

Ultra Clean Holdings, Inc.  
Form DEF 14A  
April 22, 2016  
Table of Contents

**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**

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement

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

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material under § 240.14a-12

**ULTRA CLEAN HOLDINGS, INC.**

**(Name of Registrant as Specified In Its Charter)**

**(Name of Person(s) Filing Proxy Statement if other than the Registrant)**

Payment of Filing Fee (Check the appropriate box):

Table of Contents

- x No fee required.
- .. Fee computed on table below per Exchange Act Rules 14a-6(i)(4) and 0-11.
  - 1. Title of each class of securities to which transaction applies:
  
  
  - 2. Aggregate number of securities to which transaction applies:
  
  
  - 3. Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):
  
  
  - 4. Proposed maximum aggregate value of transaction:
  
  
  - 5. Total fee paid:
  
- .. Fee paid previously with preliminary materials.
  
- .. Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.
  - 1. Amount Previously Paid:
  
  
  - 2. Form, Schedule or Registration Statement No.:
  
  
  - 3. Filing Party:

4. Date Filed:

**Table of Contents**

**ULTRA CLEAN HOLDINGS, INC.**

**26462 Corporate Avenue**

**Hayward, CA 94545**

**NOTICE OF 2016 ANNUAL MEETING OF STOCKHOLDERS OF**

**ULTRA CLEAN HOLDINGS, INC.**

Date: May 26, 2016

Time: Doors open at 12:00 p.m. Pacific time;  
Meeting begins at 12:30 p.m. Pacific time

Place: Davis Polk & Wardwell LLP  
1600 El Camino Real  
Menlo Park, CA 94025

Purposes: Elect our directors

Ratify the appointment of Moss Adams LLP as our independent registered public accounting firm for fiscal 2016

Hold an advisory vote on executive compensation

Conduct other business that may properly come before the annual meeting or any adjournment or postponement thereof

Who Can Vote: April 1, 2016 is the record date for voting. Only stockholders of record at the close of business on that date may vote at the annual meeting or any adjournment thereof.

All stockholders are cordially invited to attend the meeting. At the meeting you will hear a report on our business and have a chance to meet some of our directors and executive officers.

**Important Notice Regarding The Availability Of Proxy Materials For The Stockholder Meeting To Be Held On May 26, 2016: This Proxy Statement, along with our 2015 Annual Report to Stockholders, is available on the following website: <http://materials.proxyvote.com/90385V>. Whether you expect to attend the meeting or not, please vote electronically via the Internet or by telephone or by completing, signing and promptly returning the enclosed proxy card in the enclosed postage-prepaid envelope. You may change your vote and revoke your proxy at any time before the polls close at the meeting by following the procedures described in the accompanying proxy statement.**

Sincerely,

/s/ James P. Scholhamer

James P. Scholhamer

*Chief Executive Officer*

April 22, 2016

**Table of Contents**

**ULTRA CLEAN HOLDINGS, INC.**

**2016 ANNUAL MEETING OF STOCKHOLDERS**

**NOTICE OF ANNUAL MEETING AND PROXY STATEMENT**

**TABLE OF CONTENTS**

|   | <b>Page</b> |
|---|-------------|
| <u>Information Concerning Solicitation and Voting</u>   | 1           |
| <u>Proposal 1: Election of Directors</u>  | 8           |
| <u>Board Recommendation</u>   | 11          |
| <u>Structure of Board of Directors and Corporate Governance Information</u>                             | 11          |
| <u>Risk Oversight</u>   | 12          |
| <u>Committees of our Board of Directors</u>   | 12          |
| <u>Consideration of Director Nominees</u>   | 14          |
| <u>Director Compensation</u>  | 15          |
| <u>Stock Ownership Guidelines; Policy against Hedging Transactions and Pledges</u>                      | 15          |
| <u>Certain Relationships and Related Party Transactions</u>   | 16          |
| <u>Proposal 2: Ratification of the Appointment of Our Independent Registered Public Accounting Firm</u> | 17          |
| <u>Audit Fees and Tax Fees</u>  | 17          |
| <u>Preapproval Policy of Audit Committee of Services Performed by Independent Auditors</u>              | 17          |
| <u>Board Recommendation</u>   | 18          |
| <u>Report of the Audit Committee</u>  | 19          |
| <u>Proposal 3: Advisory Vote Approving the Compensation of the Named Executive Officers</u>             | 20          |
| <u>Board Recommendation</u>   | 20          |
| <u>Executive Officer Compensation</u>   | 21          |
| <u>Compensation Discussion and Analysis</u>   | 21          |
| <u>Compensation Committee Report</u>  | 29          |
| <u>Summary Compensation Table</u>   | 30          |
| <u>Grants of Plan-Based Awards</u>  | 31          |
| <u>Outstanding Equity Awards</u>  | 32          |
| <u>Option Exercises and Stock Vested</u>  | 33          |
| <u>Nonqualified Deferred Compensation</u>   | 33          |
| <u>Post-Termination Arrangements</u>  | 34          |
| <u>Compensation Committee Interlocks and Insider Participation</u>                                      | 35          |
| <u>Other Matters</u>  | 36          |

**Table of Contents**

**ULTRA CLEAN HOLDINGS, INC.**

**26462 Corporate Avenue**

**Hayward, CA 94545**

**PROXY STATEMENT FOR 2016 ANNUAL MEETING OF STOCKHOLDERS**

**May 26, 2016**

**INFORMATION CONCERNING SOLICITATION AND VOTING**

Your vote is very important. For this reason our Board of Directors is requesting that you permit your shares of common stock to be represented at our 2016 Annual Meeting of Stockholders by the proxies named on the enclosed proxy card. This proxy statement contains important information for you to consider in deciding how to vote on the matters brought before the meeting. The date of this proxy statement is April 22, 2016. The proxy statement and form of proxy are first being mailed to our stockholders on or about April 26, 2016.

**Important Notice Regarding The Availability Of Proxy Materials For The Stockholder Meeting To Be Held On May 26, 2016: This Proxy Statement, along with our 2015 Annual Report to Stockholders are available on the following website: <http://materials.proxyvote.com/90385V>.**

**General Information**

Ultra Clean Holdings, Inc., referred to in this proxy statement as Ultra Clean, the Company or we, is soliciting the enclosed proxy for use at our Annual Meeting of Stockholders to be held on May 26, 2016 at 12:30 p.m., Pacific time or at any adjournment thereof for the purposes set forth in this proxy statement. Our annual meeting will be held at the offices of Davis Polk & Wardwell LLP, 1600 El Camino Real, Menlo Park, California 94025.

**Who May Attend and Vote at Our Annual Meeting**

All holders of our common stock, as reflected in our records at the close of business on April 1, 2016, the record date for voting, may attend and vote at the meeting. To attend the annual meeting, you must present photo identification for admittance. If you are not a stockholder of record but hold shares as a beneficial owner in street name, you must also provide proof of beneficial ownership as of the record date, such as your most recent account statement prior to the record date, a copy of the voting instruction card provided by your broker, bank, trustee, or nominee, or other similar evidence of ownership.

Each share of common stock that you owned on the record date entitles you to one vote on each matter properly brought before the meeting. As of the record date, there were issued and outstanding 32,577,624 shares of our common stock, \$0.001 par value.

**Holding Shares as a Beneficial Owner (or in Street Name )**

Most stockholders are considered the beneficial owners of their shares, that is, they hold their shares through a broker, bank or nominee rather than directly in their own names. As summarized below, there are some distinctions between shares held of record and those owned beneficially or in street name.

*Stockholder of Record.* If your shares are registered directly in your name with our transfer agent, you are considered the stockholder of record with respect to those shares. If you are a stockholder of record, we are sending paper copies of the proxy materials directly to you. As our stockholder of record, you have the right to grant your voting proxy directly to us by signing and mailing the enclosed proxy card or by voting on the Internet, telephone, or in person at the annual meeting.

