KULICKE & SOFFA INDUSTRIES INC
Form DEF 14A
January 04, 2007

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of the

Securities Exchange Act of 1934

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

Check the appropriate box:

¨ Preliminary Proxy statement

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

x Definitive Proxy Statement

¨ Definitive Additional Materials

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KULICKE AND SOFFA INDUSTRIES, INC.

(Name of Registrant as Specified in Its Charter)

(Name of Person(s) Filing Proxy statement, if other than the Registrant)

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(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.

(3) Filing Party:

(4) Date Filed:

1005 Virginia Drive, Fort Washington, PA 19034

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

February 13, 2007

THE ANNUAL MEETING OF SHAREHOLDERS OF KULICKE AND SOFFA INDUSTRIES, INC. (the Company) will be held on Tuesday, February 13, 2007, at 4:30 p.m. at the Doubletree Hotel, 640 W. Germantown Pike, Plymouth Meeting, Pennsylvania, for the following purposes:

1. Election of Messrs. C. Scott Kulicke and Barry Waite as directors;

2. Approval of the 2007 Equity Plan for Non-Employee Directors;

3. Ratification of the appointment of PricewaterhouseCoopers LLP as the Company s independent registered public accounting firm for the fiscal year ending September 29, 2007; and

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

The board of directors has fixed the close of business on December 15, 2006 as the record date for the determination of holders of common shares entitled to notice of and to vote at the annual meeting.

All shareholders are cordially invited to attend the annual meeting, but whether or not you expect to attend the annual meeting in person, please sign and date the enclosed proxy and return it promptly in order that your stock may be voted, unless you are voting by internet or telephone. If you attend the annual meeting, you may (but do not have to) revoke your proxy and vote in person.

By Order of the Board of Directors

SUSAN WATERS

Secretary

January 3, 2007

1005 Virginia Drive, Fort Washington, PA 19034

PROXY STATEMENT

January 3, 2007

The enclosed proxy is solicited by the board of directors of Kulicke & Soffa Industries, Inc. (the Company). We are mailing this proxy statement and the enclosed proxy on or about January 3, 2007. A copy of the Company s 2006 Annual Report to Shareholders (which includes the Company s Annual Report on Form 10-K) is also enclosed but is not to be considered as proxy solicitation material.

Voting and Revocability of Proxies

Our board of directors has fixed the close of business on December 15, 2006 as the record date for determining the shareholders entitled to vote at our 2007 annual meeting of shareholders. As of the record date, there were 57,061,256 of the Company s common shares outstanding. Each common share is entitled to one vote on all matters presented at the meeting.

When proxies are properly dated, executed and returned, or voting is properly authorized over the internet or by telephone, the common shares so represented will be voted at the annual meeting in accordance with the instructions of the shareholder. If no specific instructions are given, the common shares will be voted **FOR** the: (1) election of Messrs. C. Scott Kulicke and Barry Waite as directors; (2) approval of the 2007 Equity Plan for Non-Employee Directors; and (3) ratification of the appointment of PricewaterhouseCoopers LLP as our independent registered public accounting firm for the fiscal year ending September 29, 2007. A shareholder may revoke a proxy at any time before its use by delivering a later executed proxy or written notice of revocation to the Secretary of the Company, or by attending the annual meeting and giving notice of such revocation. Attendance at the annual meeting does not by itself constitute revocation of a proxy.

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

How You Can Vote

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

- **Voting by internet**. The website for internet voting is on the enclosed proxy card, and voting is available 24 hours a day.

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

- **Voting by mail**. If you choose to vote by mail, simply mark the enclosed proxy card, date and sign it, and return it in the postage-paid envelope provided.

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

ITEM 1 ELECTION OF DIRECTORS

The board of directors has nominated C. Scott Kulicke and Barry Waite for re-election at the annual meeting, each to serve until the 2011 annual meeting and until his successor has been duly elected and qualified. Each shareholder who so chooses may cumulate votes in the election of directors (i.e. each shareholder may multiply the number of votes the shareholder is entitled to cast by the total number of directors to be elected and cast the whole number of votes for one candidate or distribute them among some or all candidates). At this time, only Messrs. Kulicke and Waite have been nominated for director. Persons named as proxies reserve the right to vote the proxies cumulatively, if necessary, in order to elect Messrs. Kulicke and Waite to the board of directors. If Mr. Kulicke or Mr. Waite, or both, should be unable to serve as director at the time of the election, the persons named as proxies in the proxy may vote the proxies for any other individual (or individuals, as applicable) as they may choose, unless the board of directors determines that no director should be elected at the annual meeting.

