

SYNAPTICS INC  
Form DEF 14A  
September 08, 2011

**Table of Contents**

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549  
SCHEDULE 14A**

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

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

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

Synaptics Incorporated

(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):

- No fee required.
- Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.
  - (1) Title of each class of securities to which transaction applies:

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

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

(4) Proposed maximum aggregate value of transaction:

(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**

**NOTICE OF ANNUAL MEETING OF STOCKHOLDERS  
October 18, 2011**

The Annual Meeting of Stockholders of Synaptics Incorporated, a Delaware corporation, will be held at 9:00 a.m., local time, on Tuesday, October 18, 2011, at our principal executive offices located at 3120 Scott Boulevard, Santa Clara, California 95054 for the following purposes:

1. To elect three directors, each to serve for a three-year term expiring in 2014.
2. To provide a non-binding advisory vote on the compensation of our named executive officers for fiscal 2011 ( say-on-pay ).
3. To provide a non-binding advisory vote on the frequency of future non-binding advisory votes on the compensation of our named executive officers ( say-on-frequency ).
4. To ratify the appointment of KPMG LLP, an independent registered public accounting firm, as the independent auditor of our company for the fiscal year ending June 30, 2012.
5. To transact such other business as may properly come before the meeting or any adjournment or postponement thereof.

The foregoing items of business are more fully described in the proxy statement accompanying this notice.

Only stockholders of record at the close of business on August 26, 2011 are entitled to notice of and to vote at the meeting or any adjournment or postponement thereof.

All stockholders are cordially invited to attend the meeting and vote in person. To assure your representation at the meeting, however, you are urged to vote by proxy as soon as possible over the Internet as instructed in the Notice of Internet Availability of Proxy Materials or, if you receive paper copies of the proxy materials by mail, you can also vote by telephone or by mail by following the instructions on the proxy card. You may vote in person at the meeting even if you have previously returned a proxy.

Sincerely,

Santa Clara, California  
September 8, 2011

Russell J. Knittel  
Interim President and Chief Executive Officer

---

**TABLE OF CONTENTS**

<u>PROXY STATEMENT</u>	1
<u>VOTING AND OTHER MATTERS</u>	1
<u>PROPOSAL ONE: ELECTION OF DIRECTORS</u>	4
<u>CORPORATE GOVERNANCE</u>	6
<u>COMPENSATION DISCUSSION AND ANALYSIS</u>	10
<u>COMPENSATION COMMITTEE REPORT</u>	15
<u>EXECUTIVE COMPENSATION</u>	16
<u>SUMMARY COMPENSATION TABLE</u>	16
<u>GRANTS OF PLAN-BASED AWARDS</u>	18
<u>OUTSTANDING EQUITY AWARDS AT FISCAL YEAR-END</u>	19
<u>OPTION EXERCISES AND STOCK VESTING</u>	20
<u>DIRECTOR COMPENSATION</u>	27
<u>REPORT OF THE AUDIT COMMITTEE</u>	29
<u>SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE</u>	30
<u>SECURITY OWNERSHIP OF PRINCIPAL STOCKHOLDERS, DIRECTORS, AND OFFICERS</u>	30
<u>CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS</u>	32
<u>PROPOSAL TWO: ADVISORY VOTE ON EXECUTIVE COMPENSATION ( SAY-ON-PAY )</u>	32
<u>PROPOSAL THREE: ADVISORY VOTE ON DETERMINING THE FREQUENCY OF SAY-ON-PAY</u>	34
<u>PROPOSAL FOUR: RATIFICATION OF APPOINTMENT OF INDEPENDENT AUDITOR</u>	34
<u>DEADLINE FOR RECEIPT OF STOCKHOLDER PROPOSALS</u>	36
<u>OTHER MATTERS</u>	36

**Table of Contents**

**SYNAPTICS INCORPORATED**  
**3120 Scott Boulevard**  
**Santa Clara, California 95054**  
**PROXY STATEMENT**  
**VOTING AND OTHER MATTERS**

**General**

The accompanying proxy is solicited on behalf of Synaptics Incorporated, a Delaware corporation, by our Board of Directors for use at our Annual Meeting of Stockholders to be held on Tuesday, October 18, 2011 at 9:00 a.m., local time, or at any adjournment or postponement thereof, for the purposes set forth in this proxy statement and in the accompanying meeting notice. The meeting will be held at our principal executive offices, located at 3120 Scott Boulevard, Santa Clara, California 95054.

In accordance with rules adopted by the Securities and Exchange Commission, or the SEC, that allow companies to furnish their proxy materials over the Internet, we are mailing a Notice of Internet Availability of Proxy Materials instead of a paper copy of our proxy statement and our 2011 Annual Report to most of our stockholders. The Notice of Internet Availability of Proxy Materials contains instructions on how to access those documents and vote over the Internet. The Notice of Internet Availability of Proxy Materials also contains instructions on how to request a paper copy of our proxy materials, including our proxy statement, our 2011 Annual Report, and a form of proxy card. We believe this process will allow us to provide our stockholders the information they need in a more timely manner, while reducing the environmental impact and lowering our costs of printing and delivering the proxy materials.

These proxy solicitation materials were first released on or about September 8, 2011 to all stockholders entitled to vote at the meeting.

**Record Date and Outstanding Shares**

Stockholders of record at the close of business on August 26, 2011, which we have set as the record date, are entitled to notice of and to vote at the meeting. On the record date, there were 32,156,323 outstanding shares of our common stock, par value \$0.001 per share, respectively.

**Quorum**

The presence, in person or by proxy, of the holders of a majority of the total number of shares of common stock outstanding and entitled to vote constitutes a quorum for the transaction of business at the meeting. Each stockholder voting at the meeting, either in person or by proxy, may cast one vote per share of common stock held on all matters to be voted on at the meeting.

**Required Votes**

Assuming that a quorum is present, the affirmative vote of a majority of the votes cast is required for the election of the three nominees for three-year terms expiring in 2014 and to ratify the appointment of KPMG LLP, an independent registered public accounting firm, as the independent auditor of our company for the fiscal year ending June 30, 2012. The advisory vote on the compensation of our named executive officers for fiscal 2011 ( say-on-pay ) and the advisory vote on the frequency of future non-binding advisory votes on the compensation of our named executive officers ( say-on-frequency ) are non-binding, but our Board of Directors will consider the input of stockholders based on a majority of votes cast for the say-on-pay proposal and the say-on-frequency proposal alternative that receives the most votes cast.

**Table of Contents**

**Our Board of Directors recommends that you vote for the three nominees named herein, one year on the say-on-frequency proposal, and in favor of each of the other proposals.**

**Voting of Proxies**

When a proxy is properly executed and returned, the shares it represents will be voted at the meeting as directed. If no specification is indicated, the shares will be voted (1) for the election of each of the nominees for director set forth in this proxy statement, (2) for the advisory approval of the compensation of our named executive officers for fiscal 2011, (3) to hold an advisory vote on the compensation of our named executive officers on an annual basis, (4) for the proposal to ratify the appointment of KPMG LLP, an independent registered public accounting firm, as the independent auditor of our company for the fiscal year ending June 30, 2012, and (5) as the persons specified in the proxy deem advisable on such other matters as may come before the meeting.