## **Table of Contents**

*Beneficial Owner.* If your shares are held in a stock brokerage account or by a bank or nominee, you are considered the beneficial owner of shares held in street name, and the proxy statement is being forwarded to you by or on behalf of your broker, bank or nominee (who is considered the stockholder of record with respect to those shares). As the beneficial owner, you have the right to direct your broker, bank, or nominee how to vote by following the instructions you receive from your broker, bank or nominee. You are also invited to attend the annual meeting. However, since you are not the stockholder of record, you may not vote these shares in person at the annual meeting unless you request, complete and deliver a proxy from your broker, bank or nominee.

### **How to Vote**

You may vote in person at the meeting or by proxy.

*Voting by Proxy.* If you are a stockholder of record, you may vote by proxy over the Internet, by telephone or by mail if you complete and return the enclosed proxy card by following the instructions on the proxy card. If your shares are held in street name, you have the right to direct your broker, bank, or nominee how to vote by following the instructions you receive from your broker, bank or nominee. The shares voted electronically, telephonically, or represented by the proxy cards received, properly marked, dated, signed and not revoked, will be voted at the annual meeting. We recommend that you vote by proxy even if you plan to attend the meeting. You may change your vote at the meeting even if you have previously submitted a proxy.

*Voting at the Annual Meeting.* The method or timing of your vote will not limit your right to vote at the annual meeting if you attend the annual meeting and vote in person. However, if your shares are held in the name of a bank, broker or other nominee, you must obtain a legal proxy, executed in your favor, from the holder of record to be able to vote at the annual meeting. You should allow yourself enough time prior to the annual meeting to obtain this proxy from the holder of record.

### **How Proxies Work**

This proxy statement is furnished in connection with the solicitation of proxies by us for use at the annual meeting and at any adjournment of that meeting. If you give us your proxy you authorize us to vote your shares at the meeting in the manner you direct. You may vote for all, some or none of our director candidates. You may also vote for or against the other proposals, or you may abstain from voting.

If you give us your proxy but do not specify how your shares shall be voted on a particular matter, your shares will be voted:

FOR the election of each of the named nominees for director;

FOR the ratification of the appointment of Moss Adams LLP as our independent registered public accounting firm;

FOR the approval of the compensation of our named executive officers; and

with respect to any other matter that may come before the annual meeting, as recommended by our Board of Directors or otherwise in the proxies' discretion.

### **Changing or Revoking Your Vote**

You have the right to revoke your previously submitted proxy at any time before your proxy is exercised at the annual meeting.

If you are the stockholder of record, you may revoke your proxy by resubmitting your vote on a later date on the Internet or by telephone (only your latest Internet or telephone proxy submitted prior to the annual meeting will be counted), by signing and returning a new proxy card with a later date, by attending the annual meeting and voting in person or by giving written notice to our Secretary that you wish to revoke your previously submitted proxy.





## **Table of Contents**

If you hold shares beneficially in street name, you may revoke your proxy by submitting new voting instructions to your broker, bank or nominee by following the instructions they provided or, if you have obtained a legal proxy from your broker, bank or nominee giving you the right to vote your shares, by attending the annual meeting and voting in person.

Note that for both stockholders of record and beneficial owners, attendance at the annual meeting will not cause your previously granted proxy to be revoked unless you specifically so request or vote in person at the annual meeting.

## **Important Notice Regarding Delivery of Stockholder Documents**

Only one proxy statement, annual report and set of accompanying materials, if applicable, are being delivered by us to multiple stockholders sharing an address, who have consented to receiving one set of such materials, until we receive contrary instructions from any such stockholders. We will deliver, promptly upon written or oral request, a separate copy of such materials to a stockholder at a shared address to which a single copy of such materials was delivered. A stockholder who wishes to receive a separate copy of the proxy statement and accompanying materials now or in the future, or stockholders sharing an address who are receiving multiple copies of the proxy statement and accompanying materials and wish to receive a single copy of such materials, should submit a request to Broadridge, c/o Householding Department, 51 Mercedes Way, Edgewood, NY 11717 or call 800-542-1061.

## **Attending in Person**

Any stockholder of record may vote in person at the annual meeting of our stockholders. All meeting attendees will be required to present a valid, government-issued photo identification, such as a driver's license or passport, in order to enter the meeting.

If you are a beneficial owner and your shares are held in the name of your broker, bank or nominee, you must bring a proxy from your broker, bank or nominee in order to vote in person.

## **Votes Needed to Hold the Meeting and Approve Proposals**

In order to carry on the business of the annual meeting, stockholders entitled to cast a majority of the votes at a meeting of stockholders must be represented at the meeting, either in person or by proxy. In accordance with Delaware law, only votes cast for a matter constitute affirmative votes. A properly executed proxy marked "abstain" with respect to any matter will not be voted, although it will be counted for purposes of determining whether there is a quorum. Since abstentions will not be votes cast for a particular proposal, they will have the same effect as negative votes or votes against that proposal. Broker non-votes are also counted for the purpose of determining the presence of a quorum. Broker non-votes occur when shares held by a broker on behalf of a beneficial owner are not voted with respect to a particular proposal, which generally occurs when the broker has not received voting instructions from the beneficial owner and lacks the discretionary authority to vote the shares itself.

*Election of Directors.* Our Amended and Restated Bylaws provide that a director nominee must receive a majority of the votes cast with respect to such nominee in uncontested director elections (i.e., the number of shares voted for a director nominee must exceed the number of shares voted against such nominee). If an incumbent director nominee fails to receive a majority of the votes cast in an uncontested election, the director shall immediately tender his or her resignation to the Board. The Nominating and Corporate Governance Committee of the Board, or such other committee designated by the Board, shall make a recommendation to the Board as to whether to accept or reject the resignation of such incumbent director, or whether other action should be taken. The Board shall act on the resignation, taking into account the committee's recommendation, and

## **Table of Contents**

publicly disclose its decision regarding the resignation within 90 days following certification of the election results. If the Board accepts a director's resignation, or if a nominee for director is not elected and the nominee is not an incumbent director, the remaining members of the Board may fill the resulting vacancy or may decrease the size of the Board.

Brokers do not have discretionary authority to vote shares without instructions from beneficial owners in the election of directors. Therefore, beneficial owners who are not stockholders of record and who want their votes to be counted in the election of directors must give voting instructions to their bank, broker or nominee before the date of the annual meeting.

*Ratification of the appointment of our independent registered public accounting firm.* The affirmative vote of the holders of a majority of the shares of common stock present in person or represented by proxy and entitled to vote on the proposal will be required to ratify the appointment of our independent registered public accounting firm for the current fiscal year. We believe that the ratification of our independent registered public accounting firm is a routine proposal for which brokers may vote shares held on behalf of beneficial owners who have not given voting instructions with respect to that proposal.

*Advisory vote on the compensation of our named executive officers.* The affirmative vote of the holders of a majority of the shares of common stock present in person or represented by proxy and entitled to vote on the proposal will be required to approve, by an advisory vote, the compensation of our named executive officers for fiscal 2015. The advisory vote on the compensation of our named executive officers is not considered a routine proposal; therefore, brokers lack the discretionary authority to vote shares without instructions from beneficial owners for this proposal.

Approval of any other matter properly submitted to the stockholders at the annual meeting generally will require the affirmative vote of the holders of a majority of the shares of common stock present in person or represented by proxy and entitled to vote on that matter.

## **Security Ownership of Certain Beneficial Owners and Management**

The table below sets forth information as of March 25, 2016 regarding the beneficial ownership (as defined by Rule 13d-3(d)(1) under the Securities Exchange Act of 1934, as amended (the "Exchange Act")) of our common stock by:

each person or group known by us to own beneficially more than five percent of our common stock;

each of our directors, director nominees and named executive officers individually; and

all directors and executive officers as a group.

