MKS INSTRUMENTS INC
Form DEF 14A
March 10, 2010

Table of Contents

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

SCHEDULE 14A
(Rule 14A-101)

INFORMATION REQUIRED IN
PROXY STATEMENT

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

MKS Instruments, Inc.
(Name of Registrant as Specified in its Charter)

Payment of Filing Fee (Check the appropriate box):

þ No fee required.

o 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

Table of Contents

MKS INSTRUMENTS, INC.
2 TECH DRIVE, SUITE 201
ANDOVER, MASSACHUSETTS 01810

March 10, 2010

Dear shareholder:

You are cordially invited to attend the 2010 Annual Meeting of Shareholders of MKS Instruments, Inc. to be held on Monday, May 3, 2010, at 10:00 a.m. at the Wyndham Boston Andover Hotel, 123 Old River Road, Andover, Massachusetts 01810.

The enclosed notice of Annual Meeting and proxy statement describe the business to be transacted at the Annual Meeting and provide additional information about us that you should know when voting your shares. The principal business at the Annual Meeting will be to elect Class II Directors and to ratify the selection of our independent registered public accounting firm for fiscal 2010.

Whether or not you plan to attend the Annual Meeting, please complete, date, sign and return your Proxy Card promptly in the enclosed envelope, which requires no postage if mailed in the United States. If you attend the Annual Meeting, you may vote in person if you wish, even if you have previously returned your Proxy Card.

On behalf of MKS, I would like to express our appreciation for your continued interest in our company.

Sincerely,

LEO BERLINGHIERI
Chief Executive Officer and President

Table of Contents

MKS INSTRUMENTS, INC.
2 TECH DRIVE, SUITE 201
ANDOVER, MASSACHUSETTS 01810

NOTICE OF 2010 ANNUAL MEETING OF SHAREHOLDERS TO BE HELD ON MAY 3, 2010

To the shareholders:

NOTICE IS HEREBY GIVEN that the 2010 Annual Meeting of Shareholders of MKS INSTRUMENTS, INC., a Massachusetts corporation, will be held on Monday, May 3, 2010 at 10:00 a.m. at the Wyndham Boston Andover Hotel, 123 Old River Road, Andover, Massachusetts 01810. At the meeting, shareholders will consider and vote on the following matters:

1. To elect three Class II Directors, each for a three-year term; and

2. To ratify the selection of PricewaterhouseCoopers LLP as our independent registered public accounting firm for the year ending December 31, 2010.

The shareholders will also act on any other business as may properly come before the meeting.

The Board of Directors has fixed the close of business on March 4, 2010 as the record date for the determination of shareholders entitled to notice of, and to vote at, the Annual Meeting and any adjournment or adjournments thereof. Our stock transfer books will remain open for the purchase and sale of our Common Stock.

If you would like to attend the Annual Meeting and your shares are held by a broker, bank or other nominee, you must bring to the Annual Meeting a letter from the nominee confirming your beneficial ownership of such shares. In order to vote your shares at the Annual Meeting, you must obtain from the nominee a proxy issued in your name. You must also bring a form of personal identification.

By Order of the Board of Directors,

RICHARD S. CHUTE
Secretary

Andover, Massachusetts
March 10, 2010

Table of Contents

IMPORTANT

WHETHER OR NOT YOU EXPECT TO ATTEND THE ANNUAL MEETING IN PERSON, PLEASE PROMPTLY SIGN, DATE, AND RETURN THE ENCLOSED PROXY. PROMPTLY SIGNING, DATING AND RETURNING THE PROXY WILL SAVE US THE EXPENSE AND EXTRA WORK OF ADDITIONAL SOLICITATION. AN ADDRESSED ENVELOPE FOR WHICH NO POSTAGE IS REQUIRED IF MAILED IN THE UNITED STATES IS ENCLOSED FOR THAT PURPOSE. SENDING IN YOUR PROXY WILL NOT PREVENT YOU FROM VOTING YOUR STOCK AT THE ANNUAL MEETING IF YOU DESIRE TO DO SO, AS YOUR PROXY IS REVOCABLE AT YOUR OPTION.

Table of Contents

MKS INSTRUMENTS, INC.
2 TECH DRIVE, SUITE 201
ANDOVER, MASSACHUSETTS 01810

PROXY STATEMENT

This Proxy Statement is furnished in connection with the solicitation of proxies by the Board of Directors of MKS Instruments, Inc., a Massachusetts corporation, for use at the 2010 Annual Meeting of Shareholders to be held on May 3, 2010, at 10:00 a.m. at the Wyndham Boston Andover Hotel, 123 Old River Road, Andover, Massachusetts 01810, and at any adjournment or postponement thereof (the Annual Meeting). References in this proxy statement to we, us, the Company or MKS refer to MKS Instruments, Inc. and its consolidated subsidiaries.

All proxies will be voted in accordance with the shareholders instructions. If no choice is specified in the proxy, the shares will be voted in favor of the matters set forth in the accompanying Notice of 2010 Annual Meeting of Shareholders. Any proxy may be revoked by a shareholder at any time before its exercise by delivery of written revocation to the Secretary of MKS. Attendance at the Annual Meeting will not in itself be deemed to revoke a proxy unless the shareholder gives affirmative notice at the Annual Meeting that the shareholder intends to revoke the proxy and vote in person.

VOTING SECURITIES AND VOTES REQUIRED

At the close of business on March 4, 2010, the record date for the determination of shareholders entitled to notice of and to vote at the Annual Meeting, there were issued and outstanding and entitled to vote 49,545,671 shares of our common stock, no par value per share (the Common Stock). Each outstanding share entitles the record holder to one vote on each matter submitted at the Annual Meeting.

In order to transact business at the Annual Meeting, we must have a quorum. Under our Amended and Restated By-Laws, the holders of a majority of the shares of Common Stock issued and outstanding and entitled to vote at the Annual Meeting shall constitute a quorum for the transaction of business at the Annual Meeting. Shares of Common Stock present in person or represented by proxy (including broker non-votes and shares that abstain or do not vote with respect to a particular proposal to be voted upon) will be counted for purposes of determining whether a quorum exists at the Annual Meeting.

The affirmative vote of the holders of a plurality of the shares of Common Stock voting on the matter is required for the election of directors. The ratification of PricewaterhouseCoopers LLP, or PwC, requires the approval of the holders of a majority of the shares of Common Stock present or represented by proxy at the Annual Meeting and voting on the matter.

Shares held by shareholders who abstain from voting as to a particular matter, and broker non-votes, which are shares held in street name by banks, brokers or nominees, who indicate on their proxies that they do not have discretionary authority to vote such shares as to a particular non-routine matter, including the election of directors, will not be counted as votes in favor of such matter. Accordingly, abstentions and broker non-votes will have no effect on the voting on a matter that requires the affirmative vote of a certain percentage of the shares voting on the matter. If the shares you own are held in street name by a bank or brokerage firm, your bank or brokerage firm, as the record holder of your shares, is required to vote your shares according to your instructions. In order to vote your shares, you will need to follow the directions your bank or brokerage firm provides you.

IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR THE SHAREHOLDER MEETING TO BE HELD ON MAY 3, 2010.

A copy of (i) our Annual Report to Shareholders for the year ended December 31, 2009, which contains consolidated financial statements and other information of interest to shareholders, (ii) this Notice, (iii) the enclosed Proxy Statement and (iv) information on how to obtain directions to be able to attend the meeting and vote in person can be accessed on our website at www.mksinstruments.com/AnnualMeetingMaterials or by calling (800) 227-8766 ext. 5576.

THE NOTICE OF ANNUAL MEETING, THIS PROXY STATEMENT AND OUR ANNUAL REPORT TO SHAREHOLDERS FOR THE YEAR ENDED DECEMBER 31, 2009 ARE BEING MAILED TO SHAREHOLDERS ON OR ABOUT MARCH 17, 2010. A COPY OF OUR ANNUAL REPORT ON FORM 10-K FOR THE YEAR ENDED DECEMBER 31, 2009 AS FILED WITH THE SECURITIES AND EXCHANGE COMMISSION, OR THE SEC, EXCLUDING EXHIBITS, WILL BE FURNISHED WITHOUT CHARGE TO ANY SHAREHOLDER UPON WRITTEN REQUEST TO: INVESTOR RELATIONS DEPARTMENT, MKS INSTRUMENTS, INC., 2 TECH DRIVE, SUITE 201, ANDOVER, MA 01810. EXHIBITS WILL BE PROVIDED UPON WRITTEN REQUEST AND PAYMENT OF AN APPROPRIATE PROCESSING FEE.