**Broker Non-Votes and Abstentions**

Brokers, banks, or other nominees that hold shares of common stock in street name for a beneficial owner of those shares typically have the authority to vote in their discretion if permitted by the stock exchange or other organization of which they are members. Brokers, banks, and other nominees are permitted to vote the beneficial owner's proxy in their own discretion as to certain routine proposals when they have not received instructions from the beneficial owner, such as the ratification of the appointment of KPMG, LLP as the independent auditor of our company for the fiscal year ending June 30, 2012. If a broker, bank, or other nominee votes such uninstructed shares for or against a routine proposal, those shares will be counted towards determining whether or not a quorum is present and are considered entitled to vote on the routine proposals. However, when a proposal is non-routine, a broker, bank, or other nominee is not permitted to exercise its voting discretion on that proposal without specific instructions from the beneficial owner. These non-voted shares are referred to as broker non-votes when the nominee has voted on other non-routine matters with authorization or voted on routine matters. These shares will be counted towards determining whether or not a quorum is present, but will not be counted for purposes of determining the votes received on the non-routine proposals.

**Please note that brokers, banks, or other nominees may not use discretionary authority to vote shares on the election of directors, the say-on-pay proposal, or the say-on-frequency proposal if they have not received specific instructions from their clients. For your vote to be counted in the above, you will need to communicate your voting decisions to your broker, bank, or other nominee before the date of the meeting.**

As provided in our bylaws, a majority of the votes cast means that the number of votes cast for a proposal exceeds the number of votes cast against that proposal. Because abstentions and broker non-votes do not represent votes cast for or against a proposal, broker non-votes and abstentions will have no effect on the proposal to elect three directors, the say-on-pay proposal, the say-on-frequency proposal, or the proposal to ratify the appointment of KPMG LLP as the independent auditor of our company for the fiscal year ending June 30, 2012, as each such proposal is determined by reference to the votes actually cast by the shares present or represented by proxy and entitled to vote.

In accordance with our policy, an incumbent candidate for director who does not receive the required votes for re-election is expected to tender his or her resignation to our Board of Directors. Our Board of Directors, or another duly authorized committee of our Board of Directors, will make a determination as to whether to accept or reject the tendered resignation generally within 90 days after certification of the election results of the stockholder vote. We will publicly disclose the decision regarding the tendered resignation and the rationale behind the decision in a filing of a Current Report on Form 8-K with the SEC.

**Table of Contents**

**Revocability of Proxies**

Any stockholder giving a proxy may revoke the proxy at any time before its use by furnishing to us either a written notice of revocation or a duly executed proxy bearing a later date, or by attending the meeting and voting in person. Attendance at the meeting will not cause your previously granted proxy to be revoked unless you specifically so request.

**Election Inspector**

Votes cast by proxy or in person at the meeting will be tabulated by the election inspector appointed for the meeting, who will determine whether a quorum is present. The election inspector will treat broker non-votes and abstentions as shares that are present and entitled to vote for purposes of determining the presence of a quorum, and as described in the **Broker Non-Votes and Abstentions** section of this proxy statement for purposes of determining the approval of any matter submitted to the stockholders for a vote.

**Solicitation**

We will bear the cost of this solicitation. In addition, we may reimburse brokerage firms and other persons representing beneficial owners of shares for expenses incurred in forwarding solicitation materials to such beneficial owners. Proxies also may be solicited by certain of our directors and officers, personally or by telephone or e-mail, without additional compensation.

**Annual Report and Other Matters**

Our 2011 Annual Report to Stockholders, which was made available to stockholders with or preceding this proxy statement, contains financial and other information about our company, but is not incorporated into this proxy statement and is not to be considered a part of these proxy materials or subject to Regulations 14A or 14C or to the liabilities of Section 18 of the Securities Exchange Act of 1934, as amended, or the Exchange Act. The information contained in the **Compensation Committee Report** and the **Report of the Audit Committee** shall not be deemed filed with the SEC or subject to Regulations 14A or 14C or to the liabilities of Section 18 of the Exchange Act.

Through our website, [www.synaptics.com](http://www.synaptics.com), we make available free of charge all of our SEC filings, including our proxy statements, our annual reports on Form 10-K, our quarterly reports on Form 10-Q, and our current reports on Form 8-K, as well as Form 3, Form 4, and Form 5 reports of our directors, officers, and principal stockholders, together with amendments to these reports filed or furnished pursuant to Sections 13(a), 15(d), or 16 of the Exchange Act. We will also provide upon written request, without charge to each stockholder of record as of the record date, a copy of our Annual Report on Form 10-K for the fiscal year ended June 30, 2011 as filed with the SEC. Any exhibits listed in the Form 10-K report also will be furnished upon request at the actual expense we incur in furnishing such exhibits. Any such requests should be directed to our corporate secretary at our executive offices set forth in this proxy statement.

Our fiscal year is the 52- or 53-week period ending on the last Saturday in June. The fiscal periods presented in this proxy statement were 52-week periods for the years ended June 25, 2011, June 26, 2010, and June 27, 2009. For ease of presentation, the accompanying disclosures have been shown as ending on June 30, 2011, 2010, and 2009. The numbers included in this proxy statement also reflect the retroactive effect of the 3-for-2 stock split effected as a stock dividend to each stockholder of record on August 15, 2008 and paid on August 29, 2008.



**Table of Contents****PROPOSAL ONE:  
ELECTION OF DIRECTORS****Nominees**

Our Certificate of Incorporation and bylaws provide that the number of directors shall be fixed from time to time by resolution of our Board of Directors. Our Board of Directors has fixed the number of directors at seven. The directors are divided into three classes, with one class standing for election each year for a three-year term. Our Board of Directors has nominated Francis F. Lee, Nelson C. Chan, and Richard L. Sanquini for election as class 3 directors for three-year terms expiring in 2014 or until their successors have been elected and qualified.

Unless otherwise instructed, the proxy holders will vote the proxies received by them for the nominees named above. Messrs. Lee, Chan, and Sanquini currently are directors of our company. In the event that any of Messrs. Lee, Chan, or Sanquini are unable or decline to serve as directors at the time of the meeting, the proxies will be voted for any nominees designated by our current Board of Directors to fill the vacancies. It is not expected that any of Messrs. Lee, Chan, or Sanquini will be unable or will decline to serve as directors.

Our Board of Directors recommends a vote **for** the nominees named herein.