In accordance with applicable rules of the Securities and Exchange Commission (the "SEC"), beneficial ownership includes voting or investment power with respect to securities and includes the shares issuable pursuant to stock options that are exercisable, and shares subject to restricted stock units that vest, within 60 days of March 25, 2016. Shares issuable pursuant to the exercise of stock options, and restricted stock units that vest, in the 60 days following March 25, 2016, are deemed outstanding for the purpose of computing the ownership percentage of the person holding such options, or shares subject to restricted stock units, but are not deemed outstanding for computing the ownership percentage of any other person. The percentage of beneficial ownership for the following table is based on 32,505,755 shares of common stock outstanding as of March 25, 2016.

**Table of Contents**

The address of each of the named individuals in the table below is c/o Ultra Clean Holdings, Inc., 26462 Corporate Avenue, Hayward, CA 94545 unless otherwise indicated below. To our knowledge, except as indicated in the footnotes to this table and pursuant to applicable community property laws, the persons named in the table have sole voting and investment power with respect to all shares of common stock.

| Name and Address of Beneficial Owner  | Shares of Common Stock Beneficially Owned |             |
|---|---|-------------|
|   | Number                                    | Percent     |
| <b>Greater than 5% Stockholders</b>   |   |             |
| AIT Holding Company LLC <sup>(1)</sup>  | 1,877,289                                 | 5.8%        |
| HLHZ AIT Holdings, L.L.C.   |   |             |
| 245 Park Avenue, 20th Floor   |   |             |
| New York, NY 10167  |   |             |
| Royce & Associates, LLC <sup>(2)</sup>  | 1,871,008                                 | 5.8%        |
| 745 Fifth Avenue  |   |             |
| New York, NY 10151  |   |             |
| BlackRock, Inc. <sup>(3)</sup>  | 1,740,495                                 | 5.4%        |
| 55 East 52nd Street   |   |             |
| New York, NY 10055  |   |             |
| <b>Named Executive Officers, Directors and Director Nominees</b>                    |   |             |
| James P. Scholhamer   | 59,949                                    | *           |
| Kevin C. Eichler <sup>(4)</sup>   | 299,156                                   | *           |
| Mark G. Bingaman  | 61,907                                    | *           |
| Lavi A. Lev   | 44,623                                    | *           |
| Deborah E. Hayward <sup>(5)</sup>   | 93,854                                    | *           |
| Clarence L. Granger <sup>(6)</sup>  | 272,168                                   | *           |
| Leonid Mezhvinsky <sup>(7)</sup>  | 61,000                                    | *           |
| David T. ibnAle <sup>(8)</sup>  | 76,000                                    | *           |
| Emily M. Liggett <sup>(9)</sup>   | 23,000                                    | *           |
| Thomas T. Edman <sup>(10)</sup>   | 8,000                                     | *           |
| Barbara V. Scherer <sup>(11)</sup>  | 8,000                                     | *           |
| <b>All Executive Officers and Directors as a Group (13 persons) <sup>(12)</sup></b> | <b>1,060,356</b>                          | <b>3.2%</b> |

\* Less than 1%.

(1) Based on a Schedule 13G/A filed with the SEC on February 16, 2016.

(2) Based on a Schedule 13G/A filed with the SEC on January 28, 2016.

(3) Based on a Schedule 13G/A filed with the SEC on January 27, 2016.

(4) Includes 13,333 restricted stock units that vest on March 27, 2016 and 100,000 shares subject to common stock options exercisable within 60 days of March 25, 2016.

## Edgar Filing: Ultra Clean Holdings, Inc. - Form DEF 14A

- (5) Includes 30,000 shares subject to common stock options exercisable within 60 days of March 25, 2016.
- (6) Includes 8,000 restricted stock awards that vest on May 25, 2016.
- (7) Includes 8,000 restricted stock awards that vest on May 25, 2016. Also includes 15,000 shares held by the Revocable Trust of Leonid Mezhvinsky and Inna Mezhvinsky, dated April 26, 1988, which Mr. Mezhvinsky is deemed a beneficial owner.
- (8) Includes 8,000 restricted stock awards that vest on May 25, 2016 and 7,500 shares subject to common stock options exercisable within 60 days of March 25, 2016.
- (9) Includes 8,000 restricted stock awards that vest on May 25, 2016.
- (10) Consists of 8,000 restricted stock awards that vest on May 25, 2016.
- (11) Consists of 8,000 restricted stock awards that vest on May 25, 2016.

## **Table of Contents**

(12) Includes 13,333 restricted stock units that vest on March 27, 2016, 48,000 restricted stock awards that vest on May 25, 2016 and 162,500 shares subject to common stock options exercisable within 60 days of March 25, 2016.

At the close of business on April 1, 2016, the record date, we had 32,577,624 shares of common stock outstanding. Each share of our common stock is entitled to one vote on all matters properly submitted for a stockholder vote.

### **Section 16(a) Beneficial Ownership Reporting Compliance**

Section 16(a) requires our directors, executive officers and beneficial holders of 10% or more of a registered class of our equity securities to file certain reports with the SEC regarding ownership of, and transactions in, our equity securities. Based solely on a review of Forms 3, 4 and 5 and amendments thereto furnished to us and written representations we received from our directors and officers required to file the reports, we believe that all of our directors, executive officers and beneficial holders of 10% or more of a registered class of our equity securities, filed, on a timely basis, all reports required by Section 16(a) of the Exchange Act for the year ended December 25, 2015.

One late Form 4 was filed for Ms. Brumm reporting shares withheld for payment of tax liability arising as a result of the partial settlement of restricted stock unit awards that vested on February 22, 2016.

### **Cost of Proxy Solicitation**

We will pay the cost of this proxy solicitation. Some of our employees may also solicit proxies, without any additional compensation. We may also reimburse banks, brokerage firms and nominees for their expenses in forwarding proxy materials to their customers who are beneficial owners of our common stock and obtaining their voting instructions.

### **Deadline for Receipt of Stockholder Proposals**

If you wish to submit a proposal for inclusion in the proxy statement for our 2017 Annual Meeting of Stockholders, you must follow the procedures outlined in Rule 14a-8 of the Exchange Act, and we must receive your proposal at the address below no later than December 28, 2016. Stockholders intending to present a proposal at the next annual meeting without the inclusion of such proposal in the Company's proxy materials, including for the election of director nominees, must comply with the requirements set forth in our Amended and Restated Bylaws. The Amended and Restated Bylaws require, among other things, that a stockholder must submit a written notice of intent to present such a proposal at the address below not less than 90 days nor more than 120 days prior to the first anniversary of the preceding year's annual meeting of stockholders (as long as the date of the annual meeting is not advanced more than 30 days prior to such anniversary date or delayed more than 70 days after such anniversary date, in which case notice must be received no earlier than 120 days prior to such meeting and no later than the later of 70 days prior to such meeting or the 10th day following the public announcement of the date of such meeting). Therefore, we must receive notice of such proposal for the 2017 Annual Meeting of Stockholders no earlier than January 26, 2017, and no later than February 25, 2017, otherwise such notice will be considered untimely and we will not be required to present it at the 2017 Annual Meeting of Stockholders. The Company reserves the right to reject, rule out of order or take other appropriate action with respect to any proposal that does not comply with these and other applicable requirements.

**Table of Contents**

**Contacting Ultra Clean**

If you have questions or would like more information about the annual meeting, you can contact us in either of the following ways:

*By telephone:* 510-576-4400

*By fax:* 510-576-4401

*In writing at our  
principal executive offices:* Ultra Clean Holdings, Inc.

