MINDSPEED TECHNOLOGIES, INC
Form DEF 14A
February 18, 2011

Table of Contents

SCHEDULE 14A INFORMATION
PROXY STATEMENT PURSUANT TO SECTION 14(a) OF THE
SECURITIES EXCHANGE ACT OF 1934
(AMENDMENT NO.___)

Filed by the Registrant þ
Filed by a Party other than the Registrant o
Check the appropriate box:

o Preliminary Proxy Statement

þ Definitive Proxy Statement

o Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))

o Definitive Additional Materials

o Soliciting Material Pursuant to §240.14a-12

MINDSPEED TECHNOLOGIES, 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):

þ Fee not required.

o Fee computed on table below per Exchange Act Rules 14a-6(i)(4) 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:

(5) Total fee paid:

o Fee paid previously with preliminary materials.

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

(1) Amount Previously Paid:

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

(3) Filing Party:

(4) Date Filed:

Table of Contents

MINDSPEED TECHNOLOGIES, INC.
NOTICE OF ANNUAL MEETING OF STOCKHOLDERS
TO BE HELD APRIL 5, 2011

To our Stockholders:

Our 2011 annual meeting of stockholders will be held on April 5, 2011, beginning at 2:00 p.m. Pacific Time, at our headquarters, located at 4000 MacArthur Boulevard, East Tower, Newport Beach, California 92660. At the meeting, the holders of our outstanding common stock will act on the following matters:

1. election of three directors, each for a term of three years;

2. ratification of the appointment of our independent registered public accounting firm for fiscal year 2011;

3. approval of an amended and restated 2003 long-term incentives plan, which, among other things, would increase the number of authorized shares from 6,675,000 to 9,694,284;

4. an advisory vote on executive compensation;

5. an advisory vote on the frequency of holding the advisory vote on executive compensation; and

6. such other business as may properly come before the meeting.

All holders of record of shares of our common stock (NASDAQ: MSPD) at the close of business on February 7, 2011 are entitled to vote at the meeting and any postponements or adjournments of the meeting. To ensure that your vote is recorded promptly, **please vote as soon as possible,** even if you plan to attend the meeting in person. We encourage you to vote via the Internet or by telephone. If you received a printed set of proxy materials, you also have the option of voting by completing, signing, dating and returning the proxy card that accompanied such printed materials. Submitting your vote via the Internet or by telephone or proxy card will not affect your right to vote in person if you decide to attend the annual meeting.

We are mailing to most of our stockholders a notice of Internet availability of proxy materials instead of a paper copy of this proxy statement and our 2010 annual report to stockholders. The notice contains instructions on how to access those documents via the Internet. The notice also contains instructions on how to request a paper copy of our proxy materials, including this proxy statement, our 2010 annual report to stockholders and a form of proxy card or voting instruction card, as applicable. All stockholders who do not receive a notice of Internet availability of proxy materials will receive a paper copy of the proxy materials by mail. We believe that this process minimizes the costs of printing and distributing our proxy materials and also provides other benefits.

Important Notice Regarding the Availability of Proxy Materials for the Stockholder Meeting to be Held on April 5, 2011. The proxy statement and our 2010 annual report to stockholders are available at *http://investors.mindspeed.com/proxy.*

IF YOU PLAN TO ATTEND:

Registration will begin at 1:00 p.m. Pacific Time. Each stockholder will need to bring a proxy card, voting instruction card or notice of Internet availability of proxy materials and valid picture identification, such as a driver s license or passport, for admission to the meeting. Stockholders holding stock in brokerage accounts (street name holders) will need to bring a copy of a brokerage statement reflecting stock ownership as of the record date.

Cameras and recording devices will not be permitted at the meeting and all mobile phones must be

Table of Contents

silenced during the meeting. We realize that many mobile phones have built-in digital cameras, and while these phones may be brought into the meeting, the camera function may not be used at any time.

By Order of the Board of Directors,

BRET W. JOHNSEN
Senior Vice President and Chief Financial Officer

February 18, 2011
Newport Beach, California

TABLE OF CONTENTS

Table of Contents

MINDSPEED TECHNOLOGIES, INC.
4000 MacArthur Boulevard, East Tower
Newport Beach, California 92660

PROXY STATEMENT

This proxy statement contains information related to our annual meeting of stockholders to be held on Tuesday, April 5, 2011, beginning at 2:00 p.m. Pacific Time, at our headquarters, located at 4000 MacArthur Boulevard, East Tower, Newport Beach, California 92660, and at any postponements or adjournments of the meeting. Your proxy for the meeting is being solicited by the board of directors. The proxy materials, which include this proxy statement, the proxy card and the 2010 annual report to stockholders, are first being made available to stockholders beginning on or about February 18, 2011.

We have elected to provide access to our proxy materials to our stockholders via the Internet. Accordingly, a notice of Internet availability of proxy materials has been mailed to the majority of our stockholders, while other stockholders have instead received paper copies of the proxy materials accessible via the Internet. Stockholders that received the notice of Internet availability of proxy materials have the ability to access the proxy materials at *www.proxyvote.com* or request that a printed set of the proxy materials be sent to them by following the instructions set forth on the notice of Internet availability of proxy materials.

Please visit *www.proxyvote.com* for details on how to instruct us to send future proxy materials to you electronically by e-mail or in printed form by mail. You may also visit *www.mindspeed.com* to instruct us to send future proxy materials to you electronically by e-mail. If you choose to receive future proxy materials by e-mail, you will receive an e-mail next year with instructions containing a link to those materials or a link to a special website to access our proxy materials. Your election to receive proxy materials by e-mail or printed form by mail will remain in effect until you terminate it.

Choosing to receive future proxy materials by e-mail will allow us to provide you with the proxy materials you need in a timelier manner and will save us the cost of printing and mailing documents to you.

ABOUT THE MEETING AND VOTING

What is the purpose of the annual meeting?

At our annual meeting, stockholders will act upon the matters outlined in the meeting notice provided with this proxy statement, including: (i) the election of directors; (ii) ratification of the appointment of our independent registered public accounting firm; (iii) the approval of an amended and restated 2003 long-term incentives plan; (iv) an advisory vote on executive compensation; and (v) an advisory vote on the frequency of the advisory vote on executive compensation. In addition, management will report on the performance of our company and respond to questions from stockholders.

Who can attend the meeting?

Subject to space availability, all stockholders as of the close of business on February 7, 2011, the record date, or their duly appointed proxies, may attend the meeting. Registration will begin at 1:00 p.m. Pacific Time. If you plan to attend the meeting, please note that you will need to bring your proxy card, voting instruction card or notice of Internet availability of proxy materials and valid picture identification, such as a driver s license or passport. Cameras and recording devices will not be permitted at the meeting and all mobile phones must be silenced during the meeting. We realize that many mobile phones have built-in digital cameras, and while these phones may be brought into the meeting, the camera function may not be used at any time.

Table of Contents

Please also note that if you hold your shares in street name (that is, through a broker or other nominee), you will need to bring a copy of a brokerage statement reflecting your stock ownership as of the record date.

Who is entitled to vote at the meeting?

Only stockholders of record at the close of business on the record date for the meeting are entitled to receive notice of and to participate in the annual meeting. If you were a stockholder of record on that date, you will be entitled to vote all of the shares that you held on that date at the meeting, or any postponements or adjournments of the meeting. There were 32,539,282 shares of our common stock outstanding on the record date.

What are the voting rights of the holders of the company s common stock?

Each share of our common stock outstanding on the record date will be entitled to one vote on each matter considered at the meeting.

What is a quorum?

A quorum is the minimum number of our shares of common stock that must be represented at a duly called meeting in person or by proxy in order to legally conduct business at the meeting. For the annual meeting, the presence, in person or by proxy, of the holders of at least 16,269,642 shares, which is a simple majority of the 32,539,282 shares outstanding as of the record date, will be considered a quorum allowing votes to be taken and counted for the matters before our stockholders.

If you are a registered stockholder, you must deliver your vote via the Internet or by telephone or mail or attend the annual meeting in person and vote in order to be counted in the determination of a quorum. If you are a street name stockholder, your broker will vote your shares pursuant to your instructions, and such shares will count in the determination of a quorum. If you do not vote via the Internet, by telephone or proxy card, or provide any instructions to your broker, your shares will still count for purposes of attaining a quorum and your broker may vote your shares in its discretion on proposal 2. If you are a member of a retirement savings plan or other similar plan, the trustee or administrator of the plan will vote according to your directions and the rules of the plan, which may result in your shares being counted in the determination of a quorum even if you do not provide voting directions.

How do I vote?

You may submit your vote via the Internet, by telephone or in person at the annual meeting. If you received printed proxy materials, you also have the option of submitting your proxy card by mail or attending the meeting and delivering the proxy card. The designated proxies will vote according to your instructions; however, if you are a registered stockholder and you return an executed proxy card without specific instructions on how to vote, the proxies will vote FOR the election of Messrs. Hayashi, Louie and Madden in proposal 1; FOR the ratification of our company s independent registered public accounting firm in proposal 2; FOR the approval of an amended and restated 2003 long-term incentives plan in proposal 3; FOR the approval, on an advisory basis, of the executive compensation in proposal 4; and FOR the approval, on an advisory basis, of holding the advisory vote on executive compensation every three years in proposal 5.

If you are a street name stockholder and you do not return instructions on how to vote, your shares will not be voted on proposals 1, 3, 4 or 5. The voting of shares held by street name stockholders is further discussed below under the caption About the Meeting and Voting What vote is required to approve each proposal? Street Name Shares and Broker Non-Votes. Additionally, in order to vote at the meeting, you will need to obtain a signed proxy from the broker or nominee that holds your shares, because the broker or nominee is the legal, registered owner of the shares. If you have the broker s proxy, you may vote by ballot or you may complete and deliver another proxy card in person at the meeting.

If you are a member of a retirement or savings plan or other similar plan, you may submit your vote via the Internet or by telephone. The trustee or administrator of the plan will vote according to your directions and the rules of the plan.

Can I vote via the Internet or by telephone?

You may submit your vote via the Internet or by telephone by following the instructions contained in the notice of Internet availability of proxy materials. If you received a printed set of proxy materials, you may submit your vote via the Internet or by telephone by following the instructions contained on the proxy card that accompanied the printed materials.

If you are a registered stockholder or you hold your shares in street name, the deadline for submitting your vote by telephone or via the Internet is 11:59 p.m. Eastern Time on April 4, 2011. If you are a member of a retirement or savings plan or other similar plan, the deadline for submitting your voting directions by telephone or via the Internet is 11:59 p.m. Eastern Time on March 31, 2011.

Can I change or revoke my vote?

Subject to the deadlines set forth in the paragraph above, you may change your vote at any time before the proxy is exercised by re-submitting your vote via the Internet or by telephone.

If you are a registered stockholder, you may revoke your vote at any time before the proxy is exercised by filing with our secretary a written notice of revocation. At the meeting, you may revoke or change your vote by submitting a proxy to the inspector of elections or voting by ballot. Your attendance at the meeting will not by itself revoke your vote.

If your shares are held in street name or you are a member of a retirement or savings plan or other similar plan, please contact your broker, nominee, trustee or administrator to determine whether you will be able to revoke or change your vote.

What are the board s recommendations?

The board recommends that you vote:

for election of the nominated slated of directors (see proposal 1);

for ratification of the appointment of Deloitte & Touche LLP as our independent registered public accounting firm for fiscal year 2011 (see proposal 2);

for approval of an amended and restated 2003 long-term incentives plan, which, among other things, would increase the number of authorized shares from 6,675,000 to 9,694,284 (see proposal 3);

for approval, on an advisory basis, of executive compensation (see proposal 4); and

for approval, on an advisory basis, of holding the advisory vote on executive compensation once every three years (see proposal 5).