The following table provides certain information concerning Messrs. Kulicke and Waite, the nominees for re-election at the annual meeting, as well as the other directors of the Company, the executive officers of the Company named in the Summary Compensation Table contained elsewhere in this proxy statement, and the executive officers and directors of the Company as a group. Unless otherwise specified, the directors have held the positions indicated (other than directorships) for at least five years. To the knowledge of the Company, each of the persons listed below has sole voting and investment power with respect to their beneficial ownership (as defined by Rule 13d-3 under the Securities Exchange Act of 1934, or the Exchange Act) of the Company s common shares identified in the table below as so owned, unless otherwise indicated.

Name, Age and Occupation	Director Since	Present Term Expires	Common Shares Beneficially Owned On December 1, 2006 Number(1)	Percent
Directors Nominated For Re-Election				
C. Scott Kulicke (57) Chairman of the Board and Chief Executive Officer of the Company.	1975	2007	1,506,908(2)	2.6%
Barry Waite (58) From May 1998 until his retirement in May 2002, Mr. Waite served as President and Chief Executive Officer of Chartered Semiconductor, a major wafer foundry. From 1982 to 1998, Mr. Waite held positions of increasing responsibility with Motorola Corporation, Semiconductor Products Sector, including Senior Vice President and General Manager, Europe, Middle East and Africa (1997 to 1998) and Senior Vice President and General Manager Microprocessor and Memory Technology Group (1993 to 1997). Mr. Waite also serves as a director of ZETEX PLC and Innovative Micro Technology, and is senior advisor to Investor Growth Capital, an investment fund.	2003	2007	15,000	*

Name, Age and Occupation	Director Since	Present Term Expires	Common Shares Beneficially Owned On December 1, 2006 Number[(1)]	Percent
Continuing Directors				
Brian R. Bachman (61) Mr. Bachman is a private investor. From 2000 to 2002, Mr. Bachman served as Chief Executive Officer and Vice Chairman of Axcelis Technologies, which produces equipment used in the fabrication of semiconductors. Mr. Bachman also serves as a director of Keithley Instruments and Ultra Clean Technology.	2003	2008	9,500	*
Garrett E. Pierce (62) Mr. Pierce has served as Vice Chairman and Chief Financial Officer of Orbital Sciences Corporation, a developer and manufacturer of small rockets and space systems, since April 2002 and as a member of its board since August 2000. Between August 2000 and April 2002, he was Executive Vice President and Chief Financial Officer of Orbital Sciences Corporation. From 1996 until August 2000, Mr. Pierce was Executive Vice President and Chief Financial Officer of Sensormatic Electronics Corp., a producer of electronic surveillance systems, and in July 1998 was also named its Chief Administrative Officer. Before that, Mr. Pierce was the Executive Vice President and Chief Financial Officer of California Microwave, Inc. He has also served as Chief Financial Officer, President and Chief Executive Officer of Materials Research Corporation, acquired by Sony Corporation in 1989. From 1972 to 1980, Mr. Pierce held various management positions with The Signal Companies.	2005[(3)]	2009	5,000	*
MacDonell Roehm, Jr. (67) Mr. Roehm is Chairman and Chief Executive Officer of Crooked Creek Capital LLC, a provider of strategic, operational and financial restructuring services, a position he has held since 1998. From September 2002 to April 2003, Mr. Roehm also served as Chief Executive Officer of CH4 Gas Limited, a natural resources company. From 2000 to 2001, Mr. Roehm served as Chairman and Chief Executive Officer of Mackenzie-Childs Ltd., a manufacturer and retailer of furniture and home accessories. Since 1999, Mr. Roehm has served as Chairman of Australian Ventures LLC, a private equity fund. From 1994 until 1998, Mr. Roehm served as Chairman, President and Chief Executive Officer of Bill s Dollar Stores, Inc., a chain of retail convenience stores. Before that time, he served as Managing Director of AEA Investors, Inc., a private investment firm.	1984	2010	81,000	*