Attn: Secretary

26462 Corporate Avenue

Hayward, CA 94545

**Table of Contents****PROPOSAL 1: ELECTION OF DIRECTORS**

Our Amended and Restated Bylaws provide that our Board of Directors shall be elected at the annual meeting of our stockholders, and each director so elected shall hold office until such director's successor is elected and qualified or until such director's earlier death, resignation or removal. Our Board of Directors, at the recommendation of the Nominating and Corporate Governance Committee, has recommended for nomination the nominees for director named below. All of these nominees currently serve as our directors. Each nominee has consented to serve as a nominee, to serve as a director if elected, and to being named a nominee in this Proxy Statement. If a director nominee becomes unavailable before the election, your proxy authorizes the people named as proxies to vote for a replacement nominee if the Nominating and Corporate Governance Committee names one.

Our Amended and Restated Bylaws provide that a director nominee must receive a majority of the votes cast with respect to such nominee in uncontested director elections (i.e., the number of shares voted for a director nominee must exceed the number of shares voted against such nominee). If an incumbent director nominee fails to receive a majority of the votes cast in an uncontested election, the director shall immediately tender his or her resignation to the Board. The Nominating and Corporate Governance Committee of the Board, or such other committee designated by the Board, shall make a recommendation to the Board as to whether to accept or reject the resignation of such incumbent director, or whether other action should be taken. The Board shall act on the resignation, taking into account the committee's recommendation, and publicly disclose its decision regarding the resignation within 90 days following certification of the election results. If the Board accepts a director's resignation, or if a nominee for director is not elected and the nominee is not an incumbent director, the remaining members of the Board may fill the resulting vacancy or may decrease the size of the Board.

| <b>Name</b>         | <b>Position/Office Held With the Company</b>               | <b>Age</b> | <b>Director Since</b> |
|---------------------|--|------------|-----------------------|
| Clarence L. Granger | Chairman of the Board and Nominee for Director             | 67         | 2002                  |
| James P. Scholhamer | Chief Executive Officer, Director and Nominee for Director | 49         | 2015                  |
| David T. ibnAle     | Director and Nominee for Director                          | 44         | 2002                  |
| Leonid Mezhvinsky   | Director and Nominee for Director                          | 62         | 2007                  |
| Emily M. Liggett    | Director and Nominee for Director                          | 60         | 2014                  |
| Thomas T. Edman     | Director and Nominee for Director                          | 53         | 2015                  |
| Barbara V. Scherer  | Director and Nominee for Director                          | 60         | 2015                  |

Set forth below is information about each of our nominees for director:

*Clarence L. Granger* has served as a member of our Board of Directors since May 2002 and as our Chairman since October 2006. Mr. Granger also served as our chief executive officer from November 2002 to January 2015 and, as our Chief Operating Officer from March 1999 to November 2002, as our executive vice president and chief operating officer from January 1998 to March 1999 and as our executive vice president of Operations from April 1996 to January 1998. Prior to joining Ultra Clean in April 1996, he served as vice president of Media Operations for Seagate Technology, which designs, manufactures, markets and sells hard disk drives, from 1994 to 1996. Prior to that, Mr. Granger worked for HMT Technology, a supplier of high-performance thin-film disks, as chief executive officer from 1993 to 1994; as chief operating officer from 1991 to 1993 and as president from 1989 to 1994. Prior to that, Mr. Granger worked for Xidex as vice president and general manager, Thin Film Disk Division, from 1988 to 1989; as vice president, Santa Clara Oxide Disk Operations, from 1987 to 1988; as vice president, U.S. Tape Operations, from 1986 to 1987; and as director of engineering from 1983 to 1986. Mr. Granger holds a master of science degree in industrial engineering from Stanford University and a bachelor of science degree in industrial engineering from the University of California at Berkeley. Our Board of Directors values Mr. Granger's perspective as our former chief executive officer and his intimate knowledge of our employee base, operations, customers, suppliers and competitive position in the semiconductor capital equipment industry.



---

**Table of Contents**

*James P. Scholhamer* joined Ultra Clean as chief executive officer and a member of the Board of Directors in January 2015. Prior to joining Ultra Clean, Mr. Scholhamer served as corporate vice president and general manager of Applied Materials, Inc., leading the Equipment Products Group and Display Services Group of its Global Service Division from February 2011 to January 2015. Mr. Scholhamer joined Applied Materials, Inc. in 2006, where, prior to his most recent position, he served as vice president of Operations-Energy for the Environmental and Display Products Division from July 2006 to December 2008 and corporate vice president and general manager of the Display Business Group from December 2008 to February 2011. Prior to that, Mr. Scholhamer worked for Applied Films Corporation as vice president of Operations, Engineering and Research Development in the company's Germany office from September 2002 to July 2006 and as vice president of Thin Film Coating Division and Thin Film Equipment Division in the company's Colorado office from July 2000 to September 2002. Mr. Scholhamer holds a Bachelor of Science degree in materials and metallurgical engineering from the University of Michigan. Our Board of Directors believes that Mr. Scholhamer brings strong engineering and operations experience to our Board of Directors and will provide the Board of Directors with a unique perspective as our chief executive and leader of our strategic planning process.

*David T. ibnAle* has served as a director of Ultra Clean since November 2002 and served as our lead director from February 2005 to February 2007. Mr. ibnAle has been a technology investor since 1996, and is a managing partner of Reticle Equity Investors, LLC, a technology-focused investment firm. From January 2012 to July 2013, Mr. ibnAle was a managing partner of Augusta Columbia Capital Group, a technology-focused private equity firm. From March 2008 to December 2011, Mr. ibnAle was a managing director of TPG Growth, LLC, the small-cap and growth investing arm of TPG, a global private equity firm. From December 1999 to March 2008, Mr. ibnAle was an investment professional with Francisco Partners, a technology-focused private equity firm, and prior to joining Francisco Partners, was an investment professional with Summit Partners L.P., a private equity and venture capital firm. Mr. ibnAle has previously served as the chairman or as a member of the board of directors of several technology firms, including PowerPlan, Inc., Artel, LLC, Metrologic Instruments, Inc., Mitel Networks Corp., and Electrical Components International, Inc. Mr. ibnAle holds an A.B. in Public Policy and an A.M. in International Development Policy from Stanford University and a master's degree in business administration from the Stanford University Graduate School of Business. Our Board of Directors values Mr. ibnAle's experience as an investment professional, as well his experience in strategic planning and mergers and acquisitions, as he brings significant quantitative and qualitative financial experience to our Board of Directors. Mr. ibnAle qualifies as a financial expert and provides important support as a member of our Audit Committee.

*Leonid Mezhvinsky* has served as a director of Ultra Clean since February 2007. Mr. Mezhvinsky served as our president from June 2006 to December 2007, following our acquisition of Sieger Engineering, Inc. He has more than two decades of management experience and in-depth knowledge of machine shop, electro mechanical assemblies and system integration utilized in semiconductor, medical and biotech OEM products. Prior to joining Ultra Clean, Mr. Mezhvinsky was president and chief executive officer of Sieger Engineering, Inc. which he joined in 1982. Mr. Mezhvinsky holds the equivalent of a bachelor of science in Industrial Automation from College of Industrial Automation, Odessa, Ukraine. Mr. Mezhvinsky brings to our Board of Directors substantial operational experience. As the former president of Sieger Engineering, which is now a part of our company, he has a deep understanding of our competitors, suppliers, products and customers.

*Emily M. Liggett* has served as president and chief executive officer of NovaTorque, Inc., a manufacturer of high-efficiency electric motor systems, since 2009 and previously served as president and chief executive officer of Apexon, Inc., a provider of supply chain optimization software solutions for global manufacturers, from 2004 to 2007. Ms. Liggett served as president and chief executive officer of Capstone Turbine Corporation (provider of microturbine systems for clean, continuous distributed energy generation) from 2002 to 2003 and, prior to that, held various management and executive roles at Raychem Corporation (acquired by Tyco International in 1999) from 1984 to 2001, including corporate vice president of Raychem and managing director of Tyco Ventures. Ms. Liggett was a director of MTS Systems Corporation from 2010 to 2016 and was a director of Immersion Corporation from 2005 to 2011. She also currently serves on the board of directors of the Purdue

## **Table of Contents**

University School of Engineering Advisory Board. Ms. Liggett holds a bachelor of science in chemical engineering from Purdue University, a master of science in engineering and manufacturing systems from Stanford University and a master's degree in business administration from the Stanford University Graduate School of Business. Ms. Liggett's qualifications to serve on our Board of Directors include her chief executive officer and management experience in a variety of technical industrial companies. She has managed worldwide businesses, partnerships, and international joint ventures. She also has public company and private company operating and board experience, and expertise in strategy, operations, new product development, sales, marketing, and business development for highly technical businesses.