Table of Contents

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth certain information with respect to the beneficial ownership of Common Stock by (i) each of our current directors; (ii) the executive officers named in the Summary Compensation Table below; (iii) each shareholder known to us to be the beneficial owner of more than 5% of the outstanding shares of Common Stock; and (iv) all of our directors and executive officers as a group. Unless otherwise indicated in the footnotes to the table (i) all information set forth in the table is as of January 31, 2010; and (ii) the address for each of our directors and executive officers is: c/o MKS Instruments, Inc., 2 Tech Drive, Suite 201, Andover, Massachusetts 01810.

Name of Beneficial Owners	**Number of Shares Beneficially Owned(1)**	**Percentage of Common Stock Beneficially Owned**
Named Executive Officers		
Leo Berlinghieri	455,534(2)	*
Ronald C. Weigner	298,213(3)	*
Gerald G. Colella	237,163(4)	*
John T.C. Lee	13,186(5)	*
John A. Smith	96,428(6)	*
Directors Not Included Above		
Cristina H. Amon	10,110(7)	
Robert R. Anderson	74,000(8)	*
Gregory R. Beecher	26,400(9)	*
John R. Bertucci	3,067,478(10)	6.2%
Richard S. Chute	66,000(11)	*
Peter R. Hanley	2,222(12)	*
Hans-Jochen Kahl	10,000(13)	*
Louis P. Valente	66,000(14)	*
Other 5% shareholders		
Dimensional Fund Advisors LP. Palisades West, Building One 6300 Bee Cave Road Austin, TX 78756	4,026,611(15)	8.1%
Kornitzer Capital Management, Inc. 5240 West 61st Place Shawnee Mission, KS 66205	4,504,137(16)	9.1%
Royce & Associates, LLC 1414 Avenue of the Americas New York, NY 10019	7,265,630(17)	14.7%
Black Rock, Inc. 40 East 52nd Street New York, NY 10022	4,164,766(18)	8.4%
All directors and officers as a group (15 persons)	4,182,613(19)	8.3%

* Represents less than 1% of the outstanding Common Stock.

(1) We believe that each shareholder has sole voting and investment power with respect to the shares listed, except as otherwise noted. The number of shares beneficially owned by each shareholder is determined under rules of the SEC, and the information is not necessarily indicative of ownership for any other purpose. Under such rules, beneficial ownership includes any shares as to which the person has sole or shared voting power or investment power and also any shares that the individual has the right to acquire within 60 days after January 31, 2010 through the vesting of restricted stock units (RSUs) or the exercise of any stock option or

other right. The inclusion herein of any shares of Common Stock deemed beneficially owned does not constitute an admission by such shareholder of beneficial ownership of those shares of Common Stock. Shares of Common Stock which an individual or entity has a right to acquire within the 60-day period following January 31, 2010 pursuant to the exercise of options or vesting of RSUs are deemed to be outstanding for the purpose of computing the percentage ownership of such individual or entity, but are not deemed to be outstanding for the purpose of computing the percentage ownership of any other person or entity shown in the table.

(2) Consists of 50,693 shares held directly by Mr. Berlinghieri and 404,841 shares subject to options exercisable or RSUs that will vest within 60 days of January 31, 2010.

(3) Consists of 12,086 shares held directly by Mr. Weigner and 286,127 shares subject to options exercisable or RSUs that will vest within 60 days of January 31, 2010.

(4) Consists of 706 shares held directly by Mr. Colella and 236,457 shares subject to options exercisable or RSUs that will vest within 60 days of January 31, 2010.

(5) Consists of 2,409 shares held directly by Mr. Lee and 10,777 shares subject to RSUs that will vest within 60 days of January 31, 2010.

(6) Consists of options exercisable or RSUs that will vest within 60 days of January 31, 2010.

(7) Consists of 9,555 shares directly held by Ms. Amon and 555 shares subject to RSUs that will vest within 60 days of January 31, 2010.

(8) Consists of 20,000 shares held directly by Mr. Anderson and 54,000 shares subject to options exercisable within 60 days of January 31, 2010.

(9) Consists of 6,400 shares held directly by Mr. Beecher and 20,000 shares subject to options exercisable or RSUs that will vest within 60 days of January 31, 2010.

(10) Consists of 678,257 shares held directly by Mr. Bertucci, 750,000 shares held indirectly by Mr. Bertucci in a trust of which Mr. Bertucci is the sole trustee and 1,639,221 shares held directly by Mr. Bertucci s wife.

(11) Consists of options exercisable or RSUs that will vest within 60 days of January 31, 2010.

(12) Consists of 1,666 shares directly held by Mr. Hanley and 556 shares subject to RSUs that will vest within 60 days of January 31, 2010.

(13) Consists of 4,000 shares held directly by Mr. Kahl and 6,000 shares subject to options exercisable within 60 days of January 31, 2010.

(14) Consists solely of options exercisable or RSUs that will vest within 60 days of January 31, 2010.

(15) Based on information set forth in Schedule 13G/A filed by Dimensional Fund Advisors LP on February 10, 2010, reporting stock ownership as of December 31, 2009, in which Dimensional Fund Advisors, Inc. disclaims beneficial ownership of such securities.

(16)

Based on information set forth in Schedule 13G filed by Kornitzer Capital Management, Inc. on January 22, 2010, reporting stock ownership as of December 31, 2009.

(17) Based on information set forth in Schedule 13G filed by Royce & Associates, LLC on behalf of itself and its affiliates, on January 10, 2010, reporting stock ownership as of December 31, 2009.

(18) Based on information set forth in Schedule 13G filed by Black Rock, Inc. on January 20, 2010, reporting stock ownership as of December 31, 2009.

(19) Consists of 3,174,389 shares held directly or indirectly by such persons and 1,008,224 shares subject to options exercisable or RSUs that will vest within 60 days of January 31, 2010.

To our knowledge, there are no voting trusts or similar arrangements among any of the foregoing persons or entities with respect to the voting of shares of Common Stock.

Table of Contents

PROPOSAL ONE

ELECTION OF DIRECTORS

Our Amended and Restated By-Laws provide for a Board of Directors that is divided into three classes. The term of the Class I Directors expires at the 2012 Annual Meeting, the term of the Class II Directors expires at the 2010 Annual Meeting and the term of the Class III Directors expires at the 2011 Annual Meeting. Cristina H. Amon, Richard S. Chute and Peter R. Hanley are currently proposed for election to serve as Class II Directors for a term to expire at the 2013 Annual Meeting. Each nominee has consented to being named herein, and, if elected, to serve as a director until his or her successor is duly elected and qualified.

Shares represented by all proxies received by the Board of Directors and not so marked as to withhold authority to vote for an individual director will be voted (unless one or more nominees are unable or unwilling to serve) for the election of the nominees named below. The Board of Directors expects that each of the nominees named below will be available for election, but if any of them is not a candidate at the time the election occurs, it is intended that such proxies will be voted for the election of a substitute nominee to be designated by the Board of Directors.

BOARD RECOMMENDATION

THE BOARD OF DIRECTORS BELIEVES THAT APPROVAL OF THE ELECTION OF CRISTINA H. AMON, RICHARD S. CHUTE AND PETER R. HANLEY TO SERVE AS CLASS II DIRECTORS IS IN THE BEST INTERESTS OF MKS AND OUR SHAREHOLDERS AND THEREFORE RECOMMENDS A VOTE FOR THIS PROPOSAL.

DIRECTORS

Set forth below are the names and ages of each member of our Board of Directors (including those who are nominees for election as Class II Directors) and the positions and offices held, principal occupation and business experience during the past five years, the names of other publicly held companies of which the individual currently serves, or in the past five years has served, as a director and the year of commencement of the term as our director. We have also included information about each director s specific experience, qualifications, attributes, or skills that led the Board of Directors to conclude that he or she should serve as a director of MKS. Information with respect to the number of shares of Common Stock beneficially owned by each director, directly or indirectly, as of January 31, 2010, appears in this proxy statement under the heading Security Ownership of Certain Beneficial Owners and Management.