What vote is required to approve each proposal?

Election of Directors

Directors are elected by a plurality of votes validly cast. This means that the three director nominees receiving the most votes cast at the meeting will be elected to serve for the next three years. Only votes cast for are counted in

Table of Contents

determining whether a plurality has been cast in favor of a director. A properly executed proxy marked withhold authority with respect to the election of one or more directors will not be voted with respect to the director or directors indicated. Abstentions and broker non-votes will have no effect on the vote on the election of directors.

Advisory Vote on Executive Compensation

The number of affirmative votes validly cast in favor of the proposal to approve the compensation of our named executive officers must exceed the number of votes cast against the proposal in order to approve, on an advisory basis, the proposal, although such vote will not be binding on us. Abstentions and broker non-votes will have no effect on this proposal.

Advisory Vote on the Frequency of the Advisory Vote on Executive Compensation

You may vote to approve, on an advisory basis, the frequency of the advisory vote on the compensation of our named executive officers every one, two or three years or you may abstain from voting. The frequency of holding the advisory vote on the compensation of our named executive officers will be decided by a plurality of the votes validly cast, although such vote will not be binding on us. Abstentions and broker non-votes will have no effect on this proposal.

All Other Proposals

For each other proposal to be approved, the number of affirmative votes validly cast in favor of the proposal must exceed the number of votes validly cast against the proposal. Abstentions and broker non-votes will have no effect on any of these proposals.

Street Name Shares and Broker Non-Votes

If you hold your shares in street name through a broker or other nominee, your broker or nominee may not be permitted to exercise voting discretion with respect to some proposals. Broker non-votes are shares as to which a broker or nominee does not vote, or has indicated that it does not have discretionary authority to vote and has not received instructions on how to vote. If you do not give specific instructions, your broker or nominee may cast your vote in its discretion for proposal 2, the ratification of the appointment of our independent registered public accounting firm. If you do not give specific instructions on how to vote, your broker or nominee is not permitted to cast your vote in its discretion for proposal 1, election of the directors; proposal 3, the approval of an amended and restated 2003 long-term incentives plan; proposal 4, the advisory vote on executive compensation; or proposal 5, the advisory vote on the frequency of holding the advisory vote on executive compensation. A broker non-vote is a vote not cast on a matter affirmatively or negatively and is also not counted for the purposes of determining a plurality, so it will have no effect on the outcome of any of the proposals; however, a broker non-vote will still be counted for purposes of attaining a quorum as it relates to proposal 2.

Why did I receive a notice of Internet availability of proxy materials instead of a full set of the proxy materials?

We are pleased to take advantage of the SEC rules that allow companies to furnish their proxy materials via the Internet. Accordingly, we sent to the majority of our stockholders a notice of Internet availability of proxy materials for this year s annual meeting of stockholders. Other stockholders were instead sent paper copies of the proxy materials accessible via the Internet. Instructions on how to access the proxy materials via the Internet or to request a paper copy can be found in the notice of Internet availability of proxy materials. In addition, stockholders may request to receive proxy materials in printed form by mail or electronically by e-mail on an ongoing basis by

Table of Contents

submitting a request to us at *www.proxyvote.com*. You may also visit *www.mindspeed.com* to instruct us to send future proxy materials to you electronically by e-mail. A stockholder s election to receive proxy materials by mail or e-mail will remain in effect until the stockholder terminates it.

Why didn t I receive a notice of Internet availability of proxy materials?

We are providing certain stockholders, including stockholders who have previously requested to receive paper copies of proxy materials, with paper copies of the proxy materials instead of, or in addition to, a notice of Internet availability of proxy materials. If you would like to assist us in reducing the cost of distributing our proxy materials in the future, you can consent to receiving future proxy materials and other stockholder communications electronically via e-mail or the Internet. To sign up for electronic delivery, please visit *www.mindspeed.com* to submit your request.

Can I vote my shares by filling out and returning the notice of Internet availability of proxy materials?

No. The notice of Internet availability of proxy materials does, however, provide instructions on how to vote your shares.

Table of Contents

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

How many shares of the company s common stock do the directors, executive officers and certain beneficial owners own?

To our knowledge, the following table sets forth information regarding the beneficial ownership of the 32,495,183 shares of our common stock outstanding on November 30, 2010, by each person who is known to us, based upon filings with the SEC or other information, to beneficially own more than 5% of our common stock, each of our directors, each executive officer named in the Summary Compensation Table (2010) below and all current directors and executive officers as a group. Except as otherwise indicated below and subject to applicable community property laws, each owner has sole voting and sole investment power with respect to the stock listed.

	Common Stock(1)	
Name	**Shares**	**Percent of Class**
5% Stockholders		
Federated Investors, Inc.(2) 1001 Liberty Avenue Pittsburgh, PA 15222	2,982,000	9.18%
AQR Capital Management, LLC(3) Two Greenwich Plaza, 3rd Floor Greenwich, CT 06830	2,531,640	7.23%
Conexant Systems, Inc.(4) 4000 MacArthur Boulevard, West Tower Newport Beach, CA 92660	6,109,113	15.82%
Directors		
Dwight W. Decker(5)	476,313	1.46%
Raouf Y. Halim(5)	932,690	2.82%
Robert J. Conrad(6)		*
Michael T. Hayashi(5)	32,600	*
Ming Louie(5)	40,000	*
Thomas A. Madden(5)	40,000	*
Jerre L. Stead(5)	55,971	*
Named Executive Officers		
Bret W. Johnsen(5)	135,742	*
Thomas J. Medrek(5)	243,141	*
Gerald J. Hamilton(5)(7)	97,138	*
Kurt F. Busch(5)	60,928	*
All current directors and executive officers as a group (15 persons)(5)	**2,239,593**	**6.83%**

* Represents less than 1% of our outstanding common stock.

(1) Unless otherwise indicated, each person s address is c/o Mindspeed Technologies, Inc., 4000 MacArthur Boulevard, East Tower, Newport Beach, California 92660. If a stockholder holds options or other securities that

are exercisable or otherwise convertible into our common stock within 60 days of November 30, 2010, we treat the common stock underlying those securities as owned by that stockholder, and as outstanding shares when we calculate that stockholder s percentage ownership of our common stock. However, we do not consider that common stock to be outstanding when we calculate the percentage ownership of any other stockholder.

(2) This information is based on a Form 13F filed on October 19, 2010, by Federated Investors, Inc. on behalf of its wholly-owned subsidiaries, Federated Equity Management Company of Pennsylvania and Federated Global Investment Management Corp. Pursuant to Rule 13F-1(b) under the Securities Exchange Act of 1934,

as amended, Federated Investors is deemed to exercise investment discretion, which may or may not constitute beneficial ownership, over 2,010,000 shares of our common stock and 972,000 shares of our common stock with Federated Equity and Federated Global, respectively. Federated Equity and Federated Global report sole voting power over 2,010,000 shares of our common stock and 972,000 shares, respectively.

(3) Represents shares of our common stock issuable upon conversion of our convertible notes. This information is based on a Schedule 13G/A filed on February 5, 2010, by AQR Capital Management, LLC and AQR Absolute Return Master Account L.P. Each of AQR Capital Management and AQR Absolute Return Master Account shares voting and dispositive power over the reported shares.

(4) In connection with the spin-off of our company from Conexant in June 2003 and the distribution of our common stock by Conexant to its stockholders, we issued Conexant a warrant to purchase 6 million shares of our common stock at a price of $17.04 per share (subject to adjustment in certain circumstances), exercisable through June 27, 2013. The warrants may not be exercised to the extent that such exercise would result in the holder of the warrants owning at any one time more than 10% of our outstanding common stock. In accordance with the anti-dilution provisions of the warrant, the number of shares of our common stock subject to the warrant has been subsequently increased to 6,109,113, and the exercise price was decreased to $16.74 per share.

(5) Includes shares that could be purchased by the exercise of options on November 30, 2010, or within 60 days thereafter, as follows: 162,222 for Mr. Decker; 556,240 for Mr. Halim; 18,000 for Mr. Hayashi; 26,000 for Mr. Louie; 26,000 for Mr. Madden; 37,439 for Mr. Stead; 59,166 for Mr. Johnsen; 115,631 for Mr. Medrek; 49,193 for Mr. Hamilton; 29,856 for Mr. Busch and 1,135,161 for all of the current directors and executive officers as a group.

(6) Mr. Conrad was appointed to the board on August 18, 2010.

(7) Includes shares in which the individual has shared investment power due to marital dissolution proceedings.

Table of Contents

BOARD OF DIRECTORS

Election of Directors

How is the board made up?

Our certificate of incorporation provides for a board consisting of three classes of directors with overlapping three-year terms. One class of directors is elected each year with a term extending to the third succeeding annual meeting after election. Our board currently consists of two Class I directors, three Class II directors and two Class III directors.

How are vacancies filled?

Our certificate of incorporation provides that any newly created directorships resulting from an increase in the authorized number of directors or any vacancies on the board resulting from death, resignation, retirement, disqualification, removal from office or other cause may be filled only by a majority vote of the directors then in office. Our bylaws permit any of our directors to resign at any time. Our guidelines on corporate governance provide that any director whose personal circumstances or job responsibilities change meaningfully should offer to not stand for reelection as a director.

Which directors are up for election?

Our Class II directors, Messrs. Hayashi, Louie and Madden, are up for election at the 2011 annual meeting to serve for a term expiring at the 2014 annual meeting.

What are their backgrounds and qualifications?

Mr. Hayashi, 54, has been a director of our company since August 2005. Mr. Hayashi has been the executive vice president, architecture, development and engineering, of Time Warner Cable, Inc. (cable television service provider) since January 2008. He had previously served as the senior vice president, advanced engineering and technologies, of Time Warner from May 2002 to January 2008, and as the vice president, advanced technologies, of Time Warner from July 1993 to May 2002. We believe Mr. Hayashi s qualifications to serve on our board include his many years of experience in a service provider end market our products address.

Mr. Louie, 64, has been a director of our company since June 2003. Mr. Louie co-founded and has served as the managing director and a member of the board of directors of Mobile Radius, Inc. (mobile Internet data services) since March 2002. Mr. Louie served as the China president of the GSM Association (global trade association wireless technology) from October 2003 to May 2005. He also has been the managing director of Dynasty Capital Services LLC (consulting) since January 2002. Mr. Louie served as the president, Qualcomm Greater China (wireless communications), from May 2000 to October 2001 and as the vice president, business development, of Globalstar Communications Limited (satellite telecommunications) from January 1989 to May 2000. Since December 2007, Mr. Louie has been a member of the board of directors of Pacific Online (Internet hosting services), a publicly-traded company listed on the Hong Kong Stock Exchange. We believe Mr. Louie s qualifications to serve on our board include his more than 20 years of experience with global technology companies and, particularly, companies serving technology markets in China.

Mr. Madden, 57, has been a director of our company since June 2003. He was the executive vice president and chief financial officer of Ingram Micro, Inc. (computer technology services) from July 2001 through April 2005. He served as the senior vice president and chief financial officer of ArvinMeritor, Inc. (automotive components) from October 1997 to July 2001. He currently serves as a member of the boards of directors of FreightCar America, Inc. (manufacturing and rebuilding railroad freight cars) and Intcomex, Inc. (computer part distribution). He previously served as a member of the board of directors of Champion Enterprises, Inc. (manufacturing factory built houses) from March 2006 to March 2010. We believe Mr. Madden s qualifications to serve on our board include his extensive financial expertise and skills, as well as the insights and experience he has gained as a member of the boards of directors and audit committees of three other public companies and as the chief financial officer of two other public companies.