*Thomas T. Edman* has served as the chief executive officer of TTM Technologies, Inc. since January 2014, as its president since January 2013 and as a member of its board of directors since September 2004. From early 2011 to December 2012, Mr. Edman served as group vice president and General Manager of the AKT Display Business Group, which is a division of Applied Materials Inc., a publicly held provider of nanomanufacturing technology solutions. From 2006 to 2011, Mr. Edman served as corporate vice president of Corporate Business Development of Applied Materials, Inc. Prior to that, Mr. Edman served as president and chief executive officer of Applied Films Corporation from May 1998 until Applied Materials, Inc. acquired Applied Films Corporation in July 2006. From June 1996 until May 1998, Mr. Edman served as chief operating officer and executive vice president of Applied Films Corporation. From 1993 until joining Applied Films, Mr. Edman served as general manager of the High Performance Materials Division of Marubeni Specialty Chemicals, Inc., a subsidiary of a major Japanese trading corporation. Mr. Edman presently serves on the board of directors of the IPC, an electronic industry association. Mr. Edman previously served as chairman and as a member of the board of directors of FlexTech, formerly the United States Display Consortium and the AeA (American Electronics Association). Mr. Edman holds a Bachelor of Arts degree in East Asian studies (Japan) from Yale University and a master's degree in Business Administration from The Wharton School at the University of Pennsylvania. Mr. Edman was nominated to the board of directors because of his business acumen and experience in the technology industry, having served in numerous senior executive roles with sizeable technology companies, including as the chief executive officer of a public company. Mr. Edman also has extensive experience in Asia and with compensation-related matters.

*Barbara V. Scherer* has served as a member of the board of directors of NETGEAR, Inc., a global networking company that delivers innovative products to consumers, businesses and service providers, since August 2011 and as a member of the board of directors of ANSYS, Inc., a publicly traded engineering simulation software and services company, since April 2013. Ms. Scherer currently is a private investor. Ms. Scherer was senior vice president, finance and administration and chief financial officer of Plantronics, Inc., a global leader in audio communication devices for businesses and consumers, from 1998 to 2012. In this position, she was responsible for all aspects of the company's financial management, as well as information technology, legal and investor relations. She was vice president, finance and administration and chief financial officer of Plantronics from 1997 to 1998. Prior to Plantronics, Ms. Scherer held various executive management positions spanning eleven years in the disk drive industry, was an associate with The Boston Consulting Group, and was a member of the corporate finance team at ARCO in Los Angeles. From 2004 through 2010, she served as a director of Keithley Instruments, Inc., a publicly traded test and measurement company, until its acquisition by Danaher Corporation. She also has experience serving on the boards of non-profit organizations. Ms. Scherer received B.A. degrees from the University of California at Santa Barbara and her M.B.A. from the School of Management at Yale University. With a career spanning more than 30 years, including 25 in senior financial leadership roles in the technology industry, Ms. Scherer provides the Company with practical and strategic insight into complex financial reporting and management issues as well as significant operational expertise.

## **Table of Contents**

There are no family relationships among any of our directors and executive officers. There are no arrangements or understandings between any of our directors and us pursuant to which such director was or is to be selected as a director or nominee. Information related to the compensation of our Board of Directors can be found under **Director Compensation** below.

## **Board Recommendation**

**Our Board of Directors recommends that you vote **FOR** each of the nominees to the Board of Directors set forth in this Proposal 1.**

## **Structure of Board of Directors and Corporate Governance Information**

*Director Independence.* We are required to comply with the director independence rules of the NASDAQ Stock Market ( **NASDAQ** ) and the SEC. These rules require that the board of directors of a listed company be composed of a majority of independent directors and that the audit committee, compensation committee and nominating and corporate governance committee be composed solely of independent directors.

Our Board of Directors has determined that each of our directors and director nominees are independent in accordance with applicable NASDAQ and SEC rules other than Messrs. Granger, Mezhvinsky and Scholhamer. Accordingly, a majority of our current Board of Directors is independent as required by NASDAQ rules and, upon election of each of our director nominees at the 2016 Annual Meeting of Stockholders, a majority of our Board of Directors will be independent as required by NASDAQ rules.

*Director Responsibilities.* We are governed by our Board of Directors and its various committees that meet throughout the year. Our Board of Directors currently consists of seven directors. During 2015, there were six meetings of our Board of Directors. We expect directors to attend and prepare for all meetings of the Board of Directors and the meetings of the committees on which they serve. Each of our directors attended more than 75% of the aggregate number of meetings of the Board of Directors and the committees on which he or she served during 2015.

*Board Leadership Structure.* Our corporate governance guidelines allow for the flexibility to combine or separate the offices of chairman and the chief executive officer to best serve the interests of the Company and its stockholders. In January 2015, Mr. Granger, our Chairman, retired as our Chief Executive Officer but remained as our non-executive Chairman of the Board. Our Board of Directors believes our current board leadership structure to be an efficient and successful leadership model for the Company, promoting clear accountability and effective decision-making. Our Board of Directors believes that Mr. Granger has conducted, and will conduct his duties as non-executive Chairman effectively. Our Board of Directors recognizes that a different leadership model may be warranted under different circumstances. Accordingly, our Board of Directors periodically reviews its leadership structure.

The Board also continually reviews the need for effective independent oversight. Each member of each of our Board of Directors' standing committees is an independent director, and each independent director is actively involved in independent oversight. Our independent directors meet in executive session during each regularly scheduled quarterly meeting of our Board of Directors and periodically evaluate both our Chairman and our Chief Executive Officer. All directors have unrestricted access to management at all times and frequently communicate with the Chairman, the Chief Executive Officer and other members of management on a variety of topics. Given the above factors, our Board of Directors has historically determined that our leadership structure was appropriate and has not deemed it necessary to appoint an independent lead director. However, our Board of Directors will continue to periodically consider appointing one of our independent directors as our lead independent director.

*Corporate Governance.* Our Board of Directors has adopted corporate governance guidelines. These guidelines address items such as the qualifications and responsibilities of our directors and director candidates and the corporate governance policies and standards applicable to us in general. In addition, we have adopted a

## **Table of Contents**

code of business conduct and ethics that applies to all officers, directors and employees. Our corporate governance guidelines and our code of business conduct and ethics as well as the charters of the Nominating and Corporate Governance Committee, Audit Committee and Compensation Committee are available on our website at <http://uct.com/investors/corporate-governance/>.

*Communicating with our Board of Directors.* Any stockholder wishing to communicate with our Board of Directors may send a letter to our Secretary at 26462 Corporate Avenue, Hayward, CA 94545. Communications intended specifically for non-employee directors should be sent to the attention of the chair of the Nominating and Corporate Governance Committee.

*Annual Meeting Attendance.* Our Board of Directors has adopted a policy that all members should attend each annual meeting of stockholders when practical. Five of our incumbent directors attended the 2015 Annual Meeting of Stockholders.

## **Risk Oversight**

Our Board of Directors plays an active role, as a whole and also at the committee level, in overseeing the management of our risks. Our Board of Directors regularly reviews reports from the management team on areas of material risk to the Company, including operational, financial, legal and strategic risks. Each of the committees of our Board of Directors also oversees the management of company risks that fall within the committee's areas of responsibility. The Audit Committee periodically reviews risks associated with financial reporting and internal controls, as well as risks associated with liquidity, customer credit, inventory reserves and insurance coverage. The Nominating and Corporate Governance Committee assists the Board in overseeing risks associated with board organization, membership, structure and corporate governance. The Compensation Committee assists the Board in reviewing whether any material risks arise from our compensation programs and in overseeing risks associated with succession planning for our executives.