The following table sets forth certain information regarding our directors and the nominees for director:

<b>Name</b>	<b>Age</b>	<b>Position</b>	<b>Term Expires</b>
Francis F. Lee	59	Chairman of the Board	2011
Russell J. Knittel	61	Interim President and Chief Executive Officer, and Director	2013
Jeffrey D. Buchanan	55	Director	2012
Nelson C. Chan	50	Director	2011
Keith B. Geeslin	58	Director	2012
Richard L. Sanquini	76	Director	2011
James L. Whims	57	Director	2012

*Francis F. Lee* has been the Chairman of the Board of our company since October 2008 and a director of our company since December 1998. Mr. Lee served as Chief Executive Officer of our company from December 1998 until July 2009 and President of our company from December 1998 to July 2008. Mr. Lee was a consultant from August 1998 to November 1998. From May 1995 until July 1998, Mr. Lee served as General Manager of NSM, a Hong Kong-based joint venture between National Semiconductor Corporation and S. Megga. Mr. Lee held a variety of executive positions for National Semiconductor from 1988 until August 1995. These positions included Vice President of Communication and Computing Group, Vice President of Quality and Reliability, Director of Standard Logic Business Unit, and various other operations and engineering management positions. Mr. Lee holds a Bachelor of Science degree, with honors, in Electrical Engineering from the University of California at Davis. We believe Mr. Lee's service for more than 10 years as our Chief Executive Officer gives him invaluable insights into our business, our culture, our personnel, our opportunities, and our challenges and provides the requisite qualifications, skills, perspectives, and experiences that make him well qualified to serve on our Board of Directors.

*Russell J. Knittel* has served as Interim President and Chief Executive Officer and has been a director of our company since October 2010. Mr. Knittel served as Executive Vice President of our company from July 2007 to October 2010 and acting General Manager of our Handheld Division from July 2010 to October 2010. Mr. Knittel served as Chief Financial Officer, Chief Administrative Officer, Secretary, and Treasurer of our company from November 2001 until his retirement from those positions in September 2009. Mr. Knittel served as Senior Vice President of our company from November 2001 until July 2007. He served as Vice President of Administration and Finance, Chief Financial Officer, and Secretary of our company from April 2000 through October 2001. Mr. Knittel is a director of MarineMax, Inc. and OCZ Technology Group, Inc., which are both publicly held companies. Mr. Knittel also serves as a director of LitePoint Corporation, a privately held company. Mr. Knittel holds a Bachelor of Arts degree in accounting from California State University at Fullerton and a Masters of Business Administration from San Jose State University. We believe Mr. Knittel's roles as interim chief executive officer, general manager, and chief financial officer of a public company, and his public company board service provide the requisite qualifications, skills, perspectives, and experiences that make him well qualified to serve on our Board of Directors.



**Table of Contents**

*Jeffrey D. Buchanan* has been a director of our company since September 2005. Mr. Buchanan has been the Executive Vice President, Chief Financial Officer, and Treasurer of Smith & Wesson Holding Corporation, a Nasdaq Global Select Market-listed company that is a global provider of products and services for safety, security, protection and support, since January 2011. Mr. Buchanan also served on the Board of Directors and as the Chairman of the Audit Committee of Smith & Wesson Holding Corporation from November 2004 until January 2011. From May 2010 to December 2010, Mr. Buchanan was a corporate attorney at Ballard Spahr LLP. Mr. Buchanan served as a Senior Managing Director of CKS Securities, LLC, a registered broker-dealer, from August 2009 until May 2010, and as a Senior Managing Director of Alare Capital Securities, L.L.C., a registered broker-dealer, from November 2006 until July 2009. From 2005 to 2006, Mr. Buchanan was principal of Echo Advisors, a corporate consulting and advisory firm focusing on mergers, acquisitions, and strategic planning. Mr. Buchanan served in various positions with Three-Five Systems, Inc., an NYSE publicly traded electronic manufacturing services company, from May 1996 until February 2005, including as Executive Vice President, Chief Financial Officer, Treasurer, and Secretary. Mr. Buchanan served from June 1986 until May 1996 as a business lawyer with O Connor, Cavanagh, Anderson, Killingsworth & Beshears, a professional association, most recently as a senior member of that firm. Mr. Buchanan was associated with the law firm of Davis Wright Tremaine from 1984 to 1986, and he was a senior staff person at Deloitte & Touche from 1982 to 1984. Three-Five Systems, Inc. filed a voluntary petition for bankruptcy under Chapter 11 of the U.S. Bankruptcy Code on September 8, 2005. Mr. Buchanan holds a Bachelor of Science degree in Accounting from Arizona State University, a Juris Doctor degree in law from the University of Arizona, and a Masters of Law degree in tax from the University of Florida. We believe Mr. Buchanan's legal, accounting, and investment banking background, his roles as the chief financial officer and treasurer of public companies, and his public company board service provide the requisite qualifications, skills, perspectives, and experiences that make him well qualified to serve on our Board of Directors.

*Nelson C. Chan* has been a director of our company since February 2007. From December 2006 until August 2008, Mr. Chan served as the Chief Executive Officer of Magellan, a leader in the consumer, survey, GIS, and OEM GPS navigation and positioning markets. From 1992 through 2006, Mr. Chan served in various senior management positions with SanDisk Corporation, a global leader in flash memory cards, including most recently as Executive Vice President and General Manager, Consumer Business. From 1983 to 1992, Mr. Chan held marketing and engineering positions at Chips and Technologies, Signetics, and Delco Electronics. Mr. Chan is a member of the Board of Directors of Affymetrix, a Nasdaq Global Select Market-listed company, which develops, manufactures, and sells products and services for genetic analysis to the life science research and clinical healthcare markets. Mr. Chan is also a member of the Board of Directors of Coinstar, Inc., a Nasdaq Global Select Market-listed company, which is a provider of automated retail solutions offering convenient services that make life easier for consumers and drive incremental traffic and revenue for retailers. Mr. Chan was a member of the Board of Directors of Silicon Laboratories, Inc. a Nasdaq Global Select Market-listed company, which is a fabless, analog-intensive mixed-signal semiconductor company. Mr. Chan also serves on the Boards of Directors of several private companies. Mr. Chan holds a Bachelor of Science degree in Electrical and Computer Engineering from the University of California at Santa Barbara and a Masters of Business Administration degree from Santa Clara University. We believe that Mr. Chan's experience as the Chief Executive Officer of Magellan, his senior management positions with other leading companies, and his service as a director of multiple companies provide the requisite qualifications, skills, perspectives, and experiences that make him well qualified to serve on our Board of Directors.