Name	Age	Position	Class to Which Director Belongs
John R. Bertucci	69	Director, Chairman	III
*Cristina H. Amon(2)	53	Director	II
Robert R. Anderson(1)(3)	72	Director	III
Gregory R. Beecher(1)	52	Director	III
Leo Berlinghieri	56	Director, Chief Executive Officer and President	I
*Richard S. Chute(2)	71	Director, Secretary	II
*Peter R. Hanley(3)	70	Director	II
Hans-Jochen Kahl(2)	70	Director	I
Louis P. Valente(1)(3)	79	Director	I

(1) Member of Audit Committee

(2) Member of Nominating and Corporate Governance Committee

(3) Member of Compensation Committee

* Nominee for election at this meeting

John R. Bertucci

Mr. Bertucci has served as our director since 1974, and has been Chairman of the Board of Directors since November 1995. Mr. Bertucci served as Executive Chairman from July 2005 until December 2006. In connection with his retirement as Executive Chairman, Mr. Bertucci was available for consultation with us for up to ten hours per month until December 2007. Mr. Bertucci served as our Chief Executive Officer from November 1995 to July 2005 and served as President from 1974 to May 1999 and again from November 2001 to April 2004. From 1970 to 1974, he was our Vice President and General Manager. Mr. Bertucci holds an M.S. in Industrial Administration and a B.S. in Metallurgical Engineering from Carnegie Mellon University. Mr. Bertucci has served as a member of the Board of Trustees of Carnegie Mellon University since May 2002, serving as Chairman from February 2005 to February 2007. He has also served as a member of the Executive Board of The Massachusetts High Technology Council since February 1999 and also serves as a member of the Board of Trustees or the Board of Directors of three non-profit organizations. Mr. Bertucci s over 30 years of experience working for MKS, including a combined 28 years as

President, gives him a unique and valuable insight into the challenges and strategies relevant to the semiconductor industry as a whole, and to our Company in particular.

Cristina H. Amon

Ms. Amon has served as our director since 2007. She has served as the Dean, faculty of Applied Science and Engineering, Alumni Chair Professor of Bioengineering and a member of the Department of Mechanical and Industrial Engineering at the University of Toronto since July 2006. Prior to that, Ms. Amon served at Carnegie Mellon University, as Director of the Institute for Complex Engineered Systems from September 1999 until July 2006, and was a Raymond Lane Distinguished Professor, Mechanical Engineering and Biomedical Engineering from September 2001 until July 2006. In her roles at the University of Toronto and Carnegie Mellon, Ms. Amon has lead research in micro-fabrication, sustainable energy, thermal management of electronics and nano-scale transport in silicon thin films. Ms. Amon has served as Executive Board Member of the American Society Engineering Education (ASEE), Engineering Deans Council since 2007, served as the Nominating Committee Chair for the American Association for the Advancement of Science (AAAS) from 2006 to 2007, has served as an Executive Board Member of the American Society of Mechanical Engineers (ASME), Electronic and Photonic Packaging division since 2001, served on the External Advisory Board for the Department of Mechanical and Aerospace Engineering at the University of Texas since 2001, served on the External Advisory Board for the NSF CREST Center for Mesoscopic Modeli Simulation at the City University of New York, The City College from 2001 to 2007, and has served as the Chair of the Global Engineering Deans Council (GEDC) since 2008. She has been a member of the National Academy of Engineering (NAE) and Fellow from 1999 to 2009 and of AAAS, ASEE, ASME, EIC, IEEE and CAE since 2006. Ms. Amon s extensive engineering background, particularly in microfabrication, thermal management and silicon thin-films, provides the Board of Directors with a technical perspective and insight into the challenges and opportunities we face.

Robert R. Anderson

Mr. Anderson has served as our director since January 2001. Mr. Anderson is a private investor. From October 1998 to April 2000, Mr. Anderson served as CEO of Yield Dynamics, Inc., a private semiconductor control software company, which was acquired by MKS in 2007. Mr. Anderson served as CEO of Silicon Valley Research, Inc., a semiconductor design automation software company, from December 1996 to August 1998 and as Chairman from January 1994 to January 2001. Mr. Anderson was co-founder, Chief Financial Officer and Chief Operating Officer of KLA Instruments, a supplier of process control and yield management solutions for the semiconductor and related nanoelectronics industries, from 1975 through 1994. He was Chief Financial Officer of Computervision from 1970 through 1975. Mr. Anderson has served as the President and a director of a private family foundation since September 2000. He has also served as a director of Aehr Test Systems, Inc., a manufacturer of semiconductor test and burn-in equipment, since October 2000, and currently serves on Aehr s audit and compensation committees. He has also served as a director of Energetiq Technology, Inc., a privately held company, since May 2005. Mr. Anderson served as a director of Yield Dynamics from October 1998 to December 2003, serving as its Chairman from October 1998 to October 2000. In addition, he served as a director of NPL, Inc. from 2000 to January 2005, as a director of Trikon Technologies from 1998 to December 2005, and a director of Aviza Technology, Inc. from December 2005 to March 2009. Mr. Anderson has served on over 18 public and private boards, and has served as CFO, CEO and Chairman of several public corporations. His extensive business experience, particularly within the semiconductor industry, provides him with insight into the challenges we face within the industry. In addition, his financial acumen is a valued asset in his role as a member of our Audit Committee.

Gregory R. Beecher

Mr. Beecher has served as our director since August 2006. Mr. Beecher has served as CFO of Teradyne, Inc., a semiconductor and system level test equipment provider, since 2001. He is a certified public accountant, and was an audit partner with PricewaterhouseCoopers LLP from October 1993 to March 2001, working with numerous semiconductor equipment and instrument providers, along with other technology-related enterprises, and advising on complex accounting issues. Mr. Beecher served as a director, and Chairman of the Audit Committee, of MatrixOne, from 2004 through 2006. Mr. Beecher has an M.S. in accounting. Mr. Beecher s extensive financial background, including his previous experience at a public accounting firm, and his current role as CFO of a public corporation, provide valuable insight to the Board of Directors and the Audit Committee.

Leo Berlinghieri

Mr. Berlinghieri has served as our director and as our Chief Executive Officer and President since July 2005. He previously served as our President and Chief Operating Officer from April 2004 to July 2005, and as our Vice President and Chief Operating Officer from July 2003 until April 2004. From November 1995 to July 2003, he served as our Vice President, Global Sales and Service. From 1980 to November 1995, he served in various management positions of MKS, including Manufacturing Manager, Production and Inventory Control Manager, and Director of Customer Support Operations. Mr. Berlinghieri has served as a director of Rudolph Technologies, Inc. since September 2008. Mr. Berlinghieri s over 30 years of experience within the Company give him particularly deep insight into the organization, which is extremely valuable to the Board of Directors.

Richard S. Chute

Mr. Chute has served as our director since 1974. Mr. Chute was a member of the law firm of Hill & Barlow, a Professional Corporation, from 1971 to January 2003, with an extensive corporate practice, and is currently an attorney in private practice. Mr. Chute has served as a director and a member of the Administration and Finance Committee of Massachusetts Audubon Society, Inc. since October 2004, and has also served as a director and member of the Nominating Committee of Manomet, Inc. since November 1993. He has served on over 15 other non-profit and private company boards. Mr. Chute s vast legal experience provides him with a unique perspective, which is particularly valuable in Mr. Chute s current roles as Secretary of the Company and as Chairman of the Nominating and Corporate Governance Committee.

Peter R. Hanley

Mr. Hanley has served as our director since March 2008. Since December 2009, Mr. Hanley has served as an occasional litigation support consultant to Novellus Systems, Inc., a leading developer of semiconductor manufacturing equipment. Mr. Hanley was engaged as an independent consultant to Novellus, focusing on customer sales strategies and executive training from 2008 to 2009. From January 2004 until December 2007, Mr. Hanley served as a part-time employee of Novellus, engaged primarily in executive training. Mr. Hanley served as President of Novellus from May 2001 to December 2003. Prior to that, he served as Novellus Executive Vice President of Worldwide Sales from June 1992 until May 2001. Prior to joining Novellus, Mr. Hanley served from 1985 to 1992 at Applied Materials, Inc., a leader in the semiconductor capital equipment industry, most recently as Group Vice President of Worldwide Sales and Service and previously as Vice President and General Manager of their Etch Products Division. Before joining Applied Materials, Mr. Hanley served from 1978 to 1984 at Varian Associates, a leader in the semiconductor capital equipment industry, most recently as Vice President of Technology and previously as Vice President and General Manager of their Extrion Ion Implantation Division. Mr. Hanley has served as a director of Crossing Automation since January 2010, and has served as a director of a non-profit organization since 2008. From 2004 to May 2007, Mr. Hanley served as a director of Thermawave, Inc., a developer of process control metrology systems used in the manufacture of semiconductors, which was sold to KLA Tencor. Mr. Hanley s substantial background in the semiconductor industry, for more than 25 years, including senior management roles at Novellus and Applied Materials, two of MKS largest customers, provides the Board of Directors with invaluable insights into the industry s sales and marketing challenges and opportunities.