Who are the remaining directors?

Class III Directors continuing directors with terms expiring at the 2012 annual meeting

Mr. Decker, 60, has been a director of our company since January 2002 and non-executive chairman of the board since June 2003. Mr. Decker is the retired chairman of the board, member of the board and chief executive officer of Conexant Systems, Inc. (semiconductors communications), having served as the chief executive officer from January 1999 to February 2004 and again from November 2004 to July 2007, as the chairman of the board from January 1999 to July 2008, and as a member of the board of directors from August 2008 to May 2010. Mr. Decker is also a member of the boards of directors of International Rectifier (semiconductors analog), Newport Media, Inc. (semiconductors broadcast media) and Pacific Mutual Holding Company (life insurance products). We believe Mr. Decker s qualifications to serve on our board include his experience in the senior management of public semiconductor companies and on the boards of directors of public and private companies, including service as the chairman and chief executive officer and as the non-executive chairman of the board of two other public companies, his technical expertise and his experience in management of technology companies.

Mr. Halim, 51, has been a director of our company since January 2002 and our chief executive officer since June 2003. He was the senior vice president and chief executive officer of the Internet infrastructure business of Conexant from February 2002 to June 2003 and the senior vice president and general manager, network access division, of Conexant from January 1999 to February 2002. Mr. Halim currently serves as a trustee of the University of California, Irvine Foundation. We believe Mr. Halim s qualifications to serve on our board include his many years of experience in the semiconductor industry, including eight years as our chief executive officer, and his technical expertise.

Class I Directors continuing directors with terms expiring at the 2013 annual meeting

Mr. Conrad, 51, has been a director of our company since August 2010. Mr. Conrad has been the executive vice president and general manager of the mobile, computing, consumer and communications product group at Fairchild Semiconductor Corporation (semiconductors power) since December 2007. He previously served as the executive vice president and general manager of Fairchild s analog products group from May 2006 to December 2007, and as the senior vice president and general manager of Fairchild s analog products/integrated circuits group from September 2003 to May 2006. Prior to that, Mr. Conrad served as the chief executive officer, president and a member of the board of directors of Trebia Networks, Inc. (semiconductors storage networking) from April 2001 to March 2003 and as director and then vice president of the digital signal processor division at Analog Devices, Inc. (semiconductors analog) from April 1995 to March 2001. Mr. Conrad also served in a series of engineering and product management positions at Texas Instruments Incorporated (semiconductors) from September 1979 to March 1995. We believe Mr. Conrad s qualifications to serve on our board include his more than 30 years of experience in the high-technology and semiconductor industries and, particularly, in the high-performance analog semiconductor market.

Mr. Stead, 68, has been a director of our company since June 2003. He has been the executive chairman of the board of IHS, Inc. (software) since December 2000 and has been the chief executive officer of IHS since September 2006. Prior to that, he was the chairman of the board and chief executive officer of Ingram Micro from August 1996 to May 2000. Mr. Stead is a member of the boards of directors of Brightpoint, Inc. (cell phone service supplier) and Conexant. He is also the chairman of the board of the Garrett Seminary on the Northwestern University campus. We believe Mr. Stead s qualifications to serve on our board include his many years of experience as a corporate leader for information technology and communications companies, which result from his service on numerous boards of directors and as chief executive officer of Fortune 500 companies.

Board Governance Matters

Who is the chairman of the board?

Mr. Decker has served as chairman of the board since June 2003.

What is the board s leadership structure, and who serves as the presiding director?

We separate the roles of chief executive officer and chairman of the board in recognition of the differences between the two roles. Our chief executive officer is responsible for setting the strategic direction for our company and the day-to-day leadership and performance of our company, while the chairman of the board provides guidance to our chief executive officer and sets the agenda for board meetings and presides over meetings of the full board. Mr. Decker, our chairman, has been determined to be independent, and has been appointed the chairman of our governance and board composition committee, as well as presiding director over all executive sessions of independent directors, as defined under the applicable rules of the SEC and NASDAQ. The board generally holds executive sessions four times per year.

How often did the board meet during fiscal year 2010?

The board met five times during fiscal year 2010. Each director is expected to attend each meeting of the board and of those committees on which he serves. All of our directors attended at least 75% of all applicable board and committee meetings during fiscal year 2010. We usually schedule meetings of the board on the same day as our annual meetings, and when this schedule is followed, it is the policy of the board that directors are expected to attend our annual meetings. All directors attended the annual meeting of stockholders in March 2010, other than Mr. Stead, who was unable to attend.

How does the board determine which directors are considered independent?

Each year prior to the annual meeting, the board reviews and determines the independence of its directors. During this review, the board considers transactions and relationships between each director or any member of his or her immediate family and our company and its subsidiaries and affiliates. The board measures these transactions and relationships against the independence requirements of the SEC and The NASDAQ Stock Market, LLC. As a result of this review, the board affirmatively determined that the following continuing directors are independent in accordance with the applicable rules of the SEC and NASDAQ: Messrs. Decker, Conrad, Hayashi, Louie, Madden and Stead.

What is the role of the primary board committees?

The board has standing audit, governance and board composition and compensation and management development committees. The table below provides membership information as of the end of fiscal year 2010 and meeting information for each of the committees during fiscal year 2010.

Name	Audit	Governance and Board Composition	Compensation and Management Development
Dwight W. Decker		Chair	

Robert J. Conrad		X	X
Michael T. Hayashi	X	X	X
Ming Louie	X	X	
Thomas A. Madden	Chair	X	
Jerre L. Stead		X	Chair
Number of meetings during fiscal year 2010	9	4	6

Table of Contents

Prior to August 18, 2010, Mr. Madden served as a member of the compensation committee and Mr. Stead served as a member of the audit committee. Mr. Conrad was appointed to the board and governance and compensation committees on August 18, 2010.

Audit Committee

The audit committee, established in accordance with Section 3(a)(58)(A) of the Securities Exchange Act of 1934, as amended, assists the board in overseeing our accounting and financial reporting processes and audits of our financial statements. It is directly responsible for the appointment, compensation, retention and oversight of the work of the independent registered public accounting firms we engage. It reviews the independent registered public accounting firm s audit of the financial statements and its report thereof; our system of internal control over financial reporting and management s evaluation and the independent registered public accounting firm s audit thereof; the independent registered public accounting firm s annual management letter; various other accounting and auditing matters; and the independence of the auditing registered public accounting firm. The committee reviews and pre-approves all audit and non-audit services performed by our independent registered public accounting firm, other than as may be allowed by applicable law.

The audit committee also reviews and approves the appointment or change of our internal auditor. The committee reviews and approves any proposed related party transactions (unless such transactions are approved by another independent body of the board). It has established procedures for the receipt, retention and treatment of complaints we receive regarding accounting, internal accounting controls or auditing matters and the confidential, anonymous submission by our employees of concerns regarding questionable accounting and auditing matters. The committee meets with management to review any issues related to matters within the scope of its duties. The committee has the power to conduct or authorize investigations into any matter within its scope of responsibilities and may engage independent legal, accounting and other advisers as it determines necessary.

The charter of the committee is available on our website at *www.mindspeed.com*. The board has determined that all of the members of the audit committee are independent in accordance with Rule 10A-3(b)(1) of the Securities Exchange Act of 1934, as amended, the applicable rules of NASDAQ and our board membership criteria. The audit committee also meets the audit committee composition requirements of NASDAQ. The board has determined that Mr. Madden, the chairman of the audit committee, is qualified as an audit committee financial expert within the meaning of SEC regulations and that he has accounting and related financial management expertise within the meaning of the applicable rules of NASDAQ. Mr. Madden s experience is discussed above under the caption Board of Directors Election of Directors What are their backgrounds and qualifications?

Governance and Board Composition Committee

The governance committee reviews with the board, on an annual basis or more frequently as needed, our guidelines on corporate governance and the board s committee structure and membership. The committee annually establishes a framework for the evaluation of our chief executive officer. The committee recommends nominees for election at each annual meeting and nominees to fill any board vacancies. The committee recommended to the board Messrs. Hayashi, Louie and Madden for re-election at the 2011 annual meeting. When needed, the committee leads the search for qualified director candidates by defining the experiential background and qualifications for individual director searches and may engage third-party search firms to source potential candidates and coordinate the logistics of each search. The committee also has the power to engage outside advisors and counsel to assist the committee.

The committee prepares, not less frequently than every three years, and submits to the board, for adoption by the board, a list of selection criteria to be used by the committee. The committee will consider director candidates recommended by our stockholders pursuant to our procedures described below under the caption Other Matters Stockholder Proposals. The selection criteria for director candidates include the following:

Each director should be an individual of the highest character and integrity, have experience at or demonstrated understanding of strategy/policy-setting and reputation for working constructively with others.

Each director should have sufficient time available to devote to the affairs of our company in order to carry out the responsibilities of a director.

Each director should be free of any conflict of interest which would interfere with the proper performance of the responsibilities of a director. This excludes from consideration officers of companies in direct or substantial competition with our company and major or potential major customers, suppliers or contractors.

In considering whether to recommend any candidate for inclusion in the board s slate of recommended director nominees, including candidates recommended by stockholders, the committee s policy is to apply certain criteria, including the candidate s character and integrity, age, financial literacy, international background, experience, commitment, specialized expertise, independence, conflicts of interest and the ability to act in the best interests of our stockholders. The committee seeks nominees with a diversity of experience and backgrounds. The committee does not assign specific weights to particular criteria and no particular criterion is necessarily applicable to all prospective nominees. We believe that the backgrounds and qualifications of our directors, considered as a group, should provide a significant composite mix of experience, knowledge and abilities that will allow the board to fulfill its responsibilities. Nominees are not discriminated against on the basis of race, religion, national origin, sexual orientation, disability or any other basis proscribed by law. The committee assesses the diversity of the board s composition annually.

The committee s charter is available on our website at *www.mindpseed.com*. The board has determined that all of the members of the committee are independent in accordance with applicable rules of NASDAQ and our board membership criteria.

Compensation and Management Development Committee

The compensation committee recommends to the board compensation and benefits for non-employee directors; reviews and approves, on an annual basis, the corporate goals and objectives with respect to compensation of our chief executive officer pursuant to the framework developed by the governance committee; determines salaries for all executive officers and reviews annually the salary plan for other executives in general management positions; reviews standard base pay, incentive compensation, deferred compensation and all equity-based plans and recommends changes in such plans as needed; reviews annually the performance of our chief executive officer and other senior executives; assists the board in developing and evaluating potential candidates for executive positions; oversees the development of executive succession plans; and reviews and discusses the Compensation Discussion and Analysis with management and gives its recommendation to the board on whether the Compensation Discussion and Analysis should be included in our proxy statement and annual report to stockholders.

The charter of the committee is available on our website at *www.mindspeed.com*. The board has determined that all of the members of the committee are independent in accordance with applicable rules of NASDAQ and our board membership criteria. The compensation committee has the authority to engage services of outside advisors, experts and others to assist the committee. Our human resources department supports the committee in its work and in some cases acts pursuant to delegated authority to fulfill various functions in administering our compensation programs. In addition, the committee reviews its charter at least annually, and recommends any proposed changes to the board for approval.