*Keith B. Geeslin* has been a director of our company since 1986. Mr. Geeslin has been a General Partner of Francisco Partners, a firm specializing in structured investments in technology companies undergoing strategic, technological, and operational inflection points, since January 2004. From 2001 until October 2003, Mr. Geeslin served as Managing General Partner of the Sprout Group, a venture capital firm, with which he became associated in 1984. In addition, Mr. Geeslin served as a general or limited partner in a series of investment funds associated with the Sprout Group, a division of DLJ Capital Corporation, which is a subsidiary of Credit Suisse (USA), Inc. Mr. Geeslin is a member of the Board of Directors of Blue Coat Systems, Inc., a public company that provides hardware and software products to secure and accelerate delivery of business applications over wide area networks and the Internet, and CommVault Systems, Inc., a public company that provides data management software applications. Mr. Geeslin formerly served

on the Board of Directors of Hypercom Corp., a public company that designs, manufactures, and sells electronic payment solutions. Mr. Geeslin holds a Bachelor of Science degree in Electrical Engineering and a Masters of Science degree in Engineering and Economic Systems from Stanford University and a Masters of Arts degree in Philosophy, Politics, and Economics from Oxford University. We believe Mr. Geeslin's long career at leading private equity and venture capital firms with a focus on investments in high-technology companies, his service on multiple boards of directors, and his engineering background provide the requisite qualifications, skills, perspectives, and experiences that make him well qualified to serve on our Board of Directors.

**Table of Contents**

*Richard L. Sanquini* has been a director of our company since 1994. Mr. Sanquini is a consultant in the semiconductor industry and is the former Chairman of the Board of PortalPlayer, Inc., a public company that developed the silicon and operating system firmware for the Apple iPod, and was acquired by NVIDIA Corporation in January 2007. Mr. Sanquini retired from National Semiconductor in 1999, after a 20-year tenure, where he managed key business units, including microprocessors and microcontrollers, served as Chief Technology Officer, managed business development and intellectual property protection, and was Chairman of the Board for two China joint ventures. Prior to National Semiconductor, he served as President and Chief Executive Officer of Information Storage Devices, and in various executive positions at RCA. Mr. Sanquini is the Chairman of the Board of Directors of Pixelworks Inc., a public company, and on the Boards of Directors of four private companies. Mr. Sanquini formerly served on the Board of Directors of ZiLOG, Inc., a public company, which is a fabless semiconductor supplier of microprocessor and microcontroller semiconductor devices, or micrologic products. Mr. Sanquini holds a Bachelor of Science degree in Electrical Engineering from the Milwaukee School of Engineering, Wisconsin. We believe that Mr. Sanquini's long career and executive positions with numerous high-technology companies, his engineering background, his knowledge and experience in the semiconductor industry, and his service on numerous boards of directors provide the requisite qualifications, skills, perspectives, and experiences that make him well qualified to serve on our Board of Directors.

*James L. Whims* has been a director of our company since October 2007. Mr. Whims has been a Partner at Alsop Louie Partners, a venture capital firm focused on identifying promising entrepreneurs, since February 2010. From 1996, Mr. Whims was a Managing Director of TechFund Capital I, L.P., TechFund Capital II, L.P., and since 2001, TechFund Capital Europe, venture capital firms concentrating on high-technology enterprises. Since 1997, Mr. Whims has been a director of THQ, Inc., a leading independent developer and publisher of interactive entertainment software, which is listed on the Nasdaq Global Select Market. Mr. Whims also serves on the Boards of Directors of numerous private companies, including Ruckus Media, Kidlandia, Phizzle, and Waveconnex. Mr. Whims was Executive Vice President of Sony Computer Entertainment of America from 1994 to 1996, where he was responsible for the North American launch of the PlayStation, and Executive Vice President of The Software Toolworks Inc. from 1990 to 1994. Mr. Whims co-founded Worlds of Wonder, an American toy company that distributed products including Teddy Ruxpin, Lazer Tag, and the United States launch of Nintendo, where he also served as an executive from 1985 to 1988. Mr. Whims holds a Bachelor of Arts degree in Economics and Communications from Northwestern University and a Masters of Business Administration degree in Finance and Marketing from the University of Arizona. We believe Mr. Whims' senior executive positions with major companies, his experience as an investor in high-technology companies, his service as a director of multiple companies, and his expertise in e-communications and marketing provide the requisite qualifications, skills, perspectives, and experiences that make him well qualified to serve on our Board of Directors.

**Election of Nominees**

The election of Messrs. Lee, Chan, and Sanquini as class 3 directors for three-year terms expiring in 2014 or until their successors have been elected and qualified will require the affirmative vote of a majority of the votes cast, assuming that a quorum is present at the meeting.

**CORPORATE GOVERNANCE****Director Independence**

Our Board of Directors has determined, after considering all the relevant facts and circumstances, that Messrs. Buchanan, Chan, Geeslin, Sanquini, and Whims are independent directors, as independence is defined by the listing standards of Nasdaq and by the SEC, because they have no relationship with us that would interfere with their exercise of independent judgment. Messrs. Lee and Knittel are not independent directors of our company because of their past or current positions as executive officers of our company. There are no family relationships among any of our directors or officers.

**Table of Contents**

**Committee Charters, Corporate Governance, and Code of Ethics**

Our Board of Directors has adopted charters for the Audit, Compensation, and Nominations and Corporate Governance Committees describing the authority and responsibilities delegated to each committee by our Board of Directors. Our Board of Directors has also adopted Corporate Governance Guidelines, a Code of Conduct, and a Code of Ethics for the CEO and Senior Financial Officers. We post on our website at [www.synaptics.com](http://www.synaptics.com), the charters of our Audit, Compensation, and Nominations and Corporate Governance Committees; our Corporate Governance Guidelines, Code of Conduct, and Code of Ethics for the CEO and Senior Financial Officers, and any amendments or waivers thereto; and any other corporate governance materials specified by SEC or Nasdaq regulations. These documents are also available in print to any stockholder requesting a copy in writing from our corporate secretary at our executive offices set forth in this proxy statement.

**Executive Sessions**

We regularly schedule executive sessions of our Board of Directors at which non-management directors meet without the presence or participation of management. The Chairman of our Board of Directors presides at such executive sessions. We also schedule meetings of the independent directors, which are presided by the Lead Director.

**Board Committees**

Our bylaws authorize our Board of Directors to appoint, from among its members, one or more committees, each consisting of one or more directors. Our Board of Directors has established three standing committees: an Audit Committee, a Compensation Committee, and a Nominations and Corporate Governance Committee. The members of our Audit Committee, Compensation Committee, and Nominations and Corporate Governance Committee consist entirely of independent directors.

*The Audit Committee*

The purposes of the Audit Committee are to oversee the financial and reporting processes of our company and the audits of the financial statements of our company and to provide assistance to our Board of Directors with respect to the oversight of the integrity of the financial statements of our company, our company's compliance with legal and regulatory matters, the independent auditor's qualifications and independence, and the performance of our company's independent auditor. The primary responsibilities of the Audit Committee are set forth in its charter and include various matters with respect to the oversight of our company's accounting and financial reporting process and audits of the financial statements of our company on behalf of our Board of Directors. The Audit Committee also selects the independent auditor to conduct the annual audit of the financial statements of our company; reviews the proposed scope of such audit; reviews accounting and financial controls of our company with the independent auditor and our financial accounting staff; and reviews and approves any transactions between us and our directors, officers, and their affiliates.

