be postponed unless and until the listing, registration, qualification, consent, approval, or action has been effected, obtained or taken under conditions we deem acceptable. In addition, if a recipient acquires common shares under the 2009 Plan, he or she may be required to assure us satisfactorily that he or she is acquiring the common shares for investment and not with a view to distribution.

**Federal Income Tax Consequences of Awards**

The following is a summary of the United States federal income tax consequences that generally will arise with respect to Awards granted under the 2009 Plan. This summary is based on the federal tax laws in effect as of the date of this proxy statement. Changes to these laws could alter the tax consequences described below.

*Incentive Stock Options*

A participant will not recognize taxable income upon the grant of an incentive stock option. Moreover, a participant generally will not recognize taxable income on the exercise of an incentive stock option, provided the participant was our employee or that of any of our subsidiary corporations during the entire period from the date of grant of the incentive stock option until not more than three months before the date of exercise (12 months if employment ceased due to permanent and total disability). An amount, generally equal to the excess of the fair market value of the common shares at the time of exercise over the exercise price, however, will be included in the participant s alternative minimum taxable income in the year of exercise. The employment requirement is waived if a participant should die. Of course, in all of these situations, the incentive stock option itself may provide a shorter exercise period after employment ceases than the periods set forth above. If the employment requirements described above are not met, the participant will be taxed as described below under Nonqualified Stock Options.

A participant will recognize income upon the sale of the common shares acquired under an incentive stock option at a profit (if the sales proceeds exceed the exercise price). The type of income will depend on when the participant sells the common shares. If a participant sells the common shares more than two years after the option was granted and more than one year after the option was exercised, then all of the profit will be long-term capital gain. If a participant sells the common shares before satisfying these waiting periods, then a portion of the profit will be ordinary income and a portion may be capital gain. This capital gain will be long-term if the participant has held the common shares for more than one year and otherwise will be short-term. If a participant sells the common shares at a loss (the sales proceeds are less than the exercise price), then the loss will be a capital loss. This capital loss will be long-term if the participant held the common shares for more than one year and otherwise will be short-term.

*Nonqualified Stock Options*

A participant will not recognize taxable income upon the grant of a nonqualified stock option. A participant will recognize ordinary income upon the exercise of a nonqualified stock option in an amount equal to the excess of the fair market value of the common shares at the time of exercise over the exercise price. Upon a sale of the common shares, the participant will recognize a capital gain or loss equal to the difference between the sales proceeds and the value of the common shares on the day the option was exercised. This capital gain or loss will be long-term if the participant has held the common shares for more than one year and otherwise will be short-term.

*Performance Share Units*

A participant will not recognize taxable income upon the grant of a Performance Share Unit Award. If the performance criteria established by the Committee are met and a participant receives shares, a participant will recognize ordinary income upon the delivery of common shares subject to the award in an amount equal to the fair market value of the shares on the date of delivery. Upon a sale of the common shares, the participant will recognize a capital gain or loss equal to the difference between the sales proceeds and the value of the common shares on the day the shares were delivered. This capital gain or loss will be long-term if the participant has held the common shares for more than one year and otherwise will be short-term.

*Restricted Stock*

A participant will not recognize taxable income upon the grant of a Restricted Stock Award unless a participant makes a timely election under Section 83(b) of the Code (described below). A participant will recognize ordinary income upon the vesting of his or her shares of restricted stock in an amount equal to the fair market value of the shares on the date of vesting. Upon a sale of the common shares, the participant will recognize a capital gain or loss equal to the difference between the sales proceeds and the value of the common shares on the day the shares vested. This capital gain or loss will be long-term if the participant has held the common shares for more than one year (measured from the day after the date of vesting) and otherwise will be short-term.

If a participant makes a timely election under Section 83(b) of the Code, the participant will be taxed at the date of grant, rather than on the date of vesting. The participant will include the value of the restricted shares as the date of grant in his or her ordinary income as of such date. Upon a sale of the common shares, the participant will recognize a capital gain or loss equal to the difference between the sales proceeds and the value of the common shares on the day of grant. This capital gain or loss will be long-term if the participant has held the common shares for more than one year (measured from the day after the date of grant) and otherwise will be short-term.