Name, Age and Occupation	Director Since	Present Term Expires	Common Shares Beneficially Owned On December 1, 2006 Number[1]	Percent
John A. O Steen (62)	1988	2010	83,000[2]	*
Mr. O Steen served as Executive Vice President, Business Development (March 2003 to May 2004), Executive Vice President of Operations (July 1998 to February 2003) and Executive Vice President (January to June 1998) of Cornerstone Brands, Inc., a consumer catalog company. From 1991 to 1998, Mr. O Steen served as Chairman and Chief Executive Officer of Cinmar, L.P., a mail order catalog company that was acquired by the predecessor of Cornerstone Brands in September 1995. Before that time, Mr. O Steen served as President, Chief Executive Officer and a director of Cincinnati Microwave, Inc., a manufacturer of electronic products. Mr. O Steen also serves as a director of Riggs Heinrich Media, Inc.				
C. William Zadel (63)	1989	2009	65,000	*
In December of 2004, Mr. Zadel retired from Mykrolis Corporation. From August of 2001 until December of 2004, Mr. Zadel was Chairman and Chief Executive Officer of Mykrolis Corporation, a multinational company focused on developing, manufacturing and marketing technically advanced filtration, purification and control products for the global semiconductor industry. Mykrolis is the former microelectronics division of Millipore Corporation. Before becoming Chief Executive Officer of Mykrolis at its separation from Millipore in August 2001, Mr. Zadel was Chairman and Chief Executive Officer of Millipore since April of 1996. Mr. Zadel also serves as a director of Matritech, Inc.				

Name, Age and Occupation	Director Since	Present Term Expires	Common Shares Beneficially Owned On December 1, 2006 Number[1]	Percent
Executive Officers				
Jagdish (Jack) Belani (53) Senior Vice President of Package Materials and Corporate Marketing			241,469	*
Maurice E. Carson (49) Vice President and Chief Financial Officer			139,935	*
Bruce Griffing (56) Vice President, Engineering			53,904	*
Oded Lendner (46)[4] Senior Vice President, Package Test				*
Charles Salmons (51) Senior Vice President, Acquisition Integration			286,679	*
All directors, nominees and executive officers as a group (13 persons)			2,583,276[5]	4.5%

* Less than 1.0%

(1) Includes or consists of shares subject to outstanding options that are currently exercisable or exercisable within 60 days after December 1, 2006 in the following amounts: Mr. O Steen (63,000); Mr. Roehm (75,000); Mr. Bachman (7,500); Mr. Kulicke (763,575); Mr. Waite (15,000); Mr. Zadel (63,000); Mr. Pierce (5,000); Mr. Belani (241,227); Mr. Carson (137,625); Mr. Salmons (276,495); and Mr. Griffing (52,585).

(2) Includes shares jointly held with the individual s spouse in the following amounts: Mr. Kulicke (557,684) and Mr. O Steen (2,000).

(3) Mr. Pierce was elected by the board of directors in November 2005 to fill the vacancy in the class of 2009.

(4) Mr. Lendner was an officer of the Company until April 1, 2006.

(5) Includes 1,794,013 shares subject to options that are currently exercisable or exercisable within 60 days after December 1, 2006. See also footnote (1) above.

THE BOARD OF DIRECTORS RECOMMENDS VOTING FOR THE ELECTION OF

MESSRS. C. SCOTT KULICKE AND BARRY WAITE AS DIRECTORS.

ITEM 2 PROPOSAL TO APPROVE THE 2007 EQUITY PLAN FOR NON-EMPLOYEE DIRECTORS

On November 30, 2006, the board of directors adopted the 2007 Equity Plan for Non-Employee Directors (the 2007 Plan), subject to shareholder approval, because the board believes that issuing common shares is essential if the Company is to continue to retain and motivate its non-employee directors upon whom the Company s continued success depends. The board also believes that director stock ownership better aligns the interests of directors and shareholders. If the 2007 Plan is approved by shareholders, directors will become subject to the stock ownership guidelines summarized below. Up to 280,000 of the Company s common shares (subject to adjustment in the event of stock dividends, stock splits and other similar events) may be issued under the 2007 Plan.

The following is a summary of the material features of the 2007 Plan, but is qualified in its entirety by reference to the 2007 Plan, a copy of which is included as Appendix A to this proxy statement. You are encouraged to read the 2007 Plan, as well as this summary, in their entirety.