During the course of fiscal year 2010, the compensation committee engaged Semler Brossy Consulting Group, LLC to consult and assist in the determination of executive compensation. The engagement specifically called for Semler Brossy to: (i) review executive and non-executive compensation levels and practices; (ii) assess broader equity practices relative to our emerging and mature peer groups; and (iii) perform a competitive performance assessment as a context for evaluating executive compensation levels. For fiscal year 2010, we provided Semler Brossy with a list of our peer companies and data from the 2010 Radford Executive Survey for U.S. Technology Companies and requested that it report on the practices of each identified peer company, as well as analyze the data from the survey. The report included information on equity practices, such as equity burn rates, equity overhang, forms of equity awards and allocation of equity awards between officers and non-officers. The report also included information on trends, including changes in equity participation eligibility and the mix of cash and equity in total compensation. Following the conclusion of fiscal year 2010, Semler Brossy began advising us regarding the amendment to our 2003 long-term incentives plan and the composition of our emerging peer group. Additional information on the role of our compensation consultant in setting executive compensation is set forth below under the caption Executive Officer and Director Compensation Compensation Discussion and Analysis Objectives of Compensation Programs and Compensation Program Design Role of Executive Officers and Compensation Consultants in Compensation Decisions.

What is the board s role in risk management oversight?

Management has primary responsibility for identifying, assessing and managing potential events that may affect our company s ability to achieve established business objectives, while the board is responsible for oversight of management s risk management activities. Such objectives are categorized as follows:

- strategic high-level goals, aligned with and supporting our mission;
- operations effective and efficient use of our resources;
- reporting reliability of reporting; and
- compliance compliance with applicable laws and regulations.

To facilitate the board s responsibility for oversight of company risks, we have a risk management committee consisting of selected members of management, which:

- identifies strategic, operational, financial reporting and compliance related risks, on a company-wide basis;
- assesses the materiality of those risks based on the probability of occurrence and severity of impact; and
- to the extent feasible, develops plans to monitor and mitigate such risks.

The results of this management activity are reported to the board and its committees, as appropriate.

In addition, the board delegates specific areas of risk management oversight to applicable board committees (depending on the specific area of responsibility and expertise as follows):

- The audit committee oversees our risk policies and processes relating to financial statements and financial reporting, including our system of internal control over financial reporting, as well as investment, capital structure and compliance risks and guidelines, as well as policies and processes for monitoring and mitigating those risks.

The compensation committee oversees risks associated with our compensation plans and the effect that our compensation structure may have on business decisions and on the attraction and retention of a qualified management team.

Table of Contents

The governance committee oversees risks related to our governance structure and the evaluation of individual board members and committees.

Each of these board committees meets regularly with management, including the members of the management risk committee, to review, as appropriate, compliance with existing policies and procedures and to discuss changes or improvements that may be required or desirable. Each of the committees meets at least as often as the board meets and periodically reports back to the board on the substance of those meetings, including risk oversight-related matters.

We also believe that our leadership structure, discussed above under the caption Board of Directors Board Governance Matters What is the board s leadership structure, and who serves as the presiding director? helps support the risk oversight function of the board. Specifically, we believe that the separation of the roles of chief executive officer and chairman of the board enhances risk oversight by combining the chief executive officer s in-depth knowledge of the risks and challenges of our business with the independence and experience of our chairman.

Stockholder Communications with Directors

Stockholders and other parties interested in communicating directly with any individual director, including the chairman, the board as a whole or the non-management directors as a group may do so by writing to Mindspeed Technologies, Inc., 4000 MacArthur Boulevard, East Tower, Newport Beach, California 92660, Attention: Secretary. Our secretary reviews all such correspondence and regularly forwards to the board a summary of all such correspondence and copies of all correspondence that, in the opinion of the secretary, deals with the functions of the board, the board committees or other such correspondence that the secretary otherwise determines requires their attention. Directors may at any time review a log of all correspondence we receive that is addressed to members of the board and may request copies of any such correspondence. Concerns relating to accounting, internal controls or auditing matters are immediately brought to the attention of our internal audit department and handled in accordance with procedures established by the audit committee with respect to such matters.

Compensation Committee Interlocks and Insider Participation

No member of the compensation committee during fiscal year 2010 was a current or former officer or employee of our company. There are no compensation committee interlocks between our company and other entities involving our executive officers and board members who serve as executive officers or board members of such other entities. No member of the compensation committee had any relationship requiring disclosure below under the caption Certain Relationships and Related Transactions, except for Mr. Stead, who serves as a director of Conexant.

Table of Contents

EXECUTIVE OFFICERS

The table below sets forth certain information concerning our executive officers as of November 30, 2010.

Name	Age	Title
Raouf Y. Halim	50	Chief Executive Officer
Bret W. Johnsen	41	Senior Vice President and Chief Financial Officer
Najabat H. Bajwa	33	Senior Vice President and General Manager, Lightspeed Connectivity Solutions
Kurt F. Busch	40	Senior Vice President and General Manager, High-Performance Analog
Jing Cao	51	Senior Vice President, Operations
Allison K. Garcia	38	Senior Vice President, Human Resources
Gerald J. Hamilton	57	Senior Vice President, Worldwide Sales
Anil S. Mankar	55	Senior Vice President, VLSI Engineering
Thomas J. Medrek	54	Senior Vice President and General Manager, Communications Convergence Processing

There are no family relationships among the individuals serving as our directors or executive officers. Set forth below are the name, office and position held with our company and principal occupations and employment during the past five years of each of our executive officers. Biographical information on Mr. Halim is discussed above under the caption Board of Directors Election of Directors Who are the remaining directors? Class III Directors.

Mr. Johnsen has been our senior vice president and chief financial officer since July 2008. Prior to joining us, Mr. Johnsen served in a variety of finance and accounting positions with Broadcom Corporation (wired and wireless communication semiconductor and software products) from October 1999 through June 2008, including as the vice president and corporate controller (principal accounting officer) from September 2007 through June 2008, the senior director of finance, wireless connectivity group, from June 2007 through September 2007, the senior director of finance and operations, worldwide manufacturing, from May 2005 through June 2007, the director of finance, worldwide operations, from April 2003 through May 2005, as the controller for various business groups within Broadcom from June 2000 through December 2003 and as a corporate accounting manager from October 1999 through June 2000.

Mr. Bajwa has been our senior vice president and general manager, lightspeed connectivity solutions, since October 2007. Mr. Bajwa previously served as our vice president of marketing and applications engineering from October 2006 to October 2007, executive director of marketing from April 2006 to October 2006 and director of marketing from August 2003 to April 2006 for our optical communications IC product line. Prior to joining us, Mr. Bajwa was the director, navigation business, of Agilent Technologies, Inc. (electronic measurement devices and services) from November 2002 to August 2003.

Mr. Busch has been our senior vice president and general manager, high-performance analog, since October 2007. Mr. Busch previously served as our vice president of marketing and applications for our switching and signal conditioning product line from November 2006 to October 2007 and our executive director of business development from January 2006 to November 2006. Prior to joining us, Mr. Busch was a business development manager of Analog Devices, Inc. (signal processing solutions) from November 2003 to December 2005 and the vice president of marketing and president of the U.S. subsidiary of TeraCross Ltd. (semiconductor manufacturer) from November 2001 to November 2003. Mr. Busch currently serves as a member of the board of directors for First Western Group (real estate and agricultural lending).

Mr. Cao has been our senior vice president, operations, since March 2008. Prior to joining us, Mr. Cao was the vice president, operations, of HOYA Corporation USA, formerly Xponent Photonics, Inc. (optical network

Table of Contents

component manufacturer), from August 2006 to March 2008. Mr. Cao also served as the vice president, manufacturing and technology, from March 2006 to August 2006 and the director, assembly operations, from January 2001 to March 2006 of Vitesse Semiconductor Corporation (semiconductor communications design and development).

Ms. Garcia has been our senior vice president, human resources, since June 2010. Prior to joining us, Ms. Garcia was the vice president, human resources, of Lantronix, Inc. (device networking technologies) from June 2008 to June 2010. Ms. Garcia also served as the global director and vice president of human resources of Quiksilver, Inc. (casual lifestyle apparel) from April 2004 to June 2008, and as the director of human resources business operations and manager of human resources of Cendant Corporation (hospitality and real estate business and consumer services) from March 2001 to April 2004.

Mr. Hamilton has been our senior vice president, worldwide sales, since July 2006. Mr. Hamilton previously served as our vice president of sales for the Asia Pacific region from June 2003 to July 2006. He served as the vice president of sales for the Asia Pacific region of Conexant from September 2001 to June 2003.

Mr. Mankar has been our senior vice president, VLSI engineering, since August 2008. Prior to joining us, Mr. Mankar provided consulting services to Conexant from May 2008 to August 2008, and was the senior vice president, worldwide core engineering, and chief development officer of Conexant from December 2006 to May 2008. He also served as the vice president, VLSI hardware systems broadband media processing, and the vice president, worldwide core engineering, of Conexant from January 2005 to December 2006. He was the vice president, VLSI hardware systems personal computing division, of Conexant from September 1999 to December 2004, and the vice president, core engineering, of Conexant from January 2004 to December 2004.

Mr. Medrek has been our senior vice president and general manager, communications convergence processing, formerly multiservice access, since June 2004. Mr. Medrek previously served as our senior vice president and general manager, broadband internetworking systems, from June 2003 to June 2004. Mr. Medrek served as the vice president and general manager, broadband internetworking systems, of Conexant from February 2001 to June 2003 and the vice president of marketing, broadband internetworking systems, of Conexant from March 2000 to February 2001.

Table of Contents

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EXECUTIVE OFFICER AND DIRECTOR COMPENSATION

Compensation Discussion and Analysis

Executive Summary

During the course of fiscal year 2010, we remained committed to the following core executive compensation objectives: (i) attracting and retaining quality executive officers; (ii) aligning the interests of our executive officers and our stockholders; and (iii) paying for performance.

Fiscal year 2010 represented a year of milestone achievements for our company, including:

- four consecutive quarters of sequential product revenue growth and improved operating profitability;
- record product revenue, net income, earnings per share and cash generation;
- $43.7 million in cash on our balance sheet at fiscal year end and the best net cash balance of the last five years;
- the debut of a record 52 new products; and
- the highest number of design wins in company history, up 30% over fiscal year 2009.

Additionally, we continued our market share growth at tier 1 customers and diversified into new customers in the enterprise arena with our analog portfolio. During fiscal year 2010, we launched a strategic initiative in next generation wireless infrastructure products and successfully generated industry interest and traction among tier 1 and tier 2 original equipment manufacturers who are designing new base station architectures to serve the 4G/long-term evolution market, with the introduction of our new wireless baseband processor product portfolio.

Fiscal Year 2010 Financial Highlights

A summary of our fiscal year 2010 financial results, as compared to our fiscal year 2009 financial results, is set forth in the table below:

Financial Metric	**Fiscal Year 2009**	**Fiscal Year 2010**	**Change %**
Fiscal year end closing stock price	$ 3.05	$ 7.73	153%
Total net revenues (in millions)	126.6	178.2	41
Product revenue (in millions)	121.6	165.4	36
Net income/(loss) (in millions)	(25.1)	21.1	N/A
Net income/(loss) per share (diluted)	(1.04)	0.65	N/A
Net cash provided by/(used in) operating activities (in millions)	(5.4)	23.8	N/A

Fiscal Year 2010 Compensation Decisions

For the first time in our company s history, we awarded short-term cash incentive-based compensation in fiscal year 2010 rather than short-term equity incentive-based compensation. We believe that the cash compensation is more consistent and more competitive with the practices of our emerging peers than our previous practice of awarding only short-term equity incentive compensation. A discretionary cash bonus was also granted to Mr. Johnsen, in addition to the cash incentive-based compensation as discussed below under the caption Executive Officer and Director Compensation Compensation Discussion and Analysis Special Bonuses Discretionary Cash Bonuses. The cash incentive-based compensation for our named executive officers (as defined in the Summary Compensation Table (2010) below) was based on achieving fiscal year 2010 performance goals consisting of various combinations of the following: (i) financial performance targets;

(ii) operating performance targets; (iii) design win execution; (iv) engineering execution; and (v) organizational development goals.