Hans-Jochen Kahl

Mr. Kahl has served as our director since January 2001. From June 1994 through September 1996, Mr. Kahl served as a consultant to Ebara, a Japanese manufacturer of industrial water pumps and vacuum process equipment for the semiconductor industry. Mr. Kahl was employed by Leybold AG, formerly Leybold-Heraeus GmbH, a leading international manufacturer of vacuum pumps and other vacuum process equipment for the semiconductor industry, from July 1983 to March 1992, where he served as a managing director and was primarily responsible for sales, marketing and strategic planning. From September 1995 to November 2000, he was a director of Applied Science and Technology, Inc. (ASTeX) which was acquired by MKS. Mr. Kahl has served as a director of Solid State Management, a privately held manufacturer of high precision measurement tools since November 1996. Mr. Kahl s widespread experience in the semiconductor industry provides him with valuable insight into the operational and strategic issues facing our industry.

Louis P. Valente

Mr. Valente has served as our director since February 1996. Mr. Valente has served as Chairman of Palomar Medical Technologies, Inc., a company which designs, manufactures and markets cosmetic lasers, since September 1997. He has been a director of Palomar Medical Technologies, Inc. since February 1997 and was its President and

Table of Contents

Chief Executive Officer from May 1997 to May 2002. From 1968 to 1995, Mr. Valente held numerous positions at Perkin Elmer, Inc. (formerly EG&G, Inc.), a provider of drug discovery, research and clinical screening products, services and technologies for the life science industry. Initially, he was an Assistant Controller and later Corporate Treasurer, before becoming Senior Vice President of EG&G, Inc., presiding over and negotiating acquisitions, mergers and investments. Mr. Valente has served as a director of Medical Information Technology, Inc. since 1972. He served as a director of Surgilight, Inc., from July 2001 to October 2008, and as a director of Patient Care Technologies, Inc. from 1992 to April 2007. Mr. Valente is a certified public accountant and a graduate of Bentley University. Mr. Valente s experience at the helm of a public corporation, in addition to his extensive acquisition and financial background, offers the Board of Directors a combination of valuable skill sets.

Agreements as to Nomination

Mr. Bertucci resigned from his employment with MKS effective December 31, 2006. Mr. Bertucci s employment agreement provided that if Mr. Bertucci resigned from his employment, then, subject to applicable law, our Amended and Restated By-Laws and articles of organization and the directors fiduciary duties, the Board of Directors shall nominate Mr. Bertucci for election as a Class III director and consider Mr. Bertucci for appointment as Chairman of the Board of Directors, until such time as Mr. Bertucci is no longer eligible for nomination as a director.

CORPORATE GOVERNANCE

Board Independence

The Board of Directors has determined that all of the members of the Board of Directors, other than Mr. Bertucci and Mr. Berlinghieri, are independent as defined under the rules of the NASDAQ Stock Market.

In determining Mr. Hanley s independence, the Board of Directors considered Mr. Hanley s past and current relationship with Novellus, a significant customer of MKS. The Board of Directors considered such factors including, but not limited to, the fact that Mr. Hanley is not a significant shareholder of Novellus and has not been an executive officer of Novellus since December 2003, and that Mr. Hanley s current role and compensation as an occasional consultant to Novellus does not relate in any way to relationships with that company s suppliers in general or with us in particular.

Board Leadership Structure

Since 2005, we have separated the roles of CEO and Chairman of the Board of Directors in recognition of the differences between the two roles. The CEO is responsible for setting the strategic direction for the Company and the day-to-day leadership and performance of the Company, while the Chairman of the Board of Directors provides guidance to the CEO, sets the agenda for Board meetings and presides over meetings of the full Board.

In addition, the Board of Directors has established the position of Lead Director. Our Corporate Governance Guidelines provide that during any period in which the Chairman of the Board of Directors is not an independent director, a Lead Director shall be elected by and from the independent directors. The primary role of the Lead Director is to serve as a liaison between the independent directors and the Chairman of the Board of Directors and the Chief Executive Officer and to represent the interest of the independent directors, as appropriate. Louis P. Valente was elected the first Lead Director in 2008, and was reappointed in 2009. Pursuant to our Corporate Governance Guidelines (which are posted on our website at www.mksinstruments.com in the Corporate Governance Section under the Investors tab), the Lead Director shall, among other matters:

Have the authority to call meetings of the independent directors.

Preside at all meetings of the Board of Directors at which the Chairman of the Board of Directors is not present, including executive sessions of the independent directors.

Assure that at least two meetings per year of only the independent directors are held and chair any such meetings of the independent directors.

Facilitate communications and serve as a liaison between the independent directors and the Chairman of the Board of Directors and the Chief Executive Officer, provided that any director is free to communicate directly with the Chairman of the Board of Directors and with the Chief Executive Officer.

Work with the Chairman of the Board of Directors and the Chief Executive Officer in the preparation of the agenda for each Board of Directors meeting and approve each such agenda.

Oversee, in conjunction with the Nominating and Corporate Governance Committee, the annual reviews of the performances of the members of the Board of Directors.

If a meeting is held between a major stockholder and a representative of the independent directors, the Lead Director shall serve, subject to availability, as such representative of the independent directors.

Otherwise consult with the Chairman of the Board of Directors and the Chief Executive Officer on matters relating to corporate governance and performance of the Board of Directors.

Our Board of Directors believes that its leadership structure is appropriate because it strikes an effective balance between management and independent leadership participation in the Board of Directors process.

Board s Role in Risk Oversight

Management is responsible for the day-to-day management of risks the Company faces, while the Board of Directors, as a whole and through its committees, has the ultimate responsibility for the oversight of risk management. Senior management attends quarterly meetings of the Board of Directors, provides presentations on operations including significant risks, and is available to address any questions or concerns raised by the Board of Directors. Additionally, our three board committees assist the Board of Directors in fulfilling its oversight responsibilities in certain areas of risk. Pursuant to its charter, the Audit Committee coordinates the Board of Directors oversight of the Company s internal control over financial reporting, disclosure controls and procedures and code of conduct. Management regularly reports to the Audit Committee on these areas. The Compensation Committee assists the Board of Directors in fulfilling its oversight responsibilities with respect to the management of risks arising from our compensation policies and programs as well as succession planning as it relates to our Chief Executive Officer. The Nominating and Corporate Governance Committee assists the Board of Directors in fulfilling its oversight responsibilities with respect to the management of risks associated with board organization, membership and structure, succession planning for our directors and corporate governance. When any of the committees receives a report related to material risk oversight, the Chairman of the relevant committee reports on the discussion to the full Board of Directors.

Board of Director Meetings and Committees of the Board of Directors

The Board of Directors held four meetings in 2009. Each director attended at least 75% of the aggregate of the total number of meetings of the Board of Directors and the total number of meetings of all committees of the Board of Directors on which he or she served. Pursuant to our Corporate Governance Guidelines, directors are encouraged to attend annual meetings of shareholders. All of the directors then serving on the Board of Directors other than Mr. Kahl attended the 2009 Annual Meeting of Shareholders.

The Board of Directors has established three standing committees Audit, Compensation and Nominating and Corporate Governance each of which operates under a charter that has been approved by the Board of Directors. Each committee s current charter is posted under the Investors tab on our website, www.mksinstruments.com, under the heading Corporate Governance.

Audit Committee

The Audit Committee consists of Messrs. Anderson, Beecher (Chairman) and Valente. The Audit Committee s responsibilities include:

- appointing, approving the fees of and assessing the independence of, our independent registered public accounting firm;

overseeing the work of our independent registered public accounting firm, including through the receipt and consideration of certain reports from the independent registered public accounting firm;

reviewing and discussing our annual audited financial statements and related disclosures with management and the independent registered public accounting firm;

reviewing our quarterly unaudited financial statements;

coordinating oversight of our internal control over financial reporting, disclosure controls and procedures and code of business conduct and ethics;

overseeing our internal audit function;

establishing procedures for the receipt and retention of accounting related complaints and concerns;

meeting independently with our internal auditing staff, independent registered public accounting firm and management;

reviewing any related party transactions; and

preparing the Audit Committee report required by SEC rules (which is included on page 32 of this proxy statement).

The Audit Committee held five meetings in 2009.