## **Committees of our Board of Directors**

Our Board of Directors has three principal committees. The following describes each committee's current membership, the number of meetings held during 2015 and its mission:

*Audit Committee.* Among other matters, the Audit Committee is responsible for:

our accounting and financial reporting processes and audits of our financial statements;

the integrity of our financial statements and internal controls;

the qualifications, independence and performance of the our independent auditors (including hiring and replacing our independent auditors as appropriate, reviewing and pre-approving any audit and non-audit services provided by our independent auditors and approving fees related to such services);

the performance of our internal audit function;

the review, approval and oversight of the our Cash and Investment Policy and Financial Risk Management Policy, including oversight over our hedging strategy and the use of swaps and other derivative instruments for hedging risks;

compliance with legal and regulatory requirements;

compliance with our Code of Business Conduct and Ethics (and requests for waivers therefrom); and

preparing the audit committee report that SEC rules require to be included in our proxy statement.  
A copy of the Audit Committee's charter is available on our website at <http://uct.com/investors/corporate-governance/>.

## **Table of Contents**

The current members of the Audit Committee are Barbara V. Scherer (chair), Thomas T. Edman and David T. ibnAle. Our Board of Directors has determined that each member of the committee satisfies both the SEC's additional independence requirement for members of audit committees and the other requirements of NASDAQ for members of audit committees. The Board of Directors has also concluded that each member of the Audit Committee qualifies as an audit committee financial expert as defined by SEC rules and has the financial sophistication required by NASDAQ. The Audit Committee met six times in 2015.

*Compensation Committee.* Among other matters, our Compensation Committee:

oversees our compensation and benefits policies generally, including the issuance of equity-based compensation;

evaluates executive officer and other senior executive performance;

reviews our management succession plan;

oversees and sets compensation for our executive officers, Board members and other senior executives; and

reviews and recommends inclusion of the Compensation Discussion and Analysis required to be included in our proxy statement by SEC rules.

A copy of the Compensation Committee's charter is available on our website at <http://uct.com/investors/corporate-governance/>. The Compensation Committee's process for deliberations on executive compensation is described below under "Compensation Discussion and Analysis."

As part of our oversight of our executive compensation program and in conjunction with the Compensation Committee, we consider the impact of our executive compensation program and the incentives created by different elements of the executive compensation program on our risk profile. In addition, we review all of our compensation policies and procedures, including the incentives that they create and factors that affect the likelihood of excessive risk-taking, to determine whether they present a significant risk to the Company. Based on this review, we have concluded that our compensation policies and procedures are not reasonably likely to have a material adverse effect on the Company.

The current members of the Compensation Committee are David T. ibnAle (chair), Thomas T. Edman and Emily M. Liggett. Our Board of Directors has determined each member of the committee is independent as defined under NASDAQ and SEC rules. The Compensation Committee met six times in 2015.

*Nominating and Corporate Governance Committee.* Among other matters, our Nominating and Corporate Governance Committee:

reviews and evaluates the size, composition, function and duties of the Board consistent with its needs;

establishes criteria for the selection of candidates to the Board and its committees, and identifies individuals qualified to become Board members consistent with such criteria, including the consideration of nominees submitted by shareholders;

recommends to the Board director nominees for election at our annual or special meetings of stockholders at which directors are to be elected or to fill any vacancies or newly created directorships that may occur between such meetings;

## Edgar Filing: Ultra Clean Holdings, Inc. - Form DEF 14A

recommends directors for appointment to committees of the Board;

makes recommendations to the Board as to determinations of director independence;

leads the process and assists the Board in evaluating its performance and the performance of its committees;

## **Table of Contents**

conducts executive searches and evaluate and recommend chief executive officer candidates for approval to the Board; and

Periodically reviews and approves our Corporate Governance Guidelines and Code of Business Conduct and Ethics, and oversees compliance with our Corporate Governance Guidelines.

A copy of the Nominating and Corporate Governance Committee's charter is available on our website at <http://uct.com/investors/corporate-governance/>.

The current members of the Nominating and Corporate Governance Committee are Emily M. Liggett (chair), Thomas T. Edman and Barbara V. Scherer. Our Board of Directors has determined that each member of the Nominating and Corporate Governance Committee is independent as defined under NASDAQ. The Nominating and Corporate Governance Committee met five times in 2015.

### **Consideration of Director Nominees**

*Director Qualifications.* The Nominating and Corporate Governance Committee of the Board operates pursuant to a written charter and establishes membership criteria for the Board and each committee of the Board and recommends to the Board individuals for membership on the Board and its committees. There is no fixed set of qualifications that must be satisfied before a candidate will be considered. Rather, candidates for director nominees are reviewed in the context of the current composition of our Board of Directors, our operating requirements and the interests of our stockholders. In conducting its assessment, the committee considers issues of judgment, diversity, age, skills, background, experience and such other factors as it deems appropriate given the needs of the Company and our Board of Directors. Although we do not have a formal policy with regard to the consideration of diversity, when identifying and selecting director nominees, the Nominating and Corporate Governance Committee also considers the impact a nominee would have in terms of increasing the diversity of our Board of Directors with respect to professional experience, skills, backgrounds, viewpoints and areas of expertise. The Nominating and Corporate Governance Committee also considers the independence, financial literacy and financial expertise standards required by our committee charters and applicable laws, rules and regulations, and the ability of the candidate to devote the time and attention necessary to serve as a director and a committee member.

*Identifying and Evaluating Nominees for Director.* In the event that vacancies are anticipated or otherwise arise, the Nominating and Corporate Governance Committee (or, if the Nominating and Corporate Governance Committee is not comprised solely of independent directors, our independent directors) considers various potential candidates for director. Candidates may come to the attention of the Nominating and Corporate Governance Committee (or our independent directors) through current directors, professional search firms engaged by us, stockholders or other persons. Candidates are evaluated at regular or special meetings of the Nominating and Corporate Governance Committee (or our independent directors) and may be considered at any point during the year.

*Stockholder Nominees.* Candidates for director recommended by stockholders will be considered by the Nominating and Corporate Governance Committee (or our independent directors). Such recommendations should include the candidate's name, home and business contact information, detailed biographical data, relevant qualifications for membership on our Board of Directors, information regarding any relationships between the candidate and our Company within the last three years and a written indication by the recommended candidate of the candidate's willingness to serve on our Board of Directors. Stockholder recommendations, with such accompanying information, should be sent to the attention of the Chair of the Nominating and Corporate Governance Committee at the address listed under "Information Concerning Solicitation and Voting - Contacting Ultra Clean."

Stockholders also may nominate directors for election at our annual meeting of stockholders by following the provisions set forth in our Amended and Restated Bylaws. The deadline and procedures for stockholder nominations are disclosed elsewhere in this proxy statement under the caption "Information Concerning Solicitation and Voting - Deadline for Receipt of Stockholder Proposals."



**Table of Contents****Director Compensation**

For fiscal 2015, each non-employee director was paid a \$35,000 annual retainer fee, as well as, if applicable, a \$12,000 annual fee for serving on the Audit Committee, a \$5,000 annual fee per committee for serving on the Compensation and the Nominating and Corporate Governance Committees, a \$20,000 annual fee for serving as chair of the Audit Committee (which includes the fee to serve on the Audit Committee), a \$10,000 annual fee for serving as chair of the Compensation or Nominating and Corporate Governance Committees (which includes the fee to serve on each committee) and a \$12,000 fee for serving as Chairman of the Board. In fiscal 2015, on the date of our annual meeting of stockholders, each non-employee director was granted a restricted stock award for 8,000 shares of our common stock that fully vest on the earlier of (i) the day before the 2016 Annual Meeting of Stockholders and (ii) June 4, 2016.