We continued to grant long-term incentive equity compensation awards consisting of both stock options and shares of restricted stock in fiscal year 2010. In fiscal year 2010, we also awarded unrestricted performance stock, which vest based upon the achievement of certain thresholds in the price of our common stock, to supplement our long-term equity awards of stock options and shares of restricted stock. This mix of stock options and shares of restricted stock and unrestricted performance stock is consistent with our compensation goals and programs, particularly the goals of further aligning the financial interests of our executive officers with those of our stockholders and attracting and retaining executive officers. We believe that the awards were and continue to be useful in retention. The vesting requirements of the stock options and shares of restricted stock and unrestricted performance stock provide that upon termination of employment, only options currently vested may be exercised and unvested stock options and restricted stock and unrestricted performance stock are forfeited. Thus, long-term compensation awards provide executive officers with an incentive to remain with our company through each award s entire vesting period.

We made several additional adjustments to elements of our compensation programs during fiscal year 2010 and for fiscal year 2011 to further align our executive compensation structure with our stockholders interests and current market practices, including:

During fiscal year 2010, we reviewed executive officer perquisites to be more reflective of current compensation practices and trends, resulting in a significant overall reduction of perquisites available to executive officers.

We modified our process for measuring and calculating performance metrics in connection with short-term cash incentive awards, and limited the award of discretionary cash bonuses to executive officers.

At the end of fiscal year 2010, we conducted an assessment and review of executive officer stock ownership levels to ensure there is considerable incentive for management to align our company s long-term interests because a portion of their personal investment portfolio consists of our company s stock. The assessment indicated executive officer stock ownership levels were appropriate as compared to the executive officer stock ownership levels of executive officers at our emerging peer group companies.

During fiscal year 2011, short-term incentive cash awards will be based on a linear curve, thereby eliminating award cliffs and performance accelerators between performance metric ranges.

We implemented a maximum short-term incentive cash award amount of 200% of target award amounts for our fiscal year 2011 cash bonus plan for eligible executive officers and employees.

Overview

The following provides a brief overview of the more detailed disclosure set forth in the Compensation Discussion and Analysis below:

The objectives of our compensation program are to: (i) attract and retain talented executive officers; (ii) further align the financial interests of executive officers with those of our stockholders; and (iii) pay-for-performance.

In making its fiscal year 2010 compensation decisions, the compensation committee consulted with a third-party compensation consultant and compared the compensation and performance of our executive officers with a peer group of 20 other semiconductor companies.

Our executive compensation consists primarily of: (i) a base annual salary; (ii) short-term cash incentive-based compensation; and (iii) long-term incentive equity awards. We also provide certain perquisites to our executive officers and on occasion grant discretionary and retention bonuses, and short-term incentive equity awards.

Table of Contents

We encourage a pay-for-performance environment by linking short-term cash incentive-based compensation to the achievement of overall company and individual performance goals. Achievement of performance goals by our named executive officers during fiscal year 2010 ranged from 105% to 179%.

In fiscal year 2011, we intend to continue to deliver a combination of cash, stock options and restricted stock awards as part of our overall compensation program.

Objectives of Compensation Programs and Compensation Program Design

The compensation committee establishes our executive compensation philosophy and oversees our executive compensation programs. Under the compensation committee s supervision, in fiscal year 2010, we implemented compensation policies, plans and programs intended to achieve the following objectives:

Attract and retain talented executive officers. We are engaged in a very competitive and highly cyclical industry, and our success depends upon our ability to attract and retain qualified executive officers through competitive compensation arrangements.

Further align the financial interests of executive officers with those of our stockholders. We want and expect our executive officers to think and act in both the near-term and long-term interests of our stockholders.

Pay-for-performance. We provide executive officers with incentive opportunities linked to achievement of both overall company and individual performance goals. Incentive programs are designed to reward business plan achievement.

We carry out these objectives by providing market competitive salaries, achieving an appropriate mix of cash and equity compensation, setting compensation based on individual and overall company performance and occasionally granting discretionary and retention bonuses.

Total Compensation Program Design

The compensation committee considers the total compensation, earned or potentially available, of the executive officers in establishing each component of compensation. In its review, the compensation committee considers information regarding our general industry and peer group, national surveys of other U.S. semiconductor and high technology companies, reports of our third-party compensation consultants and performance judgments as to the past and expected future contributions of individual executive officers. The compensation committee also reviews tally sheets in an effort to promote internal pay equity.

Our total compensation package generally includes a base annual salary, short-term incentive awards and long-term incentive awards. We target the short-term incentives of our chief executive officer to equal 100% of his base annual salary. We target the short-term incentives of all other named executive officers to equal 55% to 60% of their respective base annual salaries. Mr. Halim s higher incentive target is a result of his greater breadth of responsibility relative to other executive officers, as well as peer group and industry practices of providing chief executive officers with higher incentive targets. We also occasionally grant cash discretionary bonuses to recognize achievements, as well as cash retention bonuses to maintain management continuity.

Role of Executive Officers and Compensation Consultants in Compensation Decisions

The compensation committee solicits compensation recommendations from our chief executive officer on our other executive officers, and then reviews and approves the total compensation for each of our executive officers. Our chief executive officer does not participate in the compensation committee s decisions regarding his compensation. The compensation committee may request additional information from our chief executive officer and may also solicit the perspective and input of third-party compensation consultants. In fiscal year 2010, the compensation committee elected to continue its engagement with a third-party compensation consultant, Semler Brossy Consulting Group, LLC.

Semler Brossy was specifically engaged to: (i) review executive and non-executive compensation levels and practices; (ii) assess broader equity practices relative to our emerging and mature peer groups; and (iii) perform a competitive performance assessment as a context for evaluating executive compensation levels. For fiscal year 2010, we provided Semler Brossy with a list of our peer companies and data from the 2010 Radford Executive Survey for U.S. Technology Companies and requested that it report on the practices of each identified peer company, as well as analyze the data from the survey. The report included information on equity practices, such as equity burn rates, equity overhang, forms of equity awards and allocation of equity awards between officers and non-officers. The report also included information on trends, including changes in equity participation eligibility and the mix of cash and equity in total compensation, as well as an analysis of named executive officer compensation levels and compensation practices of each identified peer company. Semler Brossy did not provide any other services to our company during fiscal year 2010.

Additional information on the peer companies that Semler Brossy examined is discussed below under the caption Executive Officer and Director Compensation Compensation Discussion and Analysis Objectives of Compensation Programs and Compensation Program Design Peer Group.

Goal Setting and Performance Evaluation

Executive officer performance evaluations, including evaluations of our named executive officers, occur annually and are completed immediately following the conclusion of each fiscal year. To help achieve our strategic goals and annual objectives, we have developed an integrated performance management program, which has an overall purpose of strengthening results at the individual and organizational level. The program is designed to align individual performance with strategic business goals and annual objectives. It is intended to foster two-way communication to provide all employees, including executive officers, with the resources, information and support required to be successful. The performance management program s primary objectives are to ensure that individual contributions and results are directed toward achieving our business plan based on our strategic and tactical goals. It also links rewards to performance and recognizes outstanding performance with corresponding compensation actions. The process commences with the establishment of overall company and individual performance goals for our chief executive officer and other executive officers at the beginning of the fiscal year. These goals are based on our annual operating plan, which is reviewed by the board.

Our chief executive officer s performance evaluation is coordinated by the chairman of the governance committee. Our chief executive officer is evaluated on performance against the annual operating plan, which is summarized in an annual scorecard. The scorecard contains a percentage level of achievement reached for each company metric, as well as an overall weighted average achievement percentage on all company performance goals. An annual 360 degree feedback assessment is also conducted for purposes of providing additional developmental feedback to our chief executive officer. The chairman of the governance committee reviews the corporate performance scorecard and the 360 degree feedback results with the other independent board members, obtains their feedback on our chief executive officer s performance and completes the review. The governance committee then reports its findings to the compensation committee for use in its determination of appropriate compensation actions.

The board frequently discusses with our chief executive officer the performance of the other executive officers. Our chief executive officer incorporates this feedback into the evaluations of the other executive officers. The fiscal year 2010 performance evaluation results for our named executive officers are discussed below under the caption Executive Officer and Director Compensation Compensation Discussion and Analysis Elements of Compensation Cash Incentive Awards Achievement against Performance Goals.

Peer Group

In setting the base annual salary, individual bonus target amounts and equity grant guidelines for executive officers, the compensation committee, with assistance from our third-party compensation consultant, reviews information relating to the executive compensation of a group of peer companies selected by the compensation committee, comprised of direct competitors, other local semiconductor companies and leading national semiconductor companies. In analyzing our peer group, the compensation committee distinguishes emerging peers from mature peers. We include our direct competitors and other local semiconductor companies in our emerging peer group because we compete with them for business, as well as talent. We include leading national semiconductor companies in our mature peer group because they have a large influence on industry compensation practices. The peer group companies for fiscal year 2010 included the following:

Emerging Peers	**Mature Peers**
Applied Micro Circuits Corporation	Broadcom Corporation
PMC-Sierra, Inc.	Qualcomm, Inc.
Vitesse Semiconductor Corporation	Advanced Micro Devices, Inc.
Transwitch Corporation	Intel Corporation
Conexant Systems, Inc.	Texas Instruments, Inc.
Skyworks Solutions, Inc.	Maxim Integrated Products, Inc.
Microsemi Corporation	Analog Devices, Inc.(1)
NetLogic Microsystems, Inc.	Linear Technology Corporation(1)
Cavium Networks, Inc.(1)	National Semiconductor Corporation(1)
Mellanox Technologies, Ltd.(1)	
Silicon Laboratories Inc.(1)	

(1) Peer added for fiscal year 2010 to provide additional comparison data from companies in our strategic growth markets.

With the assistance and guidance of our compensation consultant, the compensation committee reviews the compensation levels of our emerging peers when considering the amount of executive officer base annual salary and total compensation. For fiscal year 2010, the compensation committee believes that the base annual salary and total compensation provided to each executive officer was within the range of total compensation paid to similarly situated executive officers at emerging peer companies. The compensation committee targets our executive officers combined base salaries, equity holdings and total compensation in alignment with the practices of our emerging peers; however, it does not target any specific percentile.

The compensation committee reviews the data of both our emerging and mature peers in designing our equity-compensation structure. It typically considers our emerging peers annual equity burn rates, equity overhang and form of equity awards. Additionally, it reviews our emerging peers policies regarding allocation of equity awards between executive officers and non-executive officers, percentage of employees receiving grants, vesting practices, hiring grant practices and other trends. It typically considers data from our mature peers with respect to types of equity awards and employee eligibility for such awards. While data from our mature peers is used as a guide in designing the structure of our equity compensation policies, it does not have any influence on award amounts.

For fiscal year 2010, the compensation committee also used the Radford survey database, which provides data specific to high-technology and semiconductor industry compensation practices. The examination of the survey and peer group compensation practices allowed us to take industry practices into account to help ensure that our compensation policies are current and competitive.