Compensation Committee

The Compensation Committee consists of Messrs. Anderson (Chairman), Hanley and Valente. The Compensation Committee s responsibilities include:

determining the CEO s compensation;

reviewing and approving, or making recommendations to the Board of Directors with respect to, the compensation of our other executive officers;

CEO succession planning;

annually reviewing and approving our management incentive bonus plan;

reviewing the Compensation Discussion and Analysis required to be included in the annual proxy statement;

overseeing and administering our equity incentive plans; and

reviewing and making recommendations to the Board of Directors with respect to director compensation.

The Compensation Committee held three meetings in 2009.

Nominating and Corporate Governance Committee

The Nominating and Corporate Governance Committee consists of Ms. Amon and Messrs. Chute (Chairman) and Kahl. The Nominating and Corporate Governance Committee s responsibilities include:

- identifying individuals qualified to become members of the Board of Directors;
- recommending to the Board of Directors the persons to be nominated for election as directors and to each of the Board s committees; and
- developing and recommending corporate governance principles to the Board of Directors.

The Nominating and Corporate Governance Committee also oversees the annual self-evaluations of the Board of Directors and each of the Board of Directors committees. The Nominating and Corporate Governance Committee held two meetings in 2009.

For information relating to the nomination of directors, see Director Candidates below.

Table of Contents

Audit Committee Financial Expert

The Board of Directors has determined that each of the three members of the Audit Committee is an audit committee financial expert as defined in Item 407(d)(5) of Regulation S-K.

Director Candidates

The Nominating and Corporate Governance Committee recommended to the Board of Directors that the director nominees be nominated by the Board of Directors for election as Class II directors. The process followed by the Nominating and Corporate Governance Committee to identify and evaluate director candidates includes requests to Board members and others for recommendations, meetings from time to time to evaluate biographical information and background material relating to potential candidates and interviews of selected candidates by the Committee members of the Committee and the Board of Directors.

In considering whether to recommend any particular candidate for inclusion in the Board of Directors slate of recommended director nominees, the Nominating and Corporate Governance Committee applies the criteria attached to the Committee s charter. These criteria include the candidate s integrity, business acumen, knowledge of our business and industry, experience, diligence, conflicts of interest and the ability to act in the interests of all shareholders. Nominees should generally be under the age of 75 at the time of nomination. The Committee does not assign specific weights to particular criteria and no particular criterion is a prerequisite for each prospective nominee. Nominees shall not be discriminated against on the basis of race, religion, national origin, sex, sexual orientation, disability or any other basis prescribed by law. In considering director candidates, the Committee takes into account the value of diversity on the Board. While the Nominating and Corporate Governance Committee does not have a formal policy with respect to diversity, the Board and the Committee believe that it is essential that the Board members represent diverse viewpoints. In considering candidates for the Board, the Nominating and Corporate Governance Committee considers the entirety of each candidate s credentials in the context of these standards. We believe that the backgrounds and qualifications of our directors, considered as a group, should provide a composite mix of experience, knowledge and abilities that will allow the Board of Directors to fulfill its responsibilities.

Shareholders may recommend individuals to the Nominating and Corporate Governance Committee for consideration as potential director candidates by submitting their names, together with appropriate biographical information and background materials and a statement as to whether the shareholder or group of shareholders making the recommendation has beneficially owned more than 5% of our Company s Common Stock for at least a year as of the date such recommendation is made, to the Nominating and Corporate Governance Committee, in care of Kathleen F. Burke, Esq., General Counsel, MKS Instruments, Inc., 2 Tech Drive, Suite 201, Andover, MA 01810. Assuming that appropriate biographical and background material has been provided on a timely basis, the Nominating and Corporate Governance Committee will evaluate shareholder-recommended candidates by following substantially the same process, and applying the same criteria, as it does in considering other candidates.

Shareholders also have the right under our Amended and Restated By-Laws to directly nominate director candidates, without any action or recommendation on the part of the Nominating and Corporate Governance Committee or the Board of Directors, by following the procedures set forth under the heading Deadline for Submission of Shareholder Proposals for the 2010 Annual Meeting below.

Communications from Shareholders

The Board of Directors will give appropriate attention to written communications that are submitted by shareholders, and will respond if appropriate. The Chairman of the Nominating and Corporate Governance Committee, with the assistance of our General Counsel, is primarily responsible for monitoring communications from shareholders and for providing copies or summaries to the other directors as he considers appropriate. Communications are forwarded to all directors if they relate to important substantive matters and include suggestions or comments that the Chairman of the Nominating and Corporate Governance Committee considers to be important for the directors to know. In general, communications relating to corporate governance and long-term corporate strategy are more likely to be forwarded than communications relating to ordinary business affairs, personal grievances and matters as to which we tend to receive repetitive or duplicative communications.

Shareholders who wish to send communications on any topic to the Board of Directors should address such communications to the Board of Directors in care of Kathleen F. Burke, Esq., General Counsel, MKS Instruments, Inc., 2 Tech Drive, Suite 201, Andover, MA 01810.

Code of Ethics

We have adopted a written code of business conduct and ethics that applies to all of our directors, officers and employees (including the principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions), which is posted in the Investors tab on our website, www.mksinstruments.com, under the heading Corporate Governance. We intend to disclose any amendments to, or waivers from, our code of business conduct and ethics on our website.

Compensation Committee Interlocks and Insider Participation

In 2009, the Compensation Committee was comprised of Messrs. Anderson, Hanley and Valente. In addition, Mr. Kahl served on the Compensation Committee until May 4, 2009. None of the members of the Compensation Committee during 2009 were, at any time, officers or employees of MKS or our subsidiaries, and none of them had any relationship with us requiring disclosure under Item 404 of Regulation S-K under the Securities Exchange Act of 1934, as amended. None of our executive officers serves, or has served, as a member of the Board of Directors or Compensation Committee (or other committee serving an equivalent function) of any other entity which has one or more executive officers serving as a member of our Board of Directors or Compensation Committee.

EXECUTIVE OFFICERS

The following is a brief summary of the background of each of our current executive officers, other than Mr. Berlinghieri, whose background is described under the heading Directors above:

Seth H. Bagshaw, Vice President and Chief Financial Officer, Age 50

Mr. Bagshaw has served as our Vice President and Chief Financial Officer since January 2010. From March 2006 until January 2010, Mr. Bagshaw served as our Vice President and Corporate Controller. Prior to joining MKS, Mr. Bagshaw served as Vice President and Chief Financial Officer of Vette Corp., an integrated global supplier of thermal management systems from 2004 until 2006. From 1999 until 2004, Mr. Bagshaw served as Vice President and Corporate Controller of Varian Semiconductor Equipment Associates, Inc., a leading producer of ion implantation equipment used in the semiconductor manufacturing industry, and from 1998 until 1999, he served as Vice President and Chief Financial Officer of Palo Alto Products International, Inc., an industrial design, engineering and manufacturing company, until its acquisition by Flextronics International, Ltd. Prior to that, Mr. Bagshaw held several senior financial management positions at Waters Corporation, a developer of innovative analytical science solutions, most recently as Vice President and Chief Financial Officer of its Asia-Pacific region, and was a Senior Manager at PricewaterhouseCoopers LLC. Mr. Bagshaw is a Certified Public Accountant and has a B.S. in Business Administration from Boston University and an M.B.A. from Cornell University.

Gerald G. Colella, Vice President, Chief Operating Officer and Acting Group VP, PRG Products, Age 53

Mr. Colella has served as our Vice President and Chief Operating Officer since January 2010 and in addition he has served as Acting Group Vice President, PRG Products since July 2007. Prior to that, Mr. Colella served as our Vice President and Chief Business Officer since April 2005. From October 1997 to April 2005, he served as our Vice President, Global Business and Service Operations, from March 1996 to October 1997, he served as our Director of Materials Planning and Logistics, and from 1994 to 1996, he served as our Materials Planning and Logistics Manager.

Mr. Colella joined MKS in 1983. He holds an M.B.A. from Southern New Hampshire University, as well as a B.A. in Secondary Education from the University of Massachusetts.

John T.C. Lee, Group Vice President, CIT Products, Age 47

Dr. Lee has served as our Group Vice President, CIT Products since October 2007. Prior to joining us, Dr. Lee served as the Managing Director of Factory Technology and Projects within the Solar Business Group at Applied Materials, Inc., a global leader in nanomanufacturing and technology solutions, from February 2007 until October 2007. From 2002 until 2007, he served as General Manager of the Cleans Product Group and the Maydan Technology Center at Applied Materials. Prior to Applied Materials, Dr. Lee served from 1997 until 2002 as the Research Director of the Silicon Fabrication Research Department at Lucent Technologies, a voice, data and video communications provider, and from 1991 until 1997 as a Member of Technical Staff in the Plasma Processing Research Group within Bell Labs. Dr. Lee holds a Ph.D. in Chemical Engineering from the Massachusetts Institute of Technology.