If the Company pays dividends attributable to restricted stock, the participant will recognize ordinary income at the time the dividends are paid to the participant.

*Stock Appreciation Rights*

A participant will not recognize taxable income upon the grant of a Stock Appreciation Right. A participant will recognize ordinary income upon the exercise of a Stock Appreciation Right in an amount equal to the excess of the fair market value of the common shares subject to the Stock Appreciation Right at the time of exercise over the fair market value of such common shares at the time of grant.

*Restricted Share Units*

A participant will not recognize taxable income upon the grant of a Restricted Share Unit Award. If the service criteria established by the Committee are met and a participant receives shares, a participant will recognize ordinary income upon the delivery of the common shares subject to the award in an amount equal to the fair market value of the shares on the date of delivery. Upon a sale of the common shares, the participant will recognize a capital gain or loss equal to the difference between the sales proceeds and the value of the common shares on the day the shares were delivered. This capital gain or loss will be long-term if the participant has held the common shares for more than one year and otherwise will be short-term. If the participant receives cash, the participant will recognize ordinary income with respect to the cash received.

*Tax Consequences to the Company*

There will be no tax consequences to the Company when a Performance Share Unit, a Share Unit Award, a Stock Appreciation Right, a Restricted Stock Award, an incentive stock option or nonqualified stock option is granted. However, the Company will be entitled to a deduction in the same year that a participant recognizes ordinary income equal to the amount of ordinary income includible in the participant s gross income.

Section 162(m) of the Code generally limits the extent to which the compensation paid to our chief executive officer, or the person acting in that capacity, and the four highest compensated other executives (collectively, the Covered Employees ) is deductible by us when the annual compensation for any Covered Employee exceeds $1,000,000 in a taxable year. Compensation for purposes of Section 162(m) includes cash compensation and non-cash benefits paid for services, including with respect to nonqualified stock options, the difference between the exercise price and the market value of the common shares at the time of exercise, subject to some exclusions, and with respect to Stock Appreciation Rights and Performance Share Units, the value of the common shares on the date of delivery. However, if the 2009 Plan is approved by our shareholders, the spread on the exercise of nonqualified stock options, and the value of common shares delivered with respect to Stock Appreciation Rights and Performance Share Units will not be treated as compensation for purposes of Section 162(m). Thus, we will be entitled to deduct any compensation recognized on common shares delivered with respect to the exercise of the nonqualified stock options granted and delivered with respect to Stock Appreciation Rights and Performance Share Units.

No new plan benefits table for the 2009 Plan is included in this document. All awards under the 2009 Plan will be granted at the discretion of the Committee, and, accordingly, the amount of such awards to be issued are not yet determinable. In addition, the amounts that would have been allocated under the 2009 Plan if it had been in effect during fiscal 2008 cannot be determined.

**Equity Compensation Plans**

The following table provides information concerning the Company s equity compensation plans as of September 27, 2008:

**EQUITY COMPENSATION PLAN INFORMATION**

| Plan Category | Number of securities to be issued upon exercise of outstanding options, warrants and rights | Weighted-average exercise price of outstanding options, warrants and rights | Number of securities remaining available for future issuance under equity compensation plans (3) |
|---|---|---|---|
| Equity compensation plans approved by security holders (1) | 5,483,494 | $ 10.34 | 4,462,777 |
| Equity compensation plans not approved by security holders (2) | 1,434,932 | $ 9.01 | 115,883 |
| Total | 6,918,426 | $ 10.07 | 4,578,660 |

(1) The following equity compensation plans were approved by our shareholders: the 1994 Employee Incentive Stock Option and Non-Qualified Stock Option Plan, as amended; the 1997 Non-Qualified Stock Option Plan for Non-Employee Directors, as

amended; the 1998 Employee Incentive Stock Option and Non-Qualified Stock Option Plan, as amended; the 2001 Employee Incentive Stock Option and Non-Qualified Stock Option Plan, as amended; the 2006 Equity Plan, the 2007 Equity Plan for Non- Employee Directors and the 2008 Equity Plan.