The following table sets forth compensation for our non-employee directors for fiscal 2015:

| Name                            | Fees Earned<br>or Paid In | Stock                             | Total   |
|---------------------------------|---------------------------|-----------------------------------|---------|
|                                 | Cash<br>(\$)              | Awards <sup>(1) (2)</sup><br>(\$) |         |
| Thomas T. Edman                 | 45,000                    | 52,000                            | 97,000  |
| Clarence Granger <sup>(4)</sup> | 47,000                    | 52,000                            | 99,000  |
| David ibnAle <sup>(3)</sup>     | 62,000                    | 52,000                            | 114,000 |
| Emily M. Liggett                | 50,000                    | 52,000                            | 102,000 |
| Leonid Mezhvinsky               | 35,000                    | 52,000                            | 87,000  |
| Barbara Scherer                 | 60,000                    | 52,000                            | 112,000 |

- (1) Amounts shown do not reflect compensation actually received by the directors. The amounts shown are the grant date fair value for restricted stock awards granted in fiscal 2015 computed in accordance with FASB ASC Topic 718 based on the closing price of our common stock on the day preceding the grant date. Pursuant to SEC rules, the amounts shown exclude the impact of estimated forfeitures related to service-based vesting conditions.
- (2) Each non-employee director held an aggregate of 8,000 unvested restricted stock awards at December 25, 2015.
- (3) At December 25, 2015, Mr. ibnAle held 7,500 outstanding stock options. No stock options were granted to our directors during fiscal 2015.
- (4) Mr. Granger was our Chief Executive Officer for part of January 2015. See [Summary Compensation Table](#) for amounts he received in his employee role.

Mr. Scholhamer became a member of our Board of Directors in January 2015 and does not receive separate compensation for services as a director. John Chenault resigned from his position on our Board of Directors in July 2015, and Susan H. Billat did not stand for reelection to our Board of Directors at our 2015 Annual Meeting of Stockholders. Neither Mr. Chenault nor Ms. Billat were paid compensation for service on our Board of Directors in fiscal 2015.

**Stock Ownership Guidelines; Policy against Hedging Transactions and Pledges**

The Board of Directors has adopted stock ownership guidelines for our directors to more closely align the interests of our directors with those of our stockholders. The guidelines provide that each director should hold at least 10,000 shares of our common stock, and that each director be allowed three years from the date such director joined our Board of Directors to accumulate such number of shares of our common stock. All of our directors are currently in compliance with our stock ownership guidelines.

The Company's Insider Trading Policy provides that our securities shall not be made subject to hedge transactions or puts and calls. The Insider Trading Policy further prohibits any pledges of our securities by our directors and executive officers.



**Table of Contents**

**Certain Relationships and Related Party Transactions**

*Transactions with Directors.* The Company leases a facility from an entity controlled by Leonid Mezhvinsky, one of our directors. In the year ended December 25, 2015, we incurred rent and other expenses resulting from the lease of this facility of approximately \$280,000.

*Related Person Transaction Policy.* Our written Related Person Transaction Policy requires our Board of Directors or the Nominating and Corporate Governance Committee to review and approve all related person transactions. Our directors and officers are required to promptly notify our Chief Compliance Officer of any transaction which potentially involves a related person. Our Board of Directors or the Nominating and Corporate Governance Committee then considers all relevant facts and circumstances, including without limitation the commercial reasonableness of the terms of the transaction, the benefit and perceived benefit, or lack thereof, to the Company, opportunity costs of alternate transactions, the materiality and character of the related person's direct or indirect interest, and the actual or apparent conflict of interest of the related person. Our Board of Directors or the Nominating and Corporate Governance Committee will not approve or ratify a related person transaction unless it has determined that, upon consideration of all relevant information, the transaction is in, or not inconsistent with, the best interests of the Company and its stockholders.

**Table of Contents****PROPOSAL 2: RATIFICATION OF THE APPOINTMENT OF OUR  
INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

The Audit Committee has appointed Moss Adams LLP ( Moss Adams ) to serve as our independent registered public accounting firm for fiscal 2016. We are asking you to ratify this appointment. Ratification of the appointment of Moss Adams as our independent registered public accounting firm for fiscal 2016 requires the affirmative vote of the holders of a majority of our common stock present in person or represented by proxy at the annual meeting and entitled to vote thereon. Abstentions will have the same effect as negative votes for this proposal. Although ratification is not required for us to retain Moss Adams, in the event of a majority vote against ratification, the Audit Committee may reconsider its selection. Even if the appointment is ratified, the Audit Committee may, in its discretion, direct the appointment of a different independent registered public accounting firm at any time during the year if the Audit Committee determines that such a change would be in the Company's and its stockholders' best interests. A representative of Moss Adams is expected to be present at the annual meeting of stockholders, will have the opportunity to make a statement if he/she desires to do so and is expected to be available to respond to appropriate questions.

**Audit Fees and Tax Fees**

Set forth below are the aggregate audit fees incurred for the professional services provided by Moss Adams and its affiliates in fiscal 2015 and by Deloitte Touche Tohmatsu Limited, and their respective affiliates (collectively, Deloitte & Touche ) in fiscal 2014 and the aggregate tax fees incurred for the professional services also provided by Deloitte & Touche in fiscal 2015 and 2014.

|            | Fiscal Year Ended |                   |
|------------|-------------------|-------------------|
|            | December 25, 2015 | December 26, 2014 |
| Audit fees | \$ 1,022,953      | \$ 1,484,250      |
| Tax fees   | \$ 76,000         | \$ 63,400         |

Audit fees consist of fees billed, or to be billed, for services rendered to us and our subsidiaries for the audit of our annual financial statements and internal control over financial reporting, reviews of our quarterly financial statements included in our quarterly reports on Form 10-Q and audit services provided in connection with other statutory and regulatory filings.

Tax fees consist of fees billed for professional services for assistance regarding worldwide transfer pricing analysis and documentation.

**Preapproval Policy of Audit Committee of Services Performed by Independent Auditors**

The Audit Committee's policy requires that the committee preapprove audit and non-audit services to be provided by our independent auditors before the auditors are engaged to render services. The Audit Committee may delegate its authority to pre-approve services to one or more Audit Committee members; provided that such designees present any such approvals to the full Audit Committee at the next Audit Committee meeting.

All services described above were pre-approved in accordance with the Audit Committee's pre-approval policies.

**Dismissal of Deloitte & Touche**

During fiscal 2014, Deloitte & Touche served as our independent auditors and also provided tax services. On March 30, 2015, we dismissed Deloitte & Touche as our independent registered public accountant. We continued to employ Deloitte & Touche for tax advice.

**Table of Contents**

The report of Deloitte & Touche on our consolidated financial statements for the fiscal years ended December 26, 2014 and December 27, 2013 did not contain any adverse opinion or disclaimer of opinion, and was not qualified or modified as to uncertainty, audit scope or accounting principles.

As it relates to the fiscal years ended December 26, 2014 and December 27, 2013, and through March 30, 2015, the effective date of Deloitte & Touche's dismissal, (i) there were no disagreements (as that term is defined in Item 304(a)(1)(iv) of Regulation S-K and the related instructions) between the company and Deloitte & Touche on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedure, which, if not resolved to the satisfaction of Deloitte & Touche would have caused Deloitte & Touche to make reference to the subject matter of the disagreement in connection with its report, and (ii) there were no reportable events (as that term is defined in Item 304(a)(1)(v) of Regulation S-K).