The Audit Committee currently consists of Messrs. Buchanan, Chan, and Whims, each of whom is an independent director of our company under Nasdaq listing standards as well as under rules adopted by the SEC pursuant to the Sarbanes-Oxley Act of 2002, or Sarbanes-Oxley. Our Board of Directors has determined that Mr. Buchanan (whose background is detailed above) qualifies as an audit committee financial expert in accordance with applicable rules and regulations of the SEC. Mr. Buchanan serves as the Chairman of the Audit Committee.

*The Compensation Committee*

The purposes of the Compensation Committee include determining, or recommending to our Board of Directors for determination, the compensation of the Chief Executive Officer and other executive officers of our company and discharging the responsibilities of our Board of Directors relating to compensation programs of our company. The Compensation Committee currently consists of Messrs. Geeslin, Sanquini, and Whims, each of whom is an independent director of our company under Nasdaq listing standards as well as under rules adopted by the SEC pursuant to Sarbanes-Oxley. Mr. Sanquini serves as the Chairman of the Compensation Committee.

**Table of Contents**

*The Nominations and Corporate Governance Committee*

The purposes of the Nominations and Corporate Governance Committee include the selection or recommendation to our Board of Directors of nominees to stand for election as directors at each election of directors, the oversight of the selection and composition of committees of our Board of Directors, the oversight of the evaluations of our Board of Directors and management, and the development and recommendation to our Board of Directors of a set of corporate governance principles applicable to our company. The Nominations and Corporate Governance Committee currently consists of Messrs. Chan, Geeslin, and Sanquini, each of whom is an independent director of our company under Nasdaq listing standards as well as under rules adopted by the SEC pursuant to Sarbanes-Oxley. Mr. Chan serves as the Chairman of the Nominations and Corporate Governance Committee.

The Nominations and Corporate Governance Committee will consider persons recommended by stockholders for inclusion as nominees for election to our Board of Directors if the information required by our bylaws is submitted in writing in a timely manner addressed and delivered to our company's corporate secretary at our executive offices set forth in this proxy statement. The Nominations and Corporate Governance Committee identifies and evaluates nominees for our Board of Directors, including nominees recommended by stockholders, based on numerous factors it considers appropriate, some of which may include strength of character, mature judgment, career specialization, relevant technical skills, diversity, and the extent to which the nominee would fill a present need on our Board of Directors.

**Risk Assessment of Compensation Policies and Practices**

We have assessed the compensation policies and practices with respect to our employees, including our executive officers, and have concluded that they do not create risks that are reasonably likely to have a material adverse effect on our company.

**Board's Role in Risk Oversight**

Risk is inherent in every business. As is the case in virtually all businesses, we face a number of risks, including operational, economic, financial, legal, regulatory, and competitive risks. Our management is responsible for the day-to-day management of the risks we face. Our Board of Directors, as a whole and through its committees, has responsibility for the oversight of risk management.

In its oversight role, our Board of Directors' involvement in our business strategy and strategic plans plays a key role in its oversight of risk management, its assessment of management's risk appetite, and its determination of the appropriate level of enterprise risk. Our Board of Directors receives updates at least quarterly from senior management and periodically from outside advisors regarding the various risks we face, including operational, economic, financial, legal, regulatory, and competitive risks. Our Board of Directors also reviews the various risks we identify in our filings with the SEC as well as risks relating to various specific developments, such as acquisitions, stock repurchases, debt and equity placements, and product introductions.

Our Board committees assist our Board of Directors in fulfilling its oversight role in certain areas of risks. Pursuant to its charter, the Audit Committee oversees the financial and reporting processes of our company and the audit of the financial statements of our company and provides assistance to our Board of Directors with respect to the oversight and integrity of the financial statements of our company, our company's compliance with legal and regulatory matters, the independent auditor's qualification and independence, and the performance of our independent auditor. The Compensation Committee considers the risks that our compensation policies and practices may have in attracting, retaining, and motivating valued employees and endeavors to assure that it is not reasonably likely that our compensation plans and policies would have a material adverse effect on our company. Our Nominations and Corporate Governance Committee oversees governance related risks, such as board independence, conflicts of interests, and management succession planning.

## **Table of Contents**

### **Board Diversity**

We seek diversity in experience, viewpoint, education, skill, and other individual qualities and attributes to be represented on our Board of Directors. We believe directors should have various qualifications, including individual character and integrity; business experience and leadership ability; strategic planning skills, ability, and experience; requisite knowledge of our industry and finance, accounting, and legal matters; communications and interpersonal skills; and the ability and willingness to devote time to our company. We also believe the skill sets, backgrounds, and qualifications of our directors, taken as a whole, should provide a significant mix of diversity in personal and professional experience, background, viewpoints, perspectives, knowledge, and abilities. Nominees are not to be discriminated against on the basis of race, religion, national origin, sex, sexual orientation, disability, or any other basis prescribed by law. The assessment of directors is made in the context of the perceived needs of our Board of Directors from time to time.

All of our directors have held high-level positions in business or professional service firms and have experience in dealing with complex issues. We believe that all of our directors are individuals of high character and integrity, are able to work well with others, and have committed to devote sufficient time to the business and affairs of our company. In addition to these attributes, the description of each director's background sets forth above indicates the specific experience, qualifications, and skills necessary to conclude that each individual should continue to serve as a director of our company.

### **Board Leadership Structure**

We believe that effective board leadership structure can depend on the experience, skills, and personal interaction between persons in leadership roles as well as the needs of our company at any point in time. We currently maintain separate roles between the Chief Executive Officer and Chairman of the Board in recognition of the differences between the two responsibilities. Our Chief Executive Officer is responsible for setting our strategic direction and for day-to-day leadership and performance of our company. Our Chairman of the Board provides input to the Chief Executive Officer, sets the agenda for Board meetings, and presides over meetings of the full Board of Directors as well as executive sessions of the Board of Directors.

We currently select, on a rotation basis, one of our independent directors to serve as Lead Director. Mr. Buchanan is currently serving as our Lead Director. In that role, Mr. Buchanan helps to facilitate communication and interaction between the Board of Directors and management.

### **Compensation Committee Interlocks and Insider Participation**

During the fiscal year ended June 30, 2011, our Compensation Committee consisted of Messrs. Geeslin, Sanquini, and Whims. None of these individuals had any contractual or other relationships with us during the fiscal year except as directors.