Types of Awards

The 2007 Plan provides for the grant of common shares to each non-employee director upon his or her initial election to the board and on the first business day of each calendar quarter while serving on the board. The grant to a non-employee director upon his or her initial election to the board, and each quarterly grant, shall be that number of common shares closest in value to, without exceeding, $30,000. The amount of equity grants was determined based on non-employee director compensation in the same and similar industries. The board engaged Aon Consulting for advice and for compilation of the benchmarking data. The board of directors will review the value of the initial grant and quarterly grants on an annual basis, and may increase or decrease the value of such grants in order to provide its non-employee directors with compensation that is comparable to non-employee directors in the same and similar industries. In no event may any such increase or decrease exceed fifteen percent of the dollar amount in effect prior to the increase or decrease or exceed the number of common shares available under the 2007 Plan. The board will rely on reports from an independent third-party compensation consultant during its review.

Eligibility to Receive Grants

Only non-employee directors of the Company (currently, six of seven directors) are eligible to receive common shares under the 2007 Plan. Each non-employee director will be entitled to grants of common shares under the 2007 Plan for as long as he or she remains a non-employee director of the Company.

Administration

The 2007 Plan is administered by the management development and compensation committee of our board of directors (the Committee), which has the authority to interpret the 2007 Plan and to adopt, amend and repeal rules and regulations for its administration.

The Committee is required to make appropriate adjustments in connection with the number of common shares available under the 2007 Plan to reflect stock splits, stock dividends, recapitalizations and other similar changes in the Company s capitalization.

Amendment or Termination of 2007 Plan

The board of directors may at any time amend, suspend or terminate the 2007 Plan; subject, however, to our shareholders approval with respect to any amendment of the 2007 Plan requiring shareholder approval under the rules of the Nasdaq Global Market.

Listing and Registration of Shares

We expect that the Company s common shares which would be issued under the 2007 Plan will be listed on the Nasdaq Global Market. If at any time we determine, in our discretion, that the listing, registration or qualification of common shares issuable under the 2007 Plan on the Nasdaq Global Market or any other securities exchange or under the laws of any jurisdiction or the consent or approval of any governmental regulatory body is necessary or desirable as a condition of, or in connection with, the operation of the 2007 Plan, or that we or our shareholders or non-employee directors should seek to obtain an exemption from any above-listed requirement or to continue any listing, registration, or qualification, then the grant of common shares under the 2007 Plan will be postponed unless and until the listing, registration, qualification, consent, approval, or action has been effected, obtained or taken under conditions acceptable to the Committee. In addition, a non-employee director may be required to assure us satisfactorily that his or her receipt of common shares under the 2007 Plan will be used for investment purposes and not with a view to distribution.

Stock Ownership Guidelines for Non-employee Directors

If the 2007 Plan is approved by the shareholders, the directors will become subject to the stock ownership guidelines set forth in the Company s Corporate Governance Guidelines, a copy of which can be found at www.kns.com. The guidelines provide that each non-employee director (currently six of seven directors) should beneficially own common shares of the Company with an aggregate market value of at least $120,000. The guidelines further provide that each non-employee director is expected to meet the stock ownership target within two years after April 1, 2007.

No Further Stock Option Grants for Non-employee Directors if 2007 Plan is Approved

Directors who are not officers or employees of the Company currently participate in the 1997 Non-Qualified Stock Option Plan for Non-Employee Directors (the 1997 Plan), as described below under Director Compensation. As of December 15, 2006, there were 280,000 options to acquire common shares available for issuance under the 1997 Director Plan. If the 2007 Plan is approved, no further grants would be made under the 1997 Director Plan.

Equity Compensation Plans

The following table provides information concerning the Company s equity compensation plans as of September 30, 2006:

		(share amounts in thousands)	
Plan Category	**Number of securities to be issued upon exercise of outstanding options, warrants and rights**	**Weighted-average exercise price of outstanding options, warrants and rights**	**Number of securities remaining available for future issuance under equity compensation plans**
Equity compensation plans approved by security holders	6,819	$10.67	5,196
Equity compensation plans not approved by security holders	1,171	$8.98	797
Total	7,990	$10.42	5,993

The Company s 1999 Nonqualified Employee Stock Option Plan (the 1999 Plan) is the only current equity compensation plan of the Company that has not been approved by shareholders. This plan was approved by the board of directors on September 28, 1999 and under the 1999 Plan only employees of the Company and its subsidiaries who are not directors or officers are eligible to receive options. The Committee administers the 1999 Plan. The exercise price of options granted under the 1999 Plan is equal to 100% of the fair market value of the Company s common shares on the date of grant. Options granted under the 1999 Plan are exercisable at such dates as are determined in connection with their issuance, but not later than ten years after the date of grant.