Table of Contents

Elements of Compensation

Executive compensation consists primarily of: (i) a base annual salary; (ii) short-term cash incentive-based compensation; and (iii) long-term incentive equity awards. This mix of payments allows us to provide compensation that directly addresses our compensation goals of retention, alignment of executive and stockholder interests and linking pay with performance. We also provide our executive officers with other benefits, including perquisites, change of control agreements, a retirement savings plan and an employee stock purchase plan. The compensation committee also grants special cash bonuses and short-term incentive equity awards to certain executive officers to recognize particularly strong achievement or for specific retention purposes. Information on the total compensation awarded to each named executive officer during fiscal year 2010 is set forth in our Summary Compensation Table (2010) below.

Base Annual Salary

The base annual salaries we provide to our executive officers are intended as compensation for each executive officer s ongoing contributions to the performance of the operational area(s) for which they are responsible. In keeping with our compensation philosophy to attract and retain individuals of high quality, executive officer base salaries have been targeted to be competitive with base salaries paid to executive officers of our emerging peers, as described above, based on data reviewed by the compensation committee. The compensation committee determines the market median by reviewing information contained in survey data, SEC filings and advice from our third-party compensation consultant. The base salaries for our executive officers also reflect input from our chief executive officer regarding individual performance, company strategy and retention factors.

The base annual salary levels of each of our executive officers are reviewed annually and adjusted from time to time to recognize individual performance, promotions, competitive compensation levels, retention requirements, internal pay equity and other qualitative factors. For the first time since July 2006, in July 2010, the compensation committee approved merit salary increases to each of our executive officers. Following the merit increases, on average, base annual salaries for our named executive officers were in alignment with the practices of our emerging peers and at the 50th percentile of our emerging peers.

The base annual salaries in fiscal year 2010 for all named executive officers are set forth below under the caption Executive Officer and Director Compensation Compensation Discussion and Analysis Objectives of Compensation Programs and Compensation Program Design Elements of Compensation Cash Incentive Awards Target Incentives.

Cash Incentive Awards

Our annual cash incentive compensation plan for the executive officers, including our chief executive officer, for fiscal 2010 consisted of awards under our fiscal 2010 cash bonus plan. All of the named executive officers participated in the fiscal 2010 cash bonus plan, except Mr. Hamilton, whose cash incentive award was under our sales incentive plan.

Fiscal Year 2010 Cash Bonus Plan

In December 2009, the compensation committee approved the fiscal year 2010 cash bonus plan. The plan was adopted in order to be competitive with our emerging peers, substantially all of which provide short-term cash incentive awards. Pursuant to the terms of the plan, our chief executive officer, the other executive officers (excluding Mr. Hamilton) and certain of our non-executive officers were eligible to receive a cash bonus for fiscal year 2010. The amount of cash bonuses our chief executive officer and other executive officers could earn under the cash bonus plan for fiscal year 2010 was limited by the amount of cash allocated to the plan. The amount of cash that was allocated to the plan to be available for awards was calculated as follows:

a dollar amount equal to 100% of any favorable quarterly variance to our planned fiscal year 2010 quarterly operating expense levels; plus

a dollar amount equal to 20% of our income from any fiscal year 2010 intellectual property sales.

Table of Contents

Performance Goals

The amount of compensation paid as part of our cash incentive awards is based on both the overall financial performance of our company and the performance of the executive officers with respect to their individual assigned goals. The compensation committee adopts specific performance criteria for each fiscal year. Performance criteria typically include financial metrics, such as revenue, net income and operating profitability and attainment of engineering and strategic business development goals. Annual incentive awards may also be adjusted by the board in its discretion based on individual performance factors.

The compensation committee determined whether each named executive officer met his performance goals for fiscal year 2010. Management reported on the accomplishments of the officers, and the compensation committee carried out its responsibility of determining the extent to which those accomplishments met the pre-established goals. While the use of the performance goals is intended to establish a rigorous process for tracking and evaluating performance, the compensation committee s assessment of performance against particular goals involves the application of qualitative, as well as quantitative measures.

The specific company and business unit revenue, operating profit, gross margin, operating expense, net income, cash generation, design win, engineering execution and budget reduction targets are based on our company s internal annual operating plan. Disclosure of such targets or our annual operating plan is not possible, due to the commercially sensitive nature of the data, and such disclosure would cause substantial competitive harm to our company. As an indication of the level of difficulty in achieving the overall performance objectives, the compensation committee determined that the applicable named executive officers attained levels of achievement (including financial and non-financial goals) in the following ranges in each of the last three fiscal years:

Fiscal Year	**Range of Achievement**
2009	50% 97%
2008	90% 100%
2007	73% 94%

Table of Contents

The pre-established factors for fiscal year 2010 used to determine individual performance and the relative weight given to each factor for each named executive officer are set forth in the table below. The different factors and relative weights reflect differences in the job responsibilities of our named executive officers.

Named Executive Officer	Performance Factors (and Weight)
Raouf Y. Halim	Company fiscal year net income and cash generation targets: 50% Design win execution against the fiscal year plan: 15% Engineering execution: 20% Individual organizational development goals: 15%
Bret W. Johnsen	Company fiscal year net income target: 50% Balance sheet improvement: 20% Individual organizational execution goals: 20% Investor relations goals: 10%
Thomas J. Medrek	Company fiscal year operating profit target: 30% Business unit fiscal year revenue target: 30% Business unit fiscal year gross margin target: 10% Business unit fiscal year operating expense target: 10% Business unit design win execution against the fiscal year plan: 10% Business unit engineering execution: 10%
Gerald J. Hamilton	Company fiscal year revenue target: 60% Design win execution against the fiscal year plan: 30% Budget reduction target for the worldwide sales department: 10%
Kurt F. Busch	Company fiscal year operating profit target: 30% Business unit fiscal year revenue target: 30% Business unit fiscal year gross margin target: 10% Business unit fiscal year operating expense target: 10% Business unit design win execution against the fiscal year plan: 10% Business unit engineering execution: 10%

The cash generation, net income, operating profit, gross margin and operating expense amounts we use to measure achievement of performance goals are non-GAAP measures. Our calculation of net income, operating profit, gross margin and operating expense excludes stock-based compensation and related payroll costs, amortization of intangible assets, asset impairments, employee separation costs, legal settlement costs, special charges, reverse stock split costs, employee option exchange costs, gain on debt extinguishment and non-cash interest expense on convertible senior notes. We calculate cash generation as the net increase or decrease in cash and cash equivalents. We use non-GAAP measures because these measures help us internally to evaluate our operating performance, while excluding items that are considered by management to be outside of our core operating results.

Table of Contents

Target Incentives

The fiscal year 2010 base annual salaries and short-term target incentives for our named executive officers are set forth in the table below.

Named Executive Officer	Base Annual Salary(1)	Target Incentive(2)
Raouf Y. Halim	$ 512,500	100%
Bret W. Johnsen	303,750	60%
Thomas J. Medrek	327,750	55%
Gerald J. Hamilton	252,500	55%
Kurt F. Busch	268,975	55%

(1) Salaries adjusted to reflect three fiscal quarters at each named executive officer s base annual salary prior to the implementation of merit salary increases, and one fiscal quarter at each named executive officer s adjusted salary following the implementation of the merit salary increases.

(2) Target incentive represents a target amount of base annual salary to be paid pursuant to the 2010 cash bonus plan (except for Mr. Hamilton, whose awards are made under our sales incentive plan).

Achievement against Performance Goals

The compensation committee determined that the named executive officers achieved their fiscal year 2010 goals to the extent set forth below. While in many cases the executive officers exceeded 100% of their respective non-financial goals, the compensation committee limited the achievement of the non-financial goals to 100% for the purposes of calculating the fiscal year 2010 cash incentive award amounts in order to provide a greater incentive for achieving financial goals. Annual cash incentive award amounts were, in all instances, determined through the application of a formula-based linear algorithm based on achievement levels and weighting of the performance goals.

Mr. Halim. Based on the performance evaluation described above under the caption Executive Officer and Director Compensation Compensation Discussion and Analysis Objectives of Compensation Programs and Compensation Program and Design Goal Setting and Performance Evaluation above, the compensation committee determined that Mr. Halim achieved 264% of his financial performance goals (fiscal year net income and cash generation targets) (50% weighting of overall award) for fiscal year 2010.

The compensation committee determined that Mr. Halim met the following percentages of his non-financial goals for fiscal year 2010: (i) 124% design win execution against the fiscal year plan (15% weighting of overall award); (ii) 84% engineering execution (20% weighting of overall award); and (iii) 100% individual organization development goals (15% weighting of overall award), resulting in a 179% overall achievement of his fiscal year 2010 goals. We had a number of key design wins in fiscal year 2010, most notably in our communications convergence processing business unit, with the continued ramp of fiber-to-the-x optical infrastructure worldwide. This resulted in 35% year-over-year growth within this business unit alone. High-performance analog solutions also continued to ramp, shipping into the carrier and enterprise segments, and the mobile data traffic continued to drive the next generation of 3G/4G wireless infrastructure. We also met development and production needs according to schedule throughout fiscal year 2010 for all continuing business units.

Based on the overall assessment of Mr. Halim s performance against his goals, the compensation committee awarded Mr. Halim a total cash incentive award of $916,278 under our fiscal year 2010 cash bonus plan, which represented 179% of his target incentive.

Mr. Johnsen. The compensation committee determined that Mr. Johnsen met the following percentages of his goals for fiscal year 2010: (i) 226% company fiscal year net income target (50% weighting of overall award); (ii) 100% balance sheet improvement (20% weighting of overall award); (iii) 100% individual organizational execution (20% weighting of overall award); and (iv) 100% investor relations goals (10% weighting of overall award), resulting in a 163% overall achievement of his fiscal year 2010 goals.

Based on the overall assessment of Mr. Johnsen s performance against his goals, the compensation committee awarded Mr. Johnsen a total cash incentive award of $297,423 under our fiscal year 2010 cash bonus plan, which represented 163% of his target incentive.

Mr. Medrek. The compensation committee determined that Mr. Medrek met the following percentages of his goals for fiscal year 2010: (i) 177% company fiscal year operating profit target (30% weighting of overall award); (ii) 104% business unit fiscal year revenue target (30% weighting of overall award); (iii) 101% business unit fiscal year gross margin target (10% weighting of overall award); (iv) 93% business unit fiscal year operating expense target (10% weighting of overall award); (v) 119% business unit design win execution against the fiscal year plan (10% weighting of overall award); and (vi) 100% business unit engineering execution (10% weighting of overall award), resulting in a 124% overall achievement of his fiscal year 2010 goals. Based on the overall assessment of Mr. Medrek s performance against his goals, the compensation committee awarded Mr. Medrek a total cash incentive award of $223,049 under our fiscal year 2010 cash bonus plan, which represented 124% of his target incentive.

Mr. Hamilton. Although Mr. Hamilton did not participate in the fiscal year 2010 cash bonus plan described above, he was eligible for a cash bonus for fiscal year 2010 under our sales incentive plan, which is directly tied to Mr. Hamilton s responsibilities and our company s sales as a direct measure of his performance. Mr. Hamilton did not participate in the fiscal year 2010 cash bonus plan because bonuses under the plan were limited by the amount of cash allocated to the plan, and it was possible that had he participated, Mr. Hamilton would have received a smaller bonus than that which he would have otherwise been entitled. Sales executives in our industry typically receive cash incentive awards as part of their compensation packages and because the cash incentive award is an essential part of Mr. Hamilton s compensation, the compensation committee excluded Mr. Hamilton from the fiscal year 2010 cash bonus plan. Consequently, Mr. Hamilton s cash bonus award was not limited by the amount of cash allocated to the fiscal year 2010 cash bonus plan.