### **Board and Committee Meetings**

Our Board of Directors held a total of six meetings during the fiscal year ended June 30, 2011. During the fiscal year ended June 30, 2011, the Audit Committee held five meetings; the Compensation Committee held four meetings; and the Nominations and Corporate Governance Committee held one meeting. Each of our directors attended at least 75% of the aggregate of (1) the total number of meetings of our Board of Directors held during fiscal 2011, and (2) the total number of meetings held by all committees of our Board of Directors on which such person served during fiscal 2011.

### **Annual Meeting Attendance**

We encourage our directors to attend each annual meeting of stockholders. To that end, and to the extent reasonably practical, we generally schedule a meeting of our Board of Directors on the same day as our annual meeting of stockholders. All of our directors attended our annual meeting of stockholders last year.

### **Communications with Directors**

Interested parties may communicate with our Board of Directors or specific members of our Board of Directors, including our independent directors and the members of our various board committees, by submitting a letter addressed to the Board of Directors of Synaptics Incorporated, c/o any specified individual director or directors at our executive offices set forth in this proxy statement. Any such letters are forwarded to the indicated directors.





**Table of Contents**

**COMPENSATION DISCUSSION AND ANALYSIS**

**Overview**

Our Board of Directors has appointed a Compensation Committee, consisting exclusively of independent directors. The Compensation Committee is authorized to determine and approve, or make recommendations to our Board of Directors with respect to, the compensation of our Chief Executive Officer and our other executive officers and to grant or recommend the grant of stock-based compensation to our Chief Executive Officer and other executive officers.

The compensation program for executive officers consists primarily of base salary, performance-based bonuses, and long-term incentives in the form of stock-based compensation, including stock options and deferred stock units. Executives also participate in other benefit plans, including medical and retirement plans, which generally are available to all regular full-time employees of our company. We consider each element of our compensation collectively with other elements of compensation when establishing the various forms, elements, and levels of compensation.

Our philosophy is to compensate our executives at levels that enable us to attract, motivate, and retain highly qualified executives. We establish annual bonus programs designed to reward individuals for performance based primarily on our financial results and their achievement of personal and corporate goals that contribute to our long-term goal of building stockholder value. Grants of stock-based awards are intended to provide additional incentive to work to maximize long-term total return to stockholders and to align the interests of our executives with those of our stockholders. Total compensation levels reflect corporate positions, responsibilities, and achievement of goals. As a result of our performance-based philosophy to compensation, compensation levels may vary significantly from year to year and among our various executive officers with fixed pay components generally set at or below the 50<sup>th</sup> percentile of comparable companies and variable pay components generally set at or above the 50<sup>th</sup> percentile of comparable companies. We expect the compensation level of our Chief Executive Officer will be higher than that of our other executive officers, assuming relatively equal achievement of individual performance goals, since our compensation policies set our base salaries, annual bonuses, and stock-based award grants after reviewing those of comparable companies, which generally compensate their chief executive officers at higher levels because of their roles and their importance to overall company success.

The three most determinative factors in our executive compensation program are compensation levels at comparable companies, individual performance, and company performance. The most important component of competitive compensation levels is compensation levels at Northern California-based high-technology companies, with revenue between \$200.0 million and \$1.0 billion, which we consider comparable companies; the most important component of company performance is operating profit; and the most important component of individual performance is achieving individual goals that are set at the beginning of each year but vary from year to year and position by position, but generally include financial and operating performance, product success, timely product delivery, forecasting accuracy, customer satisfaction, cost reduction, leadership, team building, and employee retention. The Compensation Committee has discretion in determining compensation matters.

Base salary levels for executive officers of our company generally are set at the beginning of each fiscal year, and bonuses are determined at the end of each fiscal year based upon the performance of our company and our executives.

**Philosophy**

The goals of our executive compensation program are as follows:

- to attract, motivate, and retain highly qualified executives;
- to reflect our philosophy of pay-for-performance;
- to align compensation to the interests of our company as a whole and its stockholders; and
- to recognize corporate stewardship and fiscal responsibility.

## **Table of Contents**

### **Role of the Compensation Committee and Chief Executive Officer**

The Compensation Committee of our Board of Directors currently determines the compensation of our Chief Executive Officer and our other executive officers. Annually, our Compensation Committee evaluates the performance of our Chief Executive Officer and determines the compensation of our Chief Executive Officer in light of the goals and objectives of our compensation program for that year. Our Compensation Committee together with our Chief Executive Officer annually assess the performance of our other executive officers. Based in part on recommendations from our Chief Executive Officer, our Compensation Committee determines the compensation of our other executive officers.

At the request of our Compensation Committee, our Chief Executive Officer generally attends a portion of our Compensation Committee meetings, including meetings at which our compensation consultants are present. This enables our Compensation Committee to review with our Chief Executive Officer the corporate and individual goals that our Chief Executive Officer regards as important to achieve our overall success. Our Compensation Committee also requests our Chief Executive Officer to assess the performance of and our goals for our other executive officers. Although the participation of our Chief Executive Officer could influence performance targets and individual goals, including his own, our Compensation Committee rather than our Chief Executive Officer makes all determinations regarding individual and corporate goals and targets. Our Chief Executive Officer does not attend any portion of meetings at which his compensation is discussed.

### **Compensation Surveys and Compensation Consultants**

In determining compensation levels, we regularly review compensation levels in our geographical area, compensation levels of companies that we deem to be similar to our company regardless of their location, competitive factors to enable us to attract executives from other companies, and, most importantly, compensation levels that we deem appropriate to attract, motivate, and retain our executives, with an emphasis on compensation levels at Northern California-based high-technology companies. From time to time, we retain the services of independent compensation consultants to review a wide variety of factors relevant to executive compensation, trends in executive compensation, and the identification of relevant comparable companies. Our Compensation Committee makes all determinations regarding the engagement, fees, and services of our compensation consultants, and our compensation consultants report directly to our Compensation Committee.

### **Base Salary**

Our philosophy is to pay base salaries at competitive levels that enable us to attract, motivate, and retain highly qualified executives. Base salaries for executive officers reflect an executive's position, responsibilities, experience, skills, performance, and contributions. In determining base compensation, we take into account competitive salary levels for similar positions at comparable companies and salary levels relative to other positions within our company. Our base salaries reflect our pay-for-performance philosophy that affords executives the opportunity to receive meaningful incentive compensation based on the performance of our company and our executives achieving individual goals set from time to time. As a result, our base salaries tend to be between the 25<sup>th</sup> and 50<sup>th</sup> percentiles of those of comparable companies.

Our Compensation Committee independently determines the base salary of our Chief Executive Officer. The base salaries for our other executives, other than our Chief Executive Officer, are determined by our Compensation Committee in conjunction with the recommendations of our Chief Executive Officer. Our Compensation Committee's evaluation of the recommendations of our Chief Executive Officer considers the same factors outlined above.