Additional Equity Compensation Plan Information

As of December 15, 2006, there were 8,728,833 shares subject to issuance upon exercise of outstanding options or awards under all of the Company s equity compensation plans, at a weighted average exercise price of $10.30, and with a weighted average remaining life of 5.6 years. As of December 15, 2006, there were 4,133,529 shares available for future issuance under those plans.

THE BOARD OF DIRECTORS RECOMMENDS VOTING <u>FOR</u> THE PROPOSAL

TO APPROVE THE 2007 EQUITY PLAN FOR NON-EMPLOYEE DIRECTORS.

ITEM 3 RATIFICATION OF APPOINTMENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The audit committee of the board of directors has appointed PricewaterhouseCoopers LLP as the Company s independent registered public accounting firm for the fiscal year ending September 29, 2007. The ratification of the appointment of the independent registered public accounting firm by the shareholders is not required by law or by the Company s By-laws. Traditionally, the Company has submitted this matter to the shareholders for ratification and believes that it is good practice to continue to do so. If a majority of the votes cast on this matter are not cast in favor of the reappointment of PricewaterhouseCoopers LLP, the audit committee will reconsider its appointment.

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

THE BOARD OF DIRECTORS RECOMMENDS VOTING <u>FOR</u> RATIFICATION OF THE

APPOINTMENT OF PRICEWATERHOUSECOOPERS LLP AS THE COMPANY S

INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM.

COMPENSATION OF EXECUTIVE OFFICERS

Compensation Discussion & Analysis

Overview

The management development and compensation committee (the Committee) of the board of directors seeks to achieve the following goals with the Company s executive compensation programs: to attract, motivate and retain key executives and to reward executives for value creation. The Committee seeks to foster a performance-oriented environment by tying a significant portion of each executive s cash and equity compensation to the achievement of performance targets that are important to the Company and its shareholders.

The Company s executive compensation program has three elements: base salary, a cash bonus plan called the Officer Incentive Compensation Plan, which was adopted in August 2005 (the OIC Plan), and equity incentives in the form of both performance-based stock awards granted under the 2006 Equity Plan and stock options granted under the Company s 1998 Key Employee Stock Option Plan.

Cash incentive bonus payments and performance-based stock awards are both calculated primarily by the Company s return on invested capital (ROIC) over the applicable performance measurement periods. The Company calculates ROIC as follows: operating income from continuing operations divided by adjusted net invested capital. Net invested capital is defined as total assets minus current liabilities. Total assets are adjusted for discontinued operations assets held for sale, and also exclude cash in excess of $75 million. The Committee believes that ROIC is the most useful measure of management s effectiveness in creating value for the shareholders of the Company.

The Company measures ROIC quarterly and pays quarterly bonus payments under the OIC Plan if the Company has positive net income for the quarter. The bonus pool is funded by the Company s ROIC performance compared to objectives set by the Committee. The Committee sets ROIC objectives under the OIC Plan relative to a benchmark that is established after evaluating the highest ROIC achieved in the Company s industry. In fiscal 2006, officers earned OIC Plan payments for every fiscal quarter.

The Company did not award executive officers any equity incentive awards in fiscal 2006 because the Committee determined that the awards made in fiscal 2005 were sufficient for fiscal 2005 and fiscal 2006. On October 2, 2006, the Company awarded executive officers equity incentives in the form of both performance-based stock awards and stock options. The majority of the awards to officers were in the form of performance-based stock awards. The performance-based stock awards entitle officers to receive common shares in 2009, but only if certain ROIC and revenue growth targets are achieved over the three-year performance period.

Target Total Cash Compensation

Target total cash compensation for each executive is established primarily based on peer group data. The Committee included companies in the peer group that the Committee believes are competitors to the Company for executive talent. The Committee engaged Aon Consulting for advice in determining the peer group and compilation of the compensation data for the peer group companies.