The compensation committee determined that Mr. Hamilton met the following percentages of his goals for fiscal year 2010: (i) 110% company fiscal year revenue target (60% weighting of overall award); (ii) 98% design win execution against the fiscal year plan (30% weighting of overall award); and (iii) 98% budget reduction target for the worldwide sales department (10% weighting of overall award), resulting in a 105% overall achievement of his fiscal year 2010 goals. Based on the overall assessment of Mr. Hamilton s performance against his goals, the compensation committee awarded Mr. Hamilton a total cash incentive award of $145,176 for fiscal year 2010 under our sales incentive plan, which represented 105% of his target incentive.

Mr. Busch. The compensation committee determined that Mr. Busch met the following percentages of his goals for fiscal year 2010: (i) 177% company fiscal year operating profit target (30% weighting of overall award); (ii) 106% business unit fiscal year revenue target (30% weighting of overall award); (iii) 101% business unit fiscal year gross margin target (10% weighting of overall award); (iv) 100% business unit fiscal year operating expense target (10% weighting of overall award); (v) 161% business unit design win execution against the fiscal year plan (10% weighting of overall award); and (vi) 83% business unit engineering execution (10% weighting of overall award), resulting in a 123% overall achievement of his fiscal year 2010 goals. Based on the overall assessment of Mr. Busch s performance against his goals, the compensation committee awarded Mr. Busch a total cash incentive award of $182,295 under our fiscal year 2010 cash bonus plan, which represented 123% of his target incentive.

Fiscal Year 2011 Cash Bonus Plan

In January 2011, the compensation committee approved a fiscal year 2011 cash bonus plan. The plan was adopted in order to be competitive with our emerging peers, substantially all of which provide short-term cash incentive awards. Pursuant to the terms of the plan, our chief executive officer, the other executive officers (excluding Mr. Hamilton) and certain of our non-executive officer employees are eligible to receive a cash bonus for fiscal year 2011. The amount of cash bonuses our chief executive officer and other executive officers can earn under the cash bonus plan for fiscal year 2011 will be limited by the amount of cash allocated to the plan. The amount of cash that may be allocated, if any, to the plan will be limited to a dollar amount equal to 100% of any favorable quarterly variance to our planned fiscal year 2011 quarterly operating expense levels. In addition, individual award amounts under the plan cannot exceed 200% of target award amounts. Mr. Hamilton will participate in our cash sales incentive plan, which is consistent with our past practices.

Long-Term Incentive Equity Awards

Our long-term compensation generally consists of both stock option and restricted stock awards provided under our 2003 long-term incentives plan. In fiscal year 2010, for the reasons discussed below, we also granted unrestricted performance stock awards to Messrs. Halim, Hamilton and Medrek. In determining the timing and size of our awards, we follow a policy of targeting compensation that is competitive with our emerging peers. Additionally, we consider the number and status of past long-term awards when deciding to make a new grant.

We routinely grant eligible employees equity awards at the time of hire and also provide equity awards covering a large portion of our employees annually. The vesting periods vary with respect to each individual award, but stock option awards generally vest within a three or four year period and restricted stock awards generally vest within a range of one to four years. The restricted stock awards with one year vesting periods were typically granted as part of our short term-incentive compensation with specific performance goals. The exercise price of all stock options is set at the fair market value of our company s stock on the grant date.

In November 2009, we granted stock options and shares of restricted stock to our named executive officers. The stock option awards vested as to 8.33% of the underlying award quarterly beginning in February 2010. The restricted stock awards vested as to 25% of the underlying award quarterly beginning in February 2010. In March 2010, we granted shares of restricted stock to our named executive officers.

In March 2010, we also granted awards of unrestricted performance stock to certain named executive officers, with vesting subject to satisfaction of specific performance conditions. The unrestricted performance stock awards begin to vest on the date when the average of the closing price of our common stock reaches certain minimum amounts over a consecutive 20-day trading period. The vesting trigger price for 50% of each named executive officer s award is $10.49 and the vesting trigger price for the remaining 50% of each named executive officer s award is $12.59, which represents a 25% and 50% increase in the price of our common stock as of the grant date, respectively. On the date the awards begin to vest, 8.33% of the shares of common stock underlying the awards will vest for each completed three month period from the grant date to the date the awards begin to vest. An additional 8.33% of the shares of common stock underlying the awards will vest on each three month anniversary date of the date the awards begin to vest. If the vesting trigger price is not achieved prior to the three year anniversary date of the grant date, the awards will be forfeited.

The compensation committee granted the one-time unrestricted performance stock award to Mr. Halim based on its assessment of the competitiveness of his current equity compensation value and his performance with regard to our financial performance, quality of our revenue and his strategic positioning of our company, and to incentivize continuing business performance improvement. The compensation committee granted the one-time unrestricted performance stock award to Mr. Medrek based on its assessment of the competitiveness of his current equity compensation value, his performance with regard to the development and growth of the our communications convergence processing business unit and to incentivize continuing business performance improvement. The compensation committee granted the one-time unrestricted performance stock award to Mr. Hamilton based on its assessment of the competitiveness of his current equity compensation value and his performance with regard to the development of our globally diverse customer engagements.

The number of stock options and shares of restricted stock and unrestricted performance stock awarded, as set forth in the Grants of Plan Based Awards (2010) table below, varied with respect to each individual due to differences in each individual s compensation targets, levels of responsibility and role within our company. The Outstanding Equity

Awards at Fiscal Year-End (2010) table below sets forth all long-term incentive awards granted in previous years.

Our long-term equity compensation awards are consistent with our goals for compensation, particularly in further aligning the interests of our executive officers with our stockholders. The awards provide compensation in addition to salary, cash incentives and bonuses, and assist us in recruiting and retaining executive officers. The awards are useful in retention because of their vesting requirements, which provide that upon termination of employment, only options currently vested may be exercised and unvested stock options, restricted stock and unrestricted performance stock are forfeited. Thus, long-term equity compensation awards give executive officers an incentive to remain with our company through each award s entire vesting period.

Incentive Equity Awards for Fiscal Year 2011

In November 2010, we granted stock options and shares of restricted stock to our named executive officers. The stock option awards will vest as to 33.33% of the underlying award on the one year anniversary of the grant date and 4.17% monthly thereafter. The restricted stock awards will vest as to 33.33% of the underlying award on November 5, 2011 and 12.5% quarterly thereafter. The number of stock options and shares of restricted stock awarded, as set forth in the table below, varied with respect to each individual due to differences in each individual s compensation targets and role within our company.

Named Executive Officer	Number of Stock Options	Number of Shares of Restricted Stock
Raouf Y. Halim	30,000	15,000
Bret W. Johnsen	20,000	10,000
Thomas J. Medrek	12,500	6,250
Gerald J. Hamilton	12,500	6,250
Kurt F. Busch	12,500	6,250

Special Bonuses

Discretionary Cash Bonuses

From time to time, we grant discretionary cash bonuses. These awards are not tied to any specific performance measure and are made at the discretion of the compensation committee. Shortly after the end of fiscal year 2010, we granted a discretionary cash bonus of $50,000 to Mr. Johnsen to recognize his outstanding performance in fiscal year 2010, including recognition of the successful completion of our March 2010 equity offering and fiscal year 2010 improved operating income. Shortly after the end of fiscal year 2009, we granted a discretionary cash bonus of $75,000 to Mr. Johnsen to recognize his particularly strong achievements during fiscal year 2009, including his contributions to significant improvements in our balance sheet, the equity offering we completed in the fourth quarter of fiscal year 2009 and the improved management of our cash assets. While discretionary cash bonuses will remain an option for us to recognize extraordinary achievement, we view them as an exception, and grant them selectively.

Retention Bonuses

In addition to our standard components of compensation, we occasionally grant retention bonuses to our executive officers. We grant retention bonuses to certain individuals based on a determination that these individuals fill an essential role in our success or failure and the importance of retaining their services. No retention bonuses were granted to our executive officers in fiscal year 2010.

Other Compensation Policies

Perquisites and Personal Benefits

We provide our executive officers, including our chief executive officer, with perquisites and other personal benefits that we believe are reasonable, competitive and consistent with our peers and our overall executive compensation program. The perquisites and personal benefits that we have historically offered include retirement savings plan matching contributions, life insurance premiums, excess personal liability insurance premiums, an annual physical examination, airline club fees, club dues, health club memberships and financial planning and tax preparation services. In May 2010, the compensation committee determined that we would no longer provide club dues or financial planning and tax preparation services to our executive officers. We sometimes also offer certain benefits associated with the hiring of new executive officers, such as transportation, temporary housing and relocation costs.

In determining the appropriate level of perquisites and personal benefits, we periodically review the Ayco Executive Benefits & Perquisite Survey, as well as information provided in SEC filings of our peer group. We believe that these benefits help us to hire and retain qualified executive officers and enable them to perform their job responsibilities with fewer distractions. For valuation of perquisites and other benefits provided during fiscal year 2010, see footnote 2 to our Summary Compensation Table (2010) below.

Timing of Grants of Equity Awards

We have generally granted awards of stock options and shares of restricted stock to our executive officers on an annual basis. We also make equity grants to new hires or to others in specific situations other than on an annual basis, as determined by the compensation committee. The grant date of equity awards is typically the date we obtain formal approval of the grant. We do not have, and do not intend to have, any program, plan or practice to time the grant of equity awards in coordination with the release of material non-public information. We also do not have, and do not intend to have, any program, plan or practice to time the release of material non-public information for the purpose of affecting the value of executive compensation. The exercise price for all stock options that we grant is equal to the closing price of our common stock on the grant date.

Policy Regarding Deductibility of Compensation

Section 162(m) of the Internal Revenue Code of 1986, as amended, enacted in 1993, generally disallows a tax deduction to public companies for compensation over $1 million paid to our chief executive officer and the three most highly compensated executive officers (not including our chief executive officer and chief financial officer). However, certain compensation meeting a tax law definition of performance-based is generally exempt from this deduction limit. We do not currently have a policy regarding qualification of cash compensation, such as salary and bonuses, for deductibility under Section 162(m). We have included provisions in our 2003 long-term incentives plan designed to enable grants of stock options to executive officers affected by Section 162(m) to qualify as performance-based compensation. Such grants cannot qualify until they are made by a committee consisting of outside directors under Section 162(m). The compensation committee believes that in certain circumstances factors other than tax deductibility take precedence when determining the forms and levels of executive compensation most appropriate and in the best interests of us and our stockholders. Given our changing industry and business, as well as the competitive market for outstanding executive officers, the compensation committee believes that it is important to retain the flexibility to design compensation programs consistent with its overall executive compensation philosophy even if some executive compensation is not fully deductible. Accordingly, the compensation committee may, from time to time, deem it appropriate to approve elements of compensation for certain executive officers that are not fully deductible.

The performance factors for equity compensation intended to meet the tax law definition of performance-based compensation were most recently approved in March 2009 and must be approved by stockholders at least every five years.

Change of Control Agreements

Each of our named executive officers has entered into our standard change of control agreement, which provides, under certain circumstances, for payments upon termination of employment in connection with a change of control of our company. Payments made under the agreement are subject to a "double trigger," meaning that both a change of control and a termination are required. We believe that a change of control agreement is necessary to diminish the inevitable distraction of executive officers by virtue of the personal uncertainties and risks created by a pending or threatened change of control. The agreement intends to encourage the executive officer s full attention and dedication and to provide a compensation and benefits arrangement satisfactory to the executive officer and competitive with other companies.