John A. Smith, Vice President and Chief Technology Officer, Age 59

Dr. Smith has served as our Vice President and Chief Technology Officer since January 2005. From December 2002 to January 2005, Dr. Smith served as Vice President of Technology and General Manager of the Instruments and Control Systems Product Group, which comprises Pressure Measurement and Control, Materials Delivery, Gas Composition and Analysis, and Control and Information Technology products. Prior to this position, Dr. Smith served as Vice President and General Manager of Materials Delivery Products and Advanced Process Control, from February 2002 to December 2002. From July 1994 until February 2002, he was Managing Director of MKS Instruments, U.K. Ltd. Dr. Smith has a Ph.D. in electronic engineering from the University of Manchester, U.K.

William D. Stewart, Group Vice President, Vacuum Products and PFM&C Products, Age 65

Mr. Stewart has served as our Group Vice President, Vacuum Products and PFM&C Products since January 2009. From 1997 to January 2009, he was Vice President and General Manager, Vacuum Products Group and from 1986 to 1997, he was President of HPS Products, which we acquired in 1986. Mr. Stewart co-founded HPS in 1976. Mr. Stewart has an M.B.A. from Northwestern University and a B.S. in Business Administration from the University of Colorado. Mr. Stewart also serves on the Board of Directors of the Janus Funds.

Ronald C. Weigner, Vice President of Finance and Treasurer, Age 64

Mr. Weigner has served as our Vice President of Finance since January 2010, and has served as our Treasurer since February 2009. From November 1995 to December 2009, he served as our Vice President and Chief Financial Officer. From September 1993 until November 1995, he served as Vice President and Corporate Controller, and from 1980 to 1993, he served as Corporate Controller. Mr. Weigner is a certified public accountant and has a B.S. in Business Administration from Boston University.

Our executive officers are appointed by the Board of Directors on an annual basis and serve until their successors are duly appointed and qualified. There are no family relationships among any of our executive officers or directors.

EXECUTIVE COMPENSATION

Compensation Discussion and Analysis

Compensation Philosophy and Objectives

The primary objective of our executive compensation program is to attract, retain and motivate the critical talent that is required to execute our business strategy and lead us to achieve our long-term growth and earnings goals. This section summarizes our compensation philosophy and objectives relating to our principal executive officer, principal financial officer, and each of the three other most highly compensated executive officers (collectively, the Named Executive Officers).

As addressed in greater detail below, as part of our effort to reduce costs during the recent economic slowdown, beginning in 2008 and continuing into the first half of 2009, the Compensation Committee temporarily reduced the

Table of Contents

salaries of our Named Executive Officers from their respective 2008 levels. Similarly, in 2009, the Compensation Committee decreased the number of shares typically subject to the Named Executive Officers annual equity grants and did not implement a Management Incentive Bonus Plan for Named Executive Officers. In addition, Named Executive Officers shared in corporate-wide cost-saving measures such as mandatory corporate shut-downs, and the temporary cessation of employee stock purchase plans and 401(k) corporate matches. It is the Company s philosophy that during severe downturns, the Company s executive officers should share in the corporate belt-tightening. On October 29, 2009, with signs of some recovery in the semiconductor industry, the temporary salary reductions of the Named Executive Officers were lifted, and salaries were returned to their original 2008 levels, retroactive to July 1, 2009.

Our executive compensation program is guided by the following principles:

- Offer compensation programs that are competitive with programs at companies of similar size and in a similar industry.
- Reward individual initiative, leadership and achievement.
- Provide short-term annual performance bonus incentives for management to meet or exceed our earnings goals.
- Provide long-term equity incentive compensation, such as stock options, restricted stock and restricted stock units, or RSUs, to encourage management to focus on shareholder return.
- Emphasize our pay-for-performance philosophy.

The Company s executive compensation program is designed to provide an overall compensation package that is competitive, on a position-by-position basis, when benchmarked against that of comparable companies, while factoring in an executive s individual performance, tenure and potential with the Company. The differentiation in compensation among the executive officers reflects the relative value that the market places on these positions, as well as each individual s performance, tenure and potential with the Company. Our goal is to use executive compensation programs to closely align the interests of our management with the interests of shareholders so that our management has incentives to achieve short-term performance goals while building long-term value for our shareholders. We will review our executive compensation programs from time to time in order to determine their competitiveness, and to take into account factors that are unique to us.

Elements of Compensation

The following summarizes the compensation elements for our Named Executive Officers. We benchmark each of the various compensation elements, including salary, short-term incentives, and long-term incentives, to the median levels for the individual position in the market. In considering the compensation of an executive relative to the market level, we look qualitatively at the individual s overall performance, tenure and potential with the Company. Currently, not taking into account the temporary salary reductions in effect, all of our Named Executive Officers are paid in the range of, or slightly below the range of, their competitive market.

Base Salary

Base salaries are designed to provide executives with a level of predictability and stability with respect to a portion of their total compensation package. In establishing base salaries for executive officers, the Compensation Committee considers the executive s responsibilities, performance, historical salary levels, internal equity among executives and the base salaries of executives at comparable companies and, with respect to salaries other than that of the Chief

Executive Officer, the Chief Executive Officer s recommendations. As part of our effort to reduce costs during the recent economic slowdown, the Compensation Committee temporarily reduced the salaries of our Named Executive Officers through the first half of 2009. In August 2008, the base salary of Mr. Berlinghieri, our President and Chief Executive Officer, was temporarily decreased by 10% and the base salaries of the other Named Executive Officers were decreased by 5%. In January 2009, the Compensation Committee further reduced the base salary of Mr. Berlinghieri, resulting in an aggregate reduction of 20% from its original 2008 level, and further reduced the salaries of the other Named Executive Officers, resulting in an aggregate reduction of 10% from their

Table of Contents

respective original 2008 levels. The Compensation Committee sought to make the temporary reductions reasonable in light of the economic circumstances, in order to align Named Executive Officers incentives with the interests of shareholders, while not sacrificing the retentive value of the overall long-term compensation package. On October 19, 2009, the temporary reductions were lifted, and salaries were returned to their original 2008 levels, retroactive to July 1, 2009.

Short-term Incentives

Our Management Incentive Bonus Plan provides a short-term incentive to reward management for reaching our overall earnings goals and those of certain product groups and to reinforce our pay-for-performance philosophy. We believe that our bonus plan provides significant incentive to the executive officers to exceed our financial goals. Because of the unique market conditions in 2009 caused by the global economic crisis, we elected not to implement our Management Incentive Bonus Plan in 2009. However, in typical years, each executive would be eligible for an annual performance bonus calculated based on a specified target percentage of base salary, called an Individual Incentive Target. In 2008, the Individual Incentive Targets were 100% of base salary for Mr. Berlinghieri, 65% of base salary for Mr. Colella, 55% of base salary for Mr. Lee and 50% of base salary for Messrs. Smith and Weigner. The maximum bonus payout possible was 200% of this Individual Incentive Target and the minimum payout was zero, with incremental pay-outs for performance between these levels. For Named Executive Officers other than Mr. Lee, annual performance bonuses were based solely upon achievement of specific corporate pro-forma, pre-tax earning goals. In 2008, participants would not receive any portion of their corporate-based bonus if the Company s operating income after bonus and before tax was $80,000,000 or less, and participants would receive the maximum amount of their corporate-based bonus if such pro-forma operating income was $227,666,000 or more.

Historically, for executives who headed up a product group, a portion of the bonus would be tied to product group targets. For example, for Mr. Lee, who is the Vice President of a product group, 70% of his 2008 bonus was based on the achievement of the corporate objective, while 30% was based on the achievement of annual earnings goals for his product group. Achievement of the product group based portion of the bonus has fluctuated significantly in the years since these incentives were first initiated. In 2010, the Company decided to eliminate the product group target portion of the bonus for executives focusing solely on the corporate objective, which the Company believes eliminates complexity and more closely aligns all executives interests with those of the shareholders.

The corporate element of the bonus plan formula is calculated as follows:

Base Salary x Individual Incentive Target x Corporate Performance Multiplier

The Corporate Performance Multiplier in 2008 and in 2010 ranged from 0% for achievement below the specified minimum corporate goal, up to 200% for achievement of the maximum corporate goal. Accordingly, the maximum payout possible for each executive was 200% of his Individual Incentive Target and the minimum payout was zero, with incremental payouts for performance between these levels.