### **Annual Bonuses**

Annual bonuses are intended to provide incentive compensation to our executives who contribute substantially to the success of our company. The granting of such bonuses is based upon the achievement of company performance objectives, including meeting specified levels of operating profit, and individual performance goals. Our incentive compensation targets for annual bonuses for our executive officers are approved annually by our Board of Directors. Executive officer incentive compensation targets are subject to change based on our Compensation Committee's periodic reviews of industry and competitive data, changes in individual responsibility, and our compensation philosophy.



## **Table of Contents**

The determination of annual bonuses involves a two-step process. First, we establish the annual target cash incentive compensation pool each fiscal year based on the aggregate cash incentive targets of all of our executive officers. The actual bonus pool for the year is subject to the satisfaction of specified operating profit targets and to adjustment based on company performance relative to the target operating profit approved by our Board of Directors at the beginning of the year. The adjustment to the pool equals 12.5% of the amount, if any, by which our actual operating profit for the fiscal year exceeds or falls short of the target operating profit level.

In step two, the bonus amount, if any, to be received from the available bonus pool by an executive is determined based on the executive's position and responsibility level within our company. Further, our Compensation Committee exercises discretion in determining each executive's award based upon the available pool, a subjective assessment of the achievement of individual performance goals, and any other relevant factors. We set target operating profit at levels designed to penalize disappointing performance and to reward exemplary performance as determined by our Compensation Committee. Achieving target operating profit levels and individual goals generally results in annual bonuses at or above the 50<sup>th</sup> percentile of bonuses for comparable companies.

### **Stock-Based Compensation Grants**

Our company grants stock-based awards, including stock options and deferred stock units, periodically to our employees to provide them with additional incentive to work to maximize long-term total return to stockholders. Grants of stock-based awards are intended to result in limited rewards if the price of our common stock does not appreciate, but may provide substantial rewards to executives as our stockholders in general benefit from stock price appreciation. Grants of stock-based awards are intended to align the interests of our executives with those of our stockholders and to align compensation with the price performance of our common stock. Annual stock-based awards are intended to be competitive with those of comparable companies.

Under each stock-based incentive compensation plan, our Board of Directors or a committee approved by our Board of Directors is specified to act as the plan administrator, and our Board of Directors has authorized our Compensation Committee to make decisions regarding grants of stock-based awards to executive officers and employees of and consultants to our company. In general, stock-based awards are granted to employees at the onset of employment. If, in the opinion of the plan administrator, the performance of an existing employee merits an increase in the number of stock-based awards held, however, the plan administrator may elect to issue additional stock-based awards, such as additional stock options and deferred stock units, to that employee. The vesting period on grants is designed to encourage holders to continue in the employ of our company. The vesting schedule for stock options currently is generally 1/48th of the total shares each month after the grant date, and the vesting schedule for deferred stock units is generally 1/16th of the total shares each quarter after the date of grant. Stock options granted to our employees generally are incentive stock options, or qualified options under Section 422 of the Internal Revenue Code of 1986, as amended, or the Code, subject to calendar year vesting limitations under Section 422(d) with any balance being nonqualified stock options.

### **Other Benefits**

Our company provides various employee benefit programs to our executive officers, including medical, dental, vision, life, and disability insurance benefits, a 401(k) retirement savings plan, and an employee stock purchase plan. These benefits are generally available to all regular full-time employees of our company.

### **Deductibility of Executive Compensation**

We take into account the tax effect of our compensation. Section 162(m) of the Code, or Section 162(m), currently limits the deductibility for federal income tax purposes of compensation in excess of \$1.0 million paid to each of any publicly held corporation's chief executive officer and three other most highly compensated executive officers (excluding the chief financial officer). We may deduct certain types of compensation paid to any of these individuals only to the extent that such compensation during any fiscal year does not exceed \$1.0 million. Qualifying performance-based compensation is not subject to the deduction limits if certain requirements are met.

**Table of Contents**

**Accounting Considerations**

We account for stock-based employee compensation arrangements in accordance with the provisions of Financial Accounting Standards Board, or FASB, Accounting Standards Codification, or ASC, Topic 718 Compensation Stock Compensation. In determining stock-based compensation, we consider the potential expense of those grants under FASB ASC Topic 718 and the impact on our earnings per share.

**Policies for the Pricing and Timing of Stock-Based Compensation Grants**

Generally, we provide for effective dates and set the price of all stock-based awards at the closing price of our stock on the Nasdaq Global Select Market on the second business day after each quarterly earnings release. We approve stock-based compensation at regularly scheduled meetings each year. In the case of new hires, vesting start dates are determined by the date the employee reports for service.

**Fiscal 2011 Incentive Compensation Program**

*Compensation Consultants*

We engaged Compensia, Inc. to assist us in connection with our fiscal 2011 incentive compensation program. We relied upon the Radford Executive Compensation Survey, a leading international compensation survey covering more than a thousand high-technology companies, and a group of peer companies identified by us after consultation with Compensia. We benchmarked our compensation levels with an emphasis on Northern California-based high-technology companies with revenue between \$200.0 million and \$1.0 billion. We believe that this group of companies represents our primary competition for attracting and retaining our executives. Examples of such companies included in the Radford Executive Compensation Survey are Atheros Communication, Atmel, Blue Coat Systems, Cypress Semiconductor, Intermec, Microchip Technology, Quantum, RF Micro Devices, Silicon Image, Silicon Laboratories, Skyworks Solutions, and TriQuint Semiconductor. The peer companies identified by us after consultation with Compensia were Atheros Communications, Atmel, Blue Coat Systems, Cypress Semiconductor, Emulex, InterDigital, Intermec, Netezza, NetGear, Novatel Wireless, Plantronics, PMC-Sierra, Polycom, Qlogic, Quantum, Riverbed Technology, Sigma Designs, Silicon Laboratories, STEC, and Zebra Technologies. Compensia provided us with the survey results and an analysis of our peer companies; determined our position among the peer companies; developed recommendations and guidelines for the structure of our compensation program; reviewed the overall compensation package; and advised our Compensation Committee regarding the appropriateness of our compensation program.

*Fiscal 2011 Incentive Compensation Program*

As is our practice, we set base salaries for our executive officers at the beginning of the fiscal year. Base salaries for our named executive officers were increased for fiscal 2011 as set forth below. The increases reflect performance assessments by our Compensation Committee and changes in comparable company base salary levels for the year. Our fiscal 2011 incentive compensation bonus program was broad based with 100% of our worldwide non-commission-based employees participating. The portion of the incentive compensation bonus pool of \$1.0 million established by our Board of Directors for our continuing named executive officers represented approximately 1.3% of our fiscal 2011 operating income. The amount of the bonus pool for fiscal 2011 reflected the aggregate cash incentive targets for all of our executive officers based on comparable company surveys and reaching a specified operating profit measure. The bonus amount paid to each executive from the bonus pool was determined based on the executive's position and responsibility level within our company and a subjective assessment by our Compensation Committee of performance by the executive in satisfying individual goals. We believe that it was difficult for our executives to achieve their incentive compensation targets because achieving such target levels required a substantial increase in performance over the prior year's results. Based on both individual performances and the assessment of our company's overall performance in fiscal 2011, bonuses were awarded to our named executive officers as set forth below.