(2) The Company s 1999 Nonqualified Employee Stock Option Plan (the 1999 Plan ) is the only current equity compensation plan of the Company that has not been approved by our shareholders. This plan was approved by the board of directors on September 28, 1999 and under the 1999 Plan only employees of the Company and its subsidiaries who are not directors or officers are eligible to receive options. The Committee administers the 1999 Plan. The exercise price of options granted under the 1999 Plan is equal to 100% of the fair market value of the Company s common shares on the date of grant. Options granted under the 1999 Plan are exercisable at such dates as are determined in connection with their issuance, but not later than ten years after the date of grant. The last options granted under the 1999 Plan were in October 2007. Also includes inducement grants made on January 3, 2007 to new employees of the Company. These options awards, which were granted without shareholder approval pursuant to Nasdaq Marketplace Rule 4350(i)(1)(A)(iv), have the following terms: (a) an exercise price of $8.43 per share which is equal to the closing price of shares of the Company s common stock on January 3, 2007, (b) an expiration date of January 3, 2017 (or February 3, 2017 for residents of certain countries), and (c) a vesting schedule providing that all options vest on January 3, 2008.

(3) If the 2009 Plan is adopted no further awards will be granted under any of the above named plans, but shares subject to awards currently outstanding under such plans that are terminated, cancelled, surrendered or forfeited may be re-issued in the discretion of the Management Development and Compensation Committee of our board of directors under the 2009 Plan.

**THE BOARD OF DIRECTORS RECOMMENDS VOTING FOR THE PROPOSAL**

**TO APPROVE THE 2009 EQUITY PLAN.**

**ITEM 3 RATIFICATION OF APPOINTMENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

The Audit Committee of the board of directors has appointed PricewaterhouseCoopers LLP as the Company s independent registered public accounting firm for the fiscal year ending October 3, 2009. The ratification of the appointment of the independent registered public accounting firm by the shareholders is not required by law or by the Company s By-laws. Traditionally, the Company has submitted this matter to the shareholders for ratification and believes that it is good practice to continue to do so. If a majority of the votes cast on this matter are not cast in favor of the reappointment of PricewaterhouseCoopers LLP, the Audit Committee will reconsider its appointment.

A representative of PricewaterhouseCoopers LLP is expected to be present at the annual meeting to make a statement if he or she so desires and will be available to respond to any appropriate questions.

**THE BOARD OF DIRECTORS RECOMMENDS VOTING FOR RATIFICATION OF THE**

**APPOINTMENT OF PRICEWATERHOUSECOOPERS LLP AS THE COMPANY S**

**INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM.**

## COMPENSATION OF EXECUTIVE OFFICERS

### Compensation Discussion & Analysis

### Introduction

The purpose of the Compensation Discussion and Analysis section of this proxy statement is to explain to shareholders how and why compensation decisions are made for the executive officers listed in the Summary Compensation Table below (referred to in this section as the executives or executive officers ).

### Roles of the Management Development and Compensation Committee of the Board of Directors and the Company s Officers in Compensation Decisions

The Management Development and Compensation Committee (the Committee ) of the board of directors is responsible for establishing the Company s compensation policies, setting base salaries for officers and reviewing and approving the Company s incentive compensation plans and equity based compensation plans for all eligible employees. Pursuant to the Committee s charter, it must consist of three independent members of the board of directors. Currently, Brian Bachman (Chair), John O Steen and C. William Zadel serve as members of the Committee. The Committee annually reviews the Company s compensation philosophy and policies, the goals and objectives of the Company with respect to executive compensation and the performance of each executive officer, and establishes the executive officers compensation. Additionally, the Committee reviews and approves all executive severance arrangements, change of control provisions, inducement grants to new employees, and the amount and form of compensation to be paid to directors for serving on the board of directors and its committees. The Committee meets at least quarterly and all decisions of the Committee must be approved by a majority of its members.

The Committee selected and retained AON Consulting as an independent consultant on compensation issues. The Committee engaged AON Consulting to provide the Committee peer group analysis, survey data and counsel on compensation trends and issues. In fiscal 2008, AON Consulting received $53,000 for survey data and compensation consulting services to the Committee. In addition, the Company uses AON for risk management and insurance brokerage services, and AON was paid $120,000 for those services in fiscal 2008. Lastly, the Company used AON pension consulting services in connection with the termination of the Company s defined benefit pension plan in fiscal 2008. Pension consulting fees were $117,000.