For the purposes of the change of control agreement, a change of control generally means:

- the acquisition by any individual, entity or group of beneficial ownership of 35% or more of either the then outstanding shares of our common stock or the combined voting power of the then outstanding voting securities entitled to vote generally in the election of directors;
- a change in the composition of a majority of the board, which is not supported by the current board;
- a major corporate transaction, such as a reorganization, merger or consolidation or sale or other disposition of all or substantially all of our assets, which results in a change in the majority of the board or of more than 60% of our stockholders; or
- approval by our stockholders of the complete liquidation or dissolution of our company.

An executive officer who terminates his own employment for good reason or whose employment is terminated by us for reasons other than for cause, disability or death (qualified terminations) in connection with a change of control is entitled to the following payouts and benefits:

- three times the executive officer s base annual salary for our chief executive officer and two times the base annual salary for all other executive officers;
- three times the executive officer s bonus under our annual incentive plans for our chief executive officer and two times the bonus for all other executive officers;
- accrued vacation pay to the extent that it remains unpaid;
- continued coverage under our welfare benefit plans for two years after termination, including, without limitation, medical, prescription, dental, disability, employee life, group life, accidental death and travel accident insurance plans and programs to the extent applicable generally to other peer executive officers of our company and our affiliated companies;
- outplacement services, the scope and provider of which will be selected by the executive officer in his sole discretion;
- immediate vesting of all equity securities held by the executive officer;
- other benefits including those that the executive officer is eligible to receive under any plan, program, policy or practice or contract or agreement; and
- for substantially all of our executive officers, a gross-up payment, defined as the amount equal to the excise tax on any payment by us pursuant to the change of control agreement as imposed by Section 4999 of the Internal Revenue Code and all taxes associated with the payment of that excise tax.

We believe that providing for payment under the change of control agreements upon a double trigger of a change of control and a qualified termination achieves the balanced result of focusing the executive officer and protecting our company s best interests. In March 2009, we eliminated the provision for gross-up payments in all change of control agreements entered into with our executive officers after that date. For more information regarding potential

Table of Contents

payments under the change of control agreements, see the Potential Payments Upon Termination or Change-in-Control (2010) table below.

Retirement Plans

Executive officers are eligible to participate in our retirement savings plan. Our retirement savings plan operates as a defined contribution tax-qualified plan and is open to all of our domestic salaried employees. A participant may elect to defer compensation within certain contribution limitations. We retain the discretion to contribute to each participant s plan through profit sharing and matching of contributions. Our contributions are paid in the form of cash and are invested in our common stock fund. For fiscal year 2010, we matched participants contributions 100% of the first 4% of the participant s covered compensation. The matching contributions paid to our named executive officers under our retirement savings plan during fiscal year 2010 are listed in footnote 2 to our Summary Compensation Table (2010) below.

Table of Contents

Summary Compensation Table (2010)

The following table sets forth the compensation earned for services performed for our company during fiscal years 2010, 2009 and 2008 by:

our chief executive officer;

our chief financial officer; and

each of our other three most highly compensated executive officers, employed by us as of the end of fiscal year 2010, whom we refer to collectively as our named executive officers.

and Principal Position	Year	Salary ($)	Bonus ($)	Stock Awards ($)(1)	Option Awards ($)(1)	Non-Equity Incentive Plan Compensation ($)	All Other Compensation ($)(2)	Total
Y. Halim	2010	$512,500		$2,517,300	$148,800	$916,278	$40,063	$4,134
Executive Officer	2009	500,000	$600,000	106,000	203,400		53,116	1,462
	2008	500,000	250,000	278,250	267,000		54,371	1,349
/. Johnsen	2010	303,750	50,000(3)	87,200	99,200	297,423	22,830	860
Vice President	2009	300,000	75,000	106,000	56,500		25,559	563
hief Financial Officer	2008	69,231	200,000		354,000		2,144	625
as J. Medrek	2010	327,750		531,800	62,000	223,049	20,525	1,165
Vice President	2009	308,077		21,200	73,450		37,610	440
eneral Manager, unications Convergence sing	2008	300,000	35,000	64,990			35,514	435
l J. Hamilton	2010	252,500		213,600	62,000	145,176	13,796	687
Vice President,	2009	250,000		21,200	56,500	132,935	13,429	474
wide Sales	2008	247,308		73,250		135,369	34,315	490
. Busch Vice President eneral Manager, Performance Analog	2010	268,975		54,500	62,000	182,295	22,600	590

(1) These amounts reflect the grant date fair value calculated in accordance with ASC 718 on the basis of the fair market value of the underlying awards on the respective grant dates and without any adjustment for estimated forfeitures. Assumptions used in the calculation of these amounts are included in Note 12, *Stock-Based Compensation,* to our audited financial statements for the fiscal year ended October 1, 2010, included in our annual report on Form 10-K filed with the SEC on November 22, 2010. The stock awards for Messrs. Halim, Medrek and Hamilton consist of awards of restricted stock and unrestricted performance stock. The grant date fair value of the unrestricted performance stock awards set forth in the table above, based on expected performance, is as follows: $1,128,000 for Mr. Halim; $225,600 for Mr. Medrek; and $75,200 for Mr. Hamilton.

The grant date fair value of these awards, assuming that the highest level of performance conditions will be achieved, is as follows: $1,731,000 for Mr. Halim; $346,200 for Mr. Medrek; and $115,400 for Mr. Hamilton. The unrestricted performance stock awards begin to vest on the date when the average of the closing price of our common stock reaches certain minimum amounts over a consecutive 20-day trading period. The vesting trigger price for 50% of each named executive officer s award is $10.49 and the vesting trigger price for the remaining 50% of each named executive officer s award is $12.59, which represents a 25% and 50% increase in the price of our common stock as of the grant date, respectively. For more information on these awards, see the discussion above under the caption Executive Officer and Director Compensation Compensation Discussion and Analysis Elements of Compensation Long-Term Incentive Equity Awards.

Table of Contents

(2) The amount shown as All Other Compensation includes the following perquisites and personal benefits:

Name	Retirement Savings Plan Contributions (A)	Life Insurance Premiums	Liability Insurance Premiums (B)	Airline Club Fees	Club Dues (C)	Financial Services (C)(D)	Property Management (E)	Health Club	Physical Exam	Internet Reimbursement	Tax Reimbursem (F)
Raouf Y. Halim	$ 9,577	$ 2,463	$ 3,598	$ 425	$ 5,268	$ 5,500		$ 3,248	$ 1,500	$ 540	$ 7,944
Bret W. Johnsen	12,150	669	1,248	375				5,400			2,988
Thomas J. Medrek	11,141	1,671	1,248				$ 5,976	297			192
Gerald J. Hamilton	9,715	2,348	1,248	325							160
Kurt F. Busch	9,536	571	1,248	399		1,175		5,355		540	3,776

(A) Represents amounts we contributed pursuant to our retirement savings plan.

(B) Represents amounts we paid for excess personal liability insurance coverage.

(C) In May 2010, the compensation committee discontinued these perquisites.

(D) Represents fees we paid on behalf of the executive for financial services provided by a third party, including financial counseling, tax return preparation and estate planning.

(E) Represents amount for property management fees we paid for Mr. Medrek s former residence in connection with his relocation to Southern California.

(F) We discontinued the practice of issuing tax reimbursement payments related to perquisites to our executive officers beginning in fiscal year 2011 in order to be more in line with best pay practices.

(3) The amount disclosed for Mr. Johnsen represents a discretionary cash bonus in recognition of his outstanding performance in fiscal year 2010, and is discussed further above under the caption Executive Officer and Director Compensation Compensation Discussion and Analysis Special Bonuses Discretionary Cash Bonuses.

Compensation Policies and Practices and Risk Management

During fiscal year 2010, with the assistance of information provided by our independent compensation consultants at the direction of our compensation committee, the board conducted a risk assessment of our compensation policies and practices for all employees, including executive officers, and determined that our compensation programs are not reasonably likely to have a material adverse effect on our company. In addition, the board believes that the mix and design of the elements of executive compensation do not encourage management to assume excessive or inappropriate risk for the following reasons:

We structure our compensation to consist of both fixed and variable compensation. The variable portions of compensation (short-term incentive-based cash and equity compensation and long-term incentive equity compensation) are designed to: (i) align the financial interests of our executive officers with those of our stockholders; and (ii) pay for both short-and long-term corporate performance. For short-term performance, our incentives are awarded based on pay-for-performance criteria that include: (i) net income; (ii) operating profitability; and (iii) attainment of engineering and strategic business development goals. For long-term performance, our stock option awards, restricted stock awards and unrestricted performance stock awards (if the stock price-based vesting thresholds are met) generally vest over three to four years. Stock option and unrestricted performance stock awards, which vest only upon the achievement of certain stock price appreciation thresholds, are only valuable, and, in some cases, only earned, if our stock price increases over time. Our restricted stock awards generally vest quarterly over three years. We feel these variable elements of compensation are a sufficient percentage of overall compensation to motivate our executive officers to meet short-term business objectives and produce superior long-term corporate results, while the fixed element is appropriate and discourages the need for executive officers to take unnecessary or excessive risks in doing so. Fixed compensation is reviewed annually and adjusted periodically as discussed above under the caption Executive Officer and Director Compensation Compensation Discussion and Analysis Elements of Compensation Base Annual Salary. Metrics used in determining funding of the short-term cash incentive awards are approved by the compensation committee at the commencement of the fiscal year.

Table of Contents

We have strict internal controls over the measurement and calculation of performance metrics, which are validated through multiple business units, thereby reducing the risk of manipulation by any employee or executive. In addition, all of our employees are required to undergo training on our code of business conduct and ethics, which covers, among other things, accuracy of business records.

We believe that our combined focus on income and profitability (through short-term incentive cash and equity awards) and stock price (through long-term incentive equity awards) naturally limits excessive or inappropriate risk-taking. The short-term incentive mix of cash and equity awards is approved by the compensation committee, which believes the mix of cash and equity awards, and the financial metrics used to determine the amount of an executive officer s annual short-term incentive cash and equity awards are measures that drive long-term stockholder value. These measures include fiscal year net income and cash generation, which encourages the pursuit of opportunities that enhance stockholder value. The long-term incentive equity awards work to do the same; encourage executive officers to look to long-term appreciation in value.

The board determined that, for all employees, our compensation programs do not encourage excessive or inappropriate risk; rather, they encourage behaviors that support sustainable value creation. Nonetheless, in connection with the review of our risk profile, the board and the compensation committee plan to routinely perform the following activities:

an assessment and review of executive stock ownership levels to ensure there is considerable incentive for management to consider our company s long-term interests because a portion of their personal investment portfolio consists of our company s stock; and

structure short-term incentive cash awards on a linear curve, thereby eliminating award cliffs and performance accelerators between performance metric ranges.

Additionally, we implemented a maximum short-term incentive cash award amount of 200% of target award amounts for our fiscal year 2011 cash bonus plan for eligible executive officers and employees.

Table of Contents

Grants of Plan-Based Awards (2010)

The following table presents information on equity awards granted to our named executive officers during fiscal year 2010.

Estimated Possible Payouts Under Non-Equity Incentive Plan Awards(1)	Estimated Possible Payouts Under Equity Incentive Plan Awards(2)(3)	All Other Stock Awards: Number of	All Other Option Awards: Number of	Exercise or Base	Grant Date Fair