For 2008, the most recent year that we had an active Management Incentive Bonus Plan, the minimum threshold targets were not achieved and we paid no bonus to the Named Executive Officers. Since institution of the Management Incentive Bonus plan, achievement has varied widely, from no payment to the full 200%. The average achievement of the plan from its institution in 1997 through 2008 is approximately 65%. While the Company endeavors to set reasonable, but challenging targets for the plan each year, consistent achievement is particularly challenging in the semiconductor industry, which is subject to wide, and often unpredictable demand shifts.

Long-Term Incentive Compensation

We provide executives with long-term incentive compensation, in the form of stock options, restricted stock and RSUs in order to:

- Align executives interests with those of the shareholders by allowing executives to share in appreciation in the value of our Common Stock.

Table of Contents

Balance the short-term focus of annual short-term incentive compensation with a longer term reward for appreciating our value.

Retain executives because equity-based compensation vests over time.

Prior to 2006, we issued primarily stock options. In 2006, we issued restricted stock and in 2007, we began to issue RSUs. We believe that RSUs are attractive because they help ensure executives interests are aligned with shareholders in both a rising and a declining stock market. We believe RSUs are preferable to options, which have a relatively high accounting cost as compared to their potential value to the executive and preferable to restricted stock, which gives the executive voting rights prior to full vesting. The Named Executive Officers receive at least half of their total equity grant value in the form of performance-based RSUs and the remainder in the form of time-based RSUs, to further our pay-for-performance philosophy. Typically, the performance objectives for our equity grants relate to corporate operating income objectives. However, in 2009, due to the unusual economic conditions, our performance objectives related to achievement of 2009 corporate cash break-even levels to motivate executives to control costs during the downturn. Our RSUs vest in equal annual installments over three years, subject to achievement of the performance goal with respect to the performance-based portion.

When establishing equity grant levels, the Compensation Committee considers general corporate performance and material economic conditions, comparable company grants to comparable executives, executive seniority and experience, the dilutive impact of the grants, previous grant history for each executive, vesting schedules of outstanding equity-based grants, the current stock price and individual contributions to our financial, operational and strategic objectives and, with respect to grants made to individuals other than the Chief Executive Officer, the Chief Executive Officer s recommendations.

It is our practice to make an initial equity-based grant to all executives at the time they commence employment, in an amount that is consistent with those granted to executive officers in the industry at similar levels of seniority. In addition, we typically make an annual grant of equity-based compensation to executives during the first fiscal quarter of each year. Discretionary equity-based grants may be made throughout the year to provide an incentive to achieve a specific goal or to reward a significant achievement.

Retirement Benefits

Pursuant to employment agreements, we provide supplemental retirement benefits to certain executives, including Messrs. Berlinghieri, Colella, Smith and Weigner. These supplemental benefits are designed to reward long service with us and to serve as a significant incentive for these executives to remain with us. In addition, these benefits are designed to provide for supplemental retirement benefits for executives that are not available under our company-wide employee benefit plans due to regulatory limitations on benefit accruals.

In addition, we also provide retiree medical benefits to Messrs. Berlinghieri, Colella and Weigner, and their respective spouses, for their lifetimes, upon meeting specified criteria. This benefit was designed to retain these executives over the long-term from the time that the benefit is first granted to the executive because it is contingent upon the executive maintaining his employment with us until age 62, with specified exceptions.

Perquisites

We offer certain perquisites to the Named Executive Officers to allow executives to focus on corporate strategy and enhancing shareholder value, to provide competitive pay packages and, in certain circumstances, to entertain customers. Examples of these perquisites are car payments, health cost reimbursements and club memberships.

Severance and Change-in-Control Provisions

We have entered into employment agreements with each of the Named Executive Officers (other than Mr. Lee, who is a California resident), providing for certain severance provisions and benefits associated with various termination scenarios and restricting the officers ability to compete with us during and following the termination of employment. In addition, restricted stock agreements and RSU agreements with the Named Executive Officers provide for certain vesting acceleration in the event of a change-in-control. The severance and change-in-control provisions are designed to be competitive in the marketplace, to provide security for Named Executive Officers in

Table of Contents

the event that we are acquired and his respective position is impacted and to provide an incentive for the executive to stay with the Company through such a change in control event. They are also intended to protect us from competitive harm by compensating the Named Executive Officers for agreeing to substantial non-compete provisions after termination.

Compensation Consultant; Market Comparison

The Company engages a compensation consultant to serve as an independent advisor to the Compensation Committee regarding compensation for the Board of Directors and our executives. In recent years, the Compensation Committee has periodically engaged Radford Surveys and Consulting, or Radford, as its consultant. The Compensation Committee utilizes the consultant in three ways:

- to provide the Company with occasional consultation regarding compensation compliance and strategies;
- to provide annual benchmarking compensation data; and
- to conduct, from time to time, formal competitive compensation analysis for the Compensation Committee regarding each executive, on a position-by-position basis, and the Board of Directors.

In 2009, the Compensation Committee engaged Radford to conduct a formal competitive analysis of our compensation for the Board of Directors, and also used data from Radford s standard subscription services for its executive compensation analysis.

Role of Company Executives

The Chief Executive Officer reviews the performance of all of the other executive officers with the Compensation Committee and makes recommendations relating to executive compensation of such executives. Management develops proposed goals for review and approval by the Compensation Committee for the annual performance bonus and performance-based equity, develops proposals relating to potential changes in compensation programs for review and approval by the Compensation Committee and provides the Compensation Committee and advisors with information necessary to evaluate and implement compensation proposals and programs.

Impact of Accounting and Tax on the Form of Compensation

Impact of Code Section 162(m)

Section 162(m) of the Internal Revenue Code of 1986, as amended, generally disallows a tax deduction to public companies for certain compensation in excess of $1.0 million per person paid to such company s chief executive officer and other executive officers whose compensation is required to be reported to shareholders pursuant to the Securities Exchange Act of 1934, as amended, by reason of being among the four most highly paid executive officers. Certain compensation, including qualified performance-based compensation, will not be subject to the deduction limit if certain requirements are met. The Compensation Committee reviews the potential effect of Section 162(m) periodically and generally seeks to structure the compensation granted to its executive officers in a manner that is intended to avoid disallowance of deductions under Section 162(m). However, because neither our 2004 Stock Incentive Plan (other than with respect to stock options) nor our Management Incentive Bonus Plan is designed to qualify as performance-based compensation under Section 162(m), it is possible that a portion of any bonus payable to, or compensation arising under equity awards (other than stock options) granted to, the Chief Executive Officer and certain other executives will not be deductible for federal income tax purposes. The Compensation Committee reserves the right to use its judgment to authorize compensation payments which may be in excess of the

Section 162(m) limit when the Committee believes such payments are appropriate, after taking into consideration changing business conditions or the officer s performance, and are in the best interests of the shareholders.

Table of Contents

Impact of ASC 718

The Compensation Committee has considered the impact of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 718 (formerly SFAS 123R), on our use of equity incentives as a key retention tool. Because of the significant cost associated with options under ASC 718 as compared to the potential value delivered, the Compensation Committee elected to grant more efficient equity instruments instead of stock options. Accordingly, it granted to executives restricted stock in 2006 and RSUs beginning in 2007. The Compensation Committee will regularly review its choice of equity instruments taking into account both tax and accounting considerations.

COMPENSATION COMMITTEE REPORT

The Compensation Committee has reviewed and discussed the Compensation Discussion and Analysis required by Item 402(b) of Regulation S-K with management. Based on such review and discussions, the Committee recommended to the Board of Directors that the Compensation Discussion and Analysis be included in this proxy statement on Schedule 14A.

Respectfully submitted,

Robert R. Anderson, Chairman
Peter R. Hanley
Louis P. Valente

The Compensation Committee Report shall not be deemed incorporated by reference by any general statement incorporating this proxy statement into any filing under the Securities Act of 1933, as amended, or under the Securities Exchange Act of 1934, as amended, except to the extent that we specifically incorporate this information by reference, and shall not otherwise be deemed filed under such Acts.