The Company s Chief Executive Officer (CEO) and the Vice President, Chief Human Resources Officer consult with the Committee on compensation matters for executive officers. However, neither the CEO nor Vice President, Chief Human Resources Officer consults with the Committee regarding his own compensation. Neither the CEO nor any other member of management provides the Committee with suggested levels of compensation for the CEO. The CEO has no role in selecting, and does not communicate with, AON Consulting.

Annually, the CEO and the Vice President, Chief Human Resources Officer provide recommendations to the Committee for specific levels of base salary, and target levels for quarterly cash incentive payments and equity compensation for each executive officer (excluding the CEO). The CEO makes recommendations on the compensation to be paid to the Vice President, Chief Human Resources Officer. The recommendations are based upon assessments of individual performance, the individual s potential to contribute to the Company s success in the future as determined by the CEO and Vice President, Chief Human Resources Officer, and by reference to the peer group data discussed below. Quarterly cash incentive payments may be made pursuant to the Company s Officer Incentive Compensation Plan and are based in part on achievement of individual performance objectives. Each quarter, the CEO and the executive officers meet to score each executive officer s achievement of his performance objectives for the prior quarter and to establish individual performance objectives for the coming quarter.

The Vice President, Chief Human Resources Officer, after consulting with the executive officers, also provides recommendations for the return on invested capital ( ROIC ) and revenue growth performance thresholds to the Committee before performance-based shares are granted at the meeting of the board of directors held each October.

**Goals and Objectives of the Compensation Program**

The Committee seeks to achieve a pay for performance culture through the Company s executive compensation program with the following goals:

- motivate executives to create shareholder value;
- align the executives and shareholders interests; and
- attract, reward and retain high performance executives.

The Committee evaluates the Company s compensation program at least annually to ensure that compensation programs are aligned with the goals of the Company, compensation opportunities provided to key executives are competitive with the compensation packages provided to similarly situated executives in the Company s peer group, and compensation opportunities are motivating executives to take the actions necessary to create shareholder value. The Committee seeks to foster a performance-oriented environment by making a significant portion of each executive s cash and equity compensation conditioned on the achievement of performance targets that the Committee believes will drive shareholder value creation. These performance targets include ROIC, revenue growth, achievement of milestones for key product development programs and individual objectives that drive achievement of strategic goals. When establishing the mix between base salary and incentive compensation and setting performance targets for incentive compensation, the Committee is careful not to encourage excessive risk taking.

**Design of the Compensation Program**

The design of the Company s executive compensation program has two principal aspects:

Establishing an overall total targeted compensation amount that is competitive within our industry; and

Establishing for each individual executive the appropriate mix of base salary and cash and equity incentive compensation tied to performance goals and the value of our common stock.

**Total Targeted Compensation Amount**

The Committee establishes a total targeted compensation amount for each executive officer based on a number of factors, including performance, level of responsibility within the Company, experience, potential to contribute to the Company s future success in the executive s current role or in an expanded role, and pay levels for similar positions at peer companies.

The Committee s starting point in establishing total targeted compensation levels is to determine the appropriate ranges of competitive market compensation so that the Company is able to effectively compete for high performance executives. The Committee does this by analyzing the executive compensation at peer companies. The Committee considers benchmarking against peer companies to be a necessary point of reference in determining whether the total targeted compensation opportunity offered by the Company will be competitive in the marketplace for executives, but the Committee does not believe that peer data should be the determinative factor. For fiscal 2008, the Committee did not establish a targeted percentile of peer group compensation as the basis for setting executive pay. Rather, the Committee retains the discretion as to the weight it assigns peer group data in establishing each executive s compensation. For fiscal 2008, the Committee benchmarked against a peer group of 22 technology companies to evaluate competitive market compensation. The Committee considers all elements of compensation and benefits that are publicly disclosed by the peer companies. The compensation peer group companies were:

| | |
|---|---|
| 3Com Corp. | LAM Research Corp |