**Board Recommendation**

**Our Board of Directors recommends that you vote FOR ratification of the appointment of Moss Adams LLP as our independent registered public accounting firm for fiscal 2016.**

**Table of Contents**

**REPORT OF THE AUDIT COMMITTEE**

**REPORT OF THE AUDIT COMMITTEE OF THE BOARD OF DIRECTORS**

*Notwithstanding any statement to the contrary in any of our previous or future filings with the Securities and Exchange Commission, this report of the Audit Committee of our Board of Directors shall not be deemed filed with the Securities and Exchange Commission or soliciting material under the Securities Exchange Act of 1934, as amended, and shall not be incorporated by reference into any such filings.*

The Audit Committee, which currently consists of Barbara V. Scherer, Thomas T. Edman and David T. ibnAle, evaluates audit performance, manages relations with our independent registered public accounting firm and evaluates policies and procedures relating to internal accounting functions and controls. The key responsibilities of our Audit Committee are set forth in our Audit Committee's charter, which is available on our website at <http://uct.com/investors/corporate-governance/>. This report relates to the activities undertaken by the Audit Committee in fulfilling such responsibilities.

The Audit Committee members are not professional auditors, and their functions are not intended to duplicate or to certify the activities of management and the independent registered public accounting firm. The Audit Committee oversees our financial reporting process on behalf of our Board of Directors. Our management has the primary responsibility for the financial statements and reporting process, including our systems of internal controls over financial reporting. In fulfilling its oversight responsibilities, the Audit Committee reviewed and discussed with management the audited financial statements included in the Annual Report on Form 10-K for the year ended December 25, 2015. This review included a discussion of the quality and the acceptability of our financial reporting and internal control over financial reporting, including the clarity of disclosures in the financial statements.

The Audit Committee also reviewed with our independent registered public accounting firm, who is responsible for expressing an opinion on the conformity of our audited financial statements with generally accepted accounting principles, their judgments as to the quality and the acceptability of our financial reporting and such other matters required to be discussed with the Audit Committee under generally accepted auditing standards in the United States including Statement on Auditing Standards No. 61, as amended (AICPA, Professional Standards, Vol. 1, AU Section 380, as adopted by the Public Company Accounting Oversight Board (the PCAOB) in Rule 3200T). The Audit Committee has received the written disclosures and the letter from the independent registered public accounting firm required by applicable requirements of the PCAOB regarding the independent accountant's communications with the Audit Committee concerning independence. The Audit Committee discussed with the independent registered public accounting firm such auditors' independence from management and Ultra Clean, including the matters in such written disclosures required by applicable requirements of the PCAOB regarding the independent accountant's communications with the Audit Committee concerning independence.

The Audit Committee further discussed with our independent registered public accounting firm the overall scope and plans for their audits. The Audit Committee meets periodically with the independent registered public accounting firm, with and without management present, to discuss any significant matters regarding internal control over financial reporting that have come to their attention during the audit, and to discuss the overall quality of our financial reporting.

In reliance on the reviews and discussions referred to above, the Audit Committee recommended to our Board of Directors and our Board of Directors approved that the audited financial statements and disclosures under Management's Discussion and Analysis of Financial Condition and Results of Operations be included in the Annual Report on Form 10-K for the year ended December 25, 2015, as filed with the Securities and Exchange Commission on March 9, 2016.

**Members of the Audit Committee**

Barbara V. Scherer, Chair

Thomas T. Edman

David T. ibnAle

**Table of Contents**

**PROPOSAL 3: ADVISORY VOTE APPROVING THE COMPENSATION OF THE NAMED  
EXECUTIVE OFFICERS**

This proposal provides you with an opportunity to cast a non-binding advisory vote approving the fiscal 2015 compensation of our named executive officers as disclosed pursuant to the compensation disclosure rules of the SEC in this proxy statement, including the Compensation Discussion and Analysis, the compensation tables and other narrative executive compensation disclosures. Consistent with the non-binding advisory vote of our stockholders at our 2011 Annual Meeting of Stockholders, we will hold a non-binding advisory vote on executive compensation annually until our next non-binding advisory vote on the frequency of stockholder advisory votes on executive compensation, which is required no later than our 2017 Annual Meeting of Stockholders.

The affirmative vote of a majority of the shares of common stock present in person or represented by proxy and entitled to vote on this item will be required to approve, by an advisory vote, the compensation of our named executive officers. Abstentions will have the same effect as negative votes for this proposal. Although, as an advisory vote, this proposal is not binding on us or our Board of Directors, the Compensation Committee and our Board of Directors value the opinions of the stockholders and will consider the outcome of the vote when making future compensation decisions.

As described in detail under the heading Compensation Discussion and Analysis, our executive compensation programs are designed to attract, motivate and retain our named executive officers, who are critical to our success. Under these programs, our named executive officers are rewarded for the achievement of specific short-term and long-term goals. We believe our 2015 executive compensation is appropriate. Please see the Compensation Discussion and Analysis beginning on page 21 for additional details about our executive compensation philosophy and programs, including information about the fiscal 2015 compensation of our named executive officers. This advisory vote is not intended to address any specific item of compensation, but rather the overall compensation principles and practices and the fiscal 2015 compensation of our named executive officers.

**Board Recommendation**

**Our Board of Directors recommends that you vote FOR the approval of the compensation of the named executive officers for fiscal 2015 as disclosed pursuant to the compensation disclosure rules of the SEC, which disclosure includes the Compensation Discussion and Analysis, the compensation tables and other narrative executive compensation disclosures in this proxy statement.**

**Table of Contents**

**EXECUTIVE OFFICER COMPENSATION**

**Compensation Discussion and Analysis**

*Overview of Compensation Program and Philosophy*

Our compensation program is intended to meet three principal long-term objectives:

1. attract, reward and retain officers and other key employees;
2. motivate key employees to achieve short-term and long-term corporate goals that enhance stockholder value; and
3. promote pay for performance, internal equity and external competitiveness.

To meet these objectives, we have adopted the following overriding compensation policies:

Pay compensation that is competitive with the practices of our peer group of electronics manufacturing services (EMS) companies and the practices of similar companies noted in industry surveys; and

Pay for performance by:

offering cash incentives upon achievement of performance goals we consider challenging but achievable; and

providing significant, long-term incentives in the form of stock options and other equity, in order to retain those individuals with the leadership abilities necessary for increasing long-term stockholder value while aligning the interests of our officers with those of our stockholders.

Our Compensation Committee considers these policies in determining the appropriate allocation of long-term compensation, base salaries, annual bonus compensation and other benefits. Other considerations include our business objectives and environment, fiduciary and corporate responsibilities (including internal equity considerations and affordability), competitive practices and trends, and regulatory requirements. In determining the particular elements of compensation that will be used to implement our overall compensation policies, the Compensation Committee takes into consideration a number of factors related to corporate performance, as further described below, as well as competitive practices among our peer group and the practices of similar companies noted in industry surveys.

***Fiscal 2015 Key Considerations***

Similar to fiscal 2015, and as discussed further below under "Process for Determining Executive Compensation," we did not benchmark the compensation of our named executive officers for fiscal 2015 on an executive-by-executive basis against our peer group. In addition, the Compensation Committee determined not to engage an independent compensation consultant to review the competitiveness and structure of the Company's 2015 cash and equity incentive programs or to provide the Compensation Committee with recommendations regarding changes to such plans in connection with the Compensation Committee's decisions on executive compensation for fiscal 2015. In making this determination, the Compensation Committee considered that it engaged an independent compensation consultant for such purpose in 2013. Moreover, the Compensation Committee utilized data from industry surveys on executive compensation to assist it in its determination of executive compensation for fiscal 2015.



## Edgar Filing: Ultra Clean Holdings, Inc. - Form DEF 14A

Our fiscal 2015 compensation decisions, on an aggregate basis, primarily reflected the state of our business (and in particular, the state of the semiconductor industry), our share price, the state of the global economy and the demand for our products in the industries we served during fiscal 2015. Our sales were \$469.1 million for fiscal 2015, representing a decrease of 8.7% compared to \$514.0 million in sales for fiscal 2014