Summary Compensation Table

The following table sets forth the aggregate amounts of compensation earned by our Named Executive Officers in the years ended December 31, 2009, 2008 and 2007.

me and Principal Position	Year	Salary ($)	Bonus ($)(1)	Stock Awards($)(2)	Non Equity Incentive Plan Compensation ($)(3)	Change in Pension Value and Nonqualified Deferred Compensation Earnings($)(4)	All Other Compensation($)(5)	Total ($
Berlinghieri, O & President	2009	$ 497,389	$ 6,115	$ 592,386	$ 0	$ 209,185	$ 42,645	$ 1,347,7
	2008	$ 511,967	$ 0	$ 1,028,862	$ 0	$ 766,886	$ 30,114	$ 2,337,8
	2007	$ 483,654	$ 0	$ 829,500	$ 270,266	$ 1,499,711	$ 26,032	$ 3,109,1

nald C. Weigner,								
of Finance & Treasurer(6)	2009	$ 271,839	$ 3,178	$ 113,484	$ 0	$ 92,781	$ 30,912	$ 512,1
	2008	$ 270,325	$ 0	$ 197,100	$ 0	$ 442,527	$ 34,374	$ 944,3
	2007	$ 262,504	$ 0	$ 237,000	$ 66,009	$ 355,926	$ 35,238	$ 956,6
ald G. Colella,								
COO and Acting								
up VP, PRG Products	2009	$ 360,807	$ 4,212	$ 198,597	$ 0	$ 127,881	$ 44,628	$ 736,1
	2008	$ 358,826	$ 0	$ 344,925	$ 0	$ 459,074	$ 45,913	$ 1,208,7
	2007	$ 349,038	$ 0	$ 415,140	$ 117,025	$ 632,818	$ 43,742	$ 1,557,7
n T.C. Lee,								
up VP, CIT Products(7)	2009	$ 253,228	$ 3,173	$ 141,855	$ 0	$ 0	$ 41,834	$ 440,0
n A. Smith,								
and Chief Technology								
icer	2009	$ 288,199	$ 3,404	$ 113,484	$ 3,400	$ 152,743	$ 36,756	$ 597,9
	2008	$ 290,083	$ 0	$ 197,100	$ 0	$ (171,110)	$ 38,412	$ 354,4
	2007	$ 284,450	$ 0	$ 237,000	$ 79,475	$ 145,953	$ 31,631	$ 778,5

(1) Amounts listed in 2009 represent a cash bonus equal to approximately three days pay, which was made to all U.S. employees in December 2009.

(2) Represents the grant date fair value for each restricted stock unit granted to the executive officer during the covered year, calculated in accordance with FASB ASC Topic 718 (formerly FAS 123R). The assumptions used in determining the grant date fair values of awards are set forth in the notes to our consolidated financial statements, which are included in our Annual Report on Form 10-K filed with the SEC on February 26, 2010.

(3) In 2009, due to the global economic crisis, we did not implement our Management Incentive Bonus Plan. The amount shown for Mr. Smith in 2009 represents a reward related to the issuance of a patent. Amounts shown for 2007 and 2008 reflect compensation under the Management Incentive Bonus Plan earned for the year indicated, which was paid in the following year. For 2007 and 2008, each executive was eligible for an annual performance bonus calculated based on a specified target percentage of base salary, called an Individual Incentive Target. The maximum bonus payout possible was 200% of this Individual Incentive Target and the minimum payout was zero, with incremental pay-outs for performance between these levels. Annual performance bonuses were paid out upon achievement of specific corporate pro forma pre-tax EPS goals. The Individual Incentive Targets for the Named Executives Officers in 2008 were: Mr. Berlinghieri 100%; Mr. Weigner 50%; Mr. Colella 65% and Mr. Smith 50%. For 2008, we paid no bonus under the Management Incentive Bonus Plan. In 2007 the targets for the Named Executive Officers were: Mr. Berlinghieri 100%, Mr. Weigner 45%, Mr. Colella 60% and Mr. Smith 50%. For 2007, we paid a bonus of 55.88% of Individual Incentive Targets to the Named Executive Officers.

(4) For supplement retirement benefits, this reflects the actuarial increase in present value for each year indicated, from the prior fiscal year. For deferred compensation, this reflects the theoretical change in assets from the prior fiscal year. The employment agreements for each Messrs. Berlinghieri, Weigner and Colella provide for supplemental retirement benefits. The employment agreement for Mr. Smith provides for a deferred compensation program.

(5) For Mr. Berlinghieri, with respect to 2009, this amount was comprised of $14,879 for payments for car, $5,570 for golf club membership and $22,196 for company paid health and life insurances. With respect to 2008, this amount was comprised of $5,784 for payments for car, $5,200 for golf club membership and $19,130 for company paid health and life insurances. With respect to 2007, this amount was comprised of $3,291 for payments for car, $5,200 for golf club membership and $17,541 for company paid health and life insurances. For Mr. Weigner, with respect to 2009, this amount was comprised of $12,216 for payments for car, $16,470 for company paid health and life insurances and $2,226 for 401(k) matching contributions. With respect to 2008, this amount was comprised of $13,477 for payments for car, $13,997 for company paid health and life insurances and $6,900 for 401(k) matching contributions. With respect to 2007, this amount was comprised of $13,822 for payments for car, $14,666 for company paid health and life insurances and $6,750 for 401(k) matching contributions. For Mr. Colella, with respect to 2009, this amount was comprised of $12,372 for payments for car, $5,570 for golf club membership, $22,621 for company paid health and life insurances and $4,066 for 401(k) matching contributions. With respect to 2008, this amount was comprised of $13,264 for payments for car, $5,200 for golf club membership, $20,549 for company paid health and life insurances and $6,900 for 401(k) matching contributions. With respect to 2007, this amount was comprised of $13,518 for payments for car, $5,200 for golf club membership, $18,274 for company paid health and life insurances and $6,750 for 401(k) matching contributions. For Mr. Lee, with respect to 2009, this amount was comprised of $16,466 for payments for car, $4,550 for golf club membership, $18,814 for company paid health and life insurances and $2,005 for 401(k) matching contributions. For Mr. Smith, with respect to 2009, this amount was comprised of $13,182 for payments for car, $5,570 for golf club membership, $17,048 for company paid health and life insurances and

$956 for 401(k) matching contributions. With respect to 2008, this amount was comprised of $10,719 for payments for car, $3,268 for golf club membership, $18,203 for company paid health and life insurances and $6,222 for 401(k) matching contributions. With respect to 2007, this amount was comprised of $10,749 for payments for car, $3,268 for golf club membership, $10,864 for company paid health and life insurances and $6,750 for 401(k) matching contributions.

(6) Mr. Weigner served as our Vice President and Chief Financial Officer until December 31, 2009.

Table of Contents

(7) In 2007 and 2008, Mr. Lee was not a named executive officer under the applicable rules of the Securities and Exchange Commission, and accordingly, compensation is not included with respect to such years for Mr. Lee in this table.

Grants of Plan-Based Awards in Fiscal Year 2009

		Estimated Future Payouts Under Non-Equity Incentive Plan Awards(2)			Estimated Future Payouts Under Equity Incentive Plan Awards(3)			All Other Stock Awards: Number of Shares of Stock or Units	Grant Date Fair Value of Stock
Name	**Grant Date(1)**	**Threshold ($)**	**Target ($)**	**Maximum ($)**	**Threshold (#)**	**Target (#)**	**Maximum (#)**	**(#)(4)**	**Awards($)(5)**
Leo Berlinghieri	03/16/09	$ 0	$ 0	$ 0	10,962	18,270	25,578	18,270	$ 592,386
Ronald C. Weigner	03/16/09	$ 0	$ 0	$ 0	2,100	3,500	4,900	3,500	$ 113,484
Gerald G. Colella	03/16/09	$ 0	$ 0	$ 0	3,675	6,125	8,575	6,125	$ 198,597
John T.C. Lee	03/16/09	$ 0	$ 0	$ 0	2,625	4,375	6,125	4,375	$ 141,855
John A. Smith	03/16/09	$ 0	$ 0	$ 0	2,100	3,500	4,900	3,500	$ 113,484

(1) This column shows the date of grant for all equity awards granted in 2009.

(2) We did not implement a Management Incentive Bonus Plan with respect to 2009.

(3) The RSUs vest in equal annual installments over three years, subject to achievement of performance criteria.

(4) Vests in equal installments over three years.

(5) Reflects the grant date fair value of RSUs. The fair value was $13.51 per share for RSUs awarded on March 16, 2009.

Outstanding Equity Awards at 2009 Fiscal Year-End

	Option Awards(1)	Stock Awards(2)		
		Number	Market Value of	Equity Incentive Plan

Number of Securities Underlying Unexercised	Option	of Shares or Units of Stock That Have	Shares or Units of Stock That Have	Equity Incentive Plan Awards: Number of Unearned Shares, Units or	Awards: Market or Payout Value of Unearned Shares, Units or Other