Base Salary and Cash Incentive

Total cash compensation is divided into a base salary portion and a cash incentive portion. Base salary is established based on peer group data and is adjusted based on individual performance and experience. The Committee targets total cash compensation at the median for peer group companies, adjusted upward or downward by up to 20%, based on individual performance and experience. Generally, the higher the level of responsibility of the executive within the Company, the greater the portion of that executive s target total cash compensation that consists of the cash incentive component. The Committee believes that the higher the executive s level of responsibility within the Company, the greater the percentage of the executive s compensation that should be tied to the Company s performance. Target cash incentive ranges from approximately 33% to 50% of targeted total cash compensation (50% to 100% of base salary) for the executive officers.

Under the OIC Plan, each quarter, a cash award pool is funded if performance levels relative to ROIC targets set by the Committee before the beginning of the quarter are reached. The Committee sets ROIC targets relative to a benchmark that is established after evaluating the highest ROIC achieved in the Company s industry. In addition, no awards are payable from the pool unless the Company has positive net income for the quarter. Payments are allocated from the pool based on Company, business unit and individual objectives. Executive officers earned cash incentive payments under the OIC Plan for each of the four quarters of fiscal 2006. For fiscal 2006, based upon the Company s net income, performance relative to the ROIC targets, and Company business unit and individual objectives approved by the Committee, the Company s named executive officers, excluding the Chief Executive Officer, earned an aggregate of $836,373. The Chief Executive officer earned an aggregate of $561,429 in OIC Plan payments for fiscal 2006.

Equity Incentive

The Company s executive officers are eligible to receive performance-based stock and stock options granted under the Company s equity incentive plans. If executive officers receive equity incentive grants, they are awarded annually at the first regularly scheduled meeting of the Committee in the fiscal year, which is usually held in the first week of October. Newly hired executive officers may receive sign-on grants on the first business day of the calendar month following their hire dates, if approved by the Committee. In addition, the Committee may, in its discretion, issue additional equity incentive awards to executive officers if the Committee determines the awards are necessary for retention. A copy of the equity grant Statement of Practices adopted by the Committee is available on the Company s website at www.kns.com.

The Company did not grant any equity incentive awards to executive officers in its fiscal year ended September 30, 2006. On October 2, 2006, the Company granted performance-based stock awards and stock options to executive officers. The majority of those equity incentive awards to executive officers were performance-based stock awards. The performance-based stock awards entitle the executive officers to receive common shares of the Company on the three-year anniversary of the grant date if ROIC and revenue growth targets set by the Committee on the date of grant are met. The Committee sets these ROIC objectives relative to the Company s cost of capital. The Committee sets revenue targets relative to the actual revenue growth during the performance period of peer companies included in the performance graph in the Company s 2006 Annual Report to Shareholders. Executive officers will not receive the majority of shares underlying the performance-based share awards unless the Company s ROIC exceeds its cost of capital and revenue growth exceeds the median revenue growth at the peer companies. The purpose of these grants is to align management and shareholder interests as measured by ROIC, revenue growth and the stock market s assessment of the Company s performance. The number of equity awards granted to each participant is determined primarily based on median award values for executives in the compensation peer group determined by the Committee as discussed above in Target Total Cash Compensation. The extent of existing options or stock ownership is not generally considered in granting equity awards, except that the Company sometimes grants an initial round of equity awards to newly recruited executives to provide them with some stake in the Company s success from the commencement of their employment.

Executive officers are required to return cash and equity incentive awards if the relevant performance targets upon which the awards are based are ever restated or otherwise adjusted in a manner that would reduce the size of an award.

Other Compensation

The amounts shown in the Summary Compensation Table under the heading Other Compensation represent the value of Company matching contributions to the executive officers 401(k) accounts and the taxable value of certain life insurance benefits. Executive officers did not receive any other perquisites or other personal benefits or property.

Chief Executive Officer Compensation

The Committee uses the same factors in determining the compensation of the Chief Executive Officer as it does for the other participants in the OIC Plan. The Chief Executive Officer s base salary for Fiscal 2006 was $528,782. The Chief Executive Officer received a cash incentive payment for fiscal 2006 under OIC Plan totaling $561,429.

The Committee is mindful of the potential impact upon the Company of Section 162(m) of the Internal Revenue Code (the Code), which prohibits public companies from deducting certain executive remuneration in excess of $1,000,000. While reserving the right of the Company to offer such compensation arrangements as may from time to time be necessary to attract and retain top-quality management, the Committee intends generally to structure such arrangements, where feasible, so as to minimize or eliminate the impact of the limitations of Section 162(m) of the Code.