**Table of Contents**

For fiscal 2011, our stock-based incentive compensation grants for executive officers took the form of grants of stock options as was the case for fiscal 2010 and fiscal 2009. In fiscal 2011, we granted stock options to certain executive officers and other employees under the program, including those to our named executive officers as set forth below. The amount of stock options granted to each executive officer during fiscal 2011 reflected the executive's position within our company, stock option grants by comparable companies for comparable positions, and the stock options held by the executive. The vesting schedule for stock option awards was generally 1/48th each month after the grant date. The vesting schedule is designed to encourage executives to continue in the employ of our company. Each executive forfeits the unvested portion, if any, of the stock options if the executive's service to our company is terminated for any reason, except as may otherwise be determined by our Board of Directors.

Mr. Knittel's individual performance goals for fiscal 2011 were to improve customer satisfaction, direct our future business growth plan, enhance operating profit, and develop and build our employee base. Mr. Knittel received a 48.9% increase in base salary in October 2010 to reflect his changed position from Executive Vice President to Interim President and Chief Executive Officer, to align his base salary with comparable company base salaries, and to reflect his job performance. Mr. Knittel received a bonus payout of 100% of his target bonus and options to purchase 534,400 shares of our common stock. We paid Mr. Knittel a discretionary bonus of \$116,667 for fiscal 2011 in recognition of the deferral of his planned retirement to accept the responsibilities of this interim role for our company and for his outstanding performance during his tenure in this position. Mr. Knittel also received options to purchase 131,000 shares of our common stock in connection with his appointment as our Interim President and Chief Executive Officer in October 2010. Mr. Knittel's compensation reflects our agreement with him regarding his base salary and bonus in connection with his appointment, as well as his role as Interim President and Chief Executive Officer of our company, the performance of our company in fiscal 2011, and the satisfactory achievement of his individual performance goals for the year.

Ms. Bayless' individual performance goals for fiscal 2011 were to support our business growth objectives with appropriate processes and controls, monitor and review our corporate and financial structure, set future financial strategy, and foster an environment of high integrity and ethics and regulatory compliance. Ms. Bayless received a 2.5% increase in base salary in July 2010 to align her base salary with comparable company base salaries and to reflect her job performance. Ms. Bayless received a bonus payout of 100% of her target bonus and options to purchase 37,500 shares of our common stock. Ms. Bayless' compensation for fiscal 2011 reflects her role as our Chief Financial Officer, the performance of our company during fiscal 2011, and the satisfactory achievement of her individual performance goals for the year.

Mr. Barber joined our company on January 10, 2011, and his individual performance goals for fiscal 2011 were to improve customer satisfaction; develop and expand strategic relationships to enhance our ability to offer value-added solutions to our customers and penetrate new markets; and develop and build our employee base. Mr. Barber received a bonus payout of 100% of his pro-rated target bonus and options to purchase 110,000 shares of our common stock. Mr. Barber's compensation for fiscal 2011 reflects his appointment as our Senior Vice President and General Manager of our Handheld Division, the performance of our company during fiscal 2011, and the satisfactory achievement of his individual performance goals for the year.

Mr. Long's individual performance goals for fiscal 2011 were to provide leadership and direction with sales strategies designed to develop and expand strategic relationships with our existing customers and to penetrate new markets. Mr. Long received a 4.0% increase in base salary in July 2010 to align his base salary with comparable company base salaries and to reflect his job performance. Mr. Long received a bonus payout of 100% of his target bonus and options to purchase 37,500 shares of our common stock. In addition, we paid Mr. Long a \$40,000 discretionary bonus in recognition of his leadership of the Handheld Division prior to transitioning these responsibilities to Mr. Barber, who joined our company in January 2011. The increase in the base salary, the bonus level, and the stock-based compensation reflect the performance of our company during fiscal 2011 and the satisfactory achievement of his individual performance goals for the year.

Mr. Wong's individual performance goals for fiscal 2011 were to drive value engineering and continuous cost reduction, enhance supply chain capabilities, establish customer-centric product manufacturing solutions, and enhance operating profit. Mr. Wong received a 7.0% increase in base salary in July 2010 to align his base salary with

comparable company base salaries. Mr. Wong received a bonus payout of 97.5% of his target bonus and options to purchase 35,000 shares of our common stock. The increase in the base salary, the bonus level, and the stock-based compensation reflect the performance of our company during fiscal 2011 and the satisfactory achievement of his individual performance goals for the year.



**Table of Contents**

We are a party to a Change of Control and Severance Agreement with Mr. Knittel and a Separation Agreement and Release with Mr. Tiernan, each of which is described below.

**COMPENSATION COMMITTEE REPORT**

Our Compensation Committee has reviewed and discussed with management the Compensation Discussion and Analysis included in this proxy statement and, based on such review and discussions, the Compensation Committee recommended to our Board of Directors that the Compensation Discussion and Analysis be included in this proxy statement.

Respectfully submitted,  
Richard L. Sanquini, Chairman  
Keith B. Geeslin  
James L. Whims

Table of Contents**EXECUTIVE COMPENSATION****Summary of Cash and Other Compensation**

The following table sets forth, for the fiscal years ended June 30, 2011, 2010, and 2009, information regarding compensation for services in all capacities to us and our subsidiaries received by our Chief Executive Officer, our Chief Financial Officer, our three other most highly compensated executive officers during fiscal 2011 whose aggregate cash compensation exceeded \$100,000, and one individual who served as our Chief Executive Officer during fiscal 2011.

**SUMMARY COMPENSATION TABLE**

Name and Principal Position	Year	Salary (\$) <sup>(1)</sup>	Bonus (\$) <sup>(2)</sup>	Stock Awards (\$) <sup>(3)</sup>	Option Awards (\$) <sup>(4)</sup>	Plan Compensation (\$) <sup>(5)</sup>	Change in Pension Value and Non-Equity Incentive Nonqualified All		Total (\$) <sup>(8)</sup>
							Deferred Compensation (\$) <sup>(6)</sup>	Other Compensation (\$) <sup>(7)</sup>	
Russell J. Knittel <sup>(9)</sup>	2011	\$ 433,445	\$ 116,667	\$ 7,475,746	\$ 407,300		\$ 4,125		\$ 8,437,283
Interim President and Chief Executive Officer	2010	\$ 319,000		\$ 1,278,859	\$ 212,321		\$ 4,413		\$ 1,814,593
	2009	\$ 307,000		\$ 1,642,163	\$ 275,800		\$ 4,125		\$ 2,229,088
Kathleen A. Bayless <sup>(10)</sup>	2011	\$ 310,575		\$ 414,506	\$ 201,875				