Summary Compensation Table

Name and Principal Position	Fiscal Year	Salary ($)	Bonus ($)[1]	Stock Awards ($)	Option Awards[2] ($)	Non-Equity Incentive Plan Compensation ($)	Change in Pension Value[3] and Nonqualified Deferred Compensation Earnings ($)	All Other Compensation[4] ($)	Total ($)
C. Scott Kulicke, Chairman of the Board and Chief Executive Officer	2006	528,782			310,912	561,429	14,364	14,564	1,430,051
Maurice E. Carson, Vice President and Chief Financial Officer	2006	289,231	35,000		260,949	230,736		7,977	823,893
Jagdish (Jack) G. Belani, Senior Vice President of Package Materials and Corporate Marketing	2006	298,385			149,991	209,457		9,395	667,228
Bruce Griffing, Vice President, Engineering	2006	240,769			114,039	127,215		10,040	492,063
Oded Lendner, Vice President, Package Test[5]	2006	258,187	247,135		278,481	66,903		160,689	1,011,395
Charles Salmons, Senior Vice President, Acquisition Integration	2006	318,192			196,885	202,062	2,673	15,980	735,792

1 The Management Development and Compensation Committee awarded Mr. Carson and Mr. Lendner cash bonus payments for their roles in successfully divesting the Company s test business.

2 There were no stock option awards to named executive officers in fiscal 2006. The amounts included in the Option Awards column are the amounts of compensation cost recognized by the Company in fiscal 2006 related to stock option awards in prior fiscal years, as described in Statement of Financial Accounting Standards No. 123R. For a discussion of valuation assumptions, see Note 8 to the Company s 2006 Consolidated Financial Statements included in the Company s annual report on Form 10-K for the year ended September 30, 2006.

3 Amounts are change in pension value. There were no non-qualified deferred compensation earnings. The Company has no deferred compensation plans.

4 Consists of the value of 401(k) matching contributions and the taxable value of life insurance benefits. Executive officers do not receive any other prerequisites, personal benefits or property.

5

Mr. Lendner was an officer of the Company until April 1, 2006. The $160,689 included in the All Other Compensation column for Mr. Lendner includes a severance payment of $141,692 and $18,997 attributable to 401(k) matching contributions and the taxable value of life insurance benefits.

GRANTS OF PLAN-BASED AWARDS

FISCAL 2006

No awards were made in fiscal 2006 under the Company s non-equity incentive compensation plan (the Officer Incentive Compensation Plan) that will result in future pay-outs. Awards are paid at the end of each fiscal quarter based on performance metrics for the quarter, as described above in the Compensation Discussion & Analysis. The named executive officers received the following amounts for fiscal 2006 at the end of the first, second, third and fourth fiscal quarters, respectively: Mr. Kulicke: $235,240, $134,159, $105,355, $86,675; Mr. Carson: $88,740, $92,507, $47,301, $37,188; Mr. Belani: $85,989, $48,486, $40,409, $34,572; Mr. Griffing: $48,935, $32,183, $25,309, $20,788; Mr. Lendner: $31,155, $35,748; none, none; and Mr. Salmons: $89,238, $36,551, $43,044, $33,229. The amounts reported are the actual cash awards paid for each quarter of fiscal 2006. The total amounts of these awards for fiscal 2006 are reported above in the Summary Compensation Table in the column entitled Non-Equity Incentive Plan Compensation.

No equity incentive plan awards or other stock or option awards were made in fiscal 2006 to executive officers.

OUTSTANDING EQUITY AWARDS AT 2006 FISCAL YEAR-END[1]

Name	Number of Securities Underlying Unexercised Options Exercisable (#)	Number of Securities Underlying Unexercised Options Unexercisable (#)	Option Awards Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Unearned Options (#)	Option Exercise Price ($)	Option Expiration Date
C. Scott Kulicke	69,800			$ 18.41	10/14/2007
	150,600			$ 6.72	9/18/2008
	95,400			$ 12.94	9/28/2009
	110,600			$ 14.38	10/19/2010
	111,500			$ 16.12	11/20/2011
	60,750	20,250		$ 2.95	10/3/2012
	38,000	38,000		$ 12.05	10/7/2013
	58,450	116,550		$ 7.14	10/29/2014
Maurice E. Carson	75,000	25,000		$ 12.23	9/15/2013
	41,750	83,250		$ 7.14	10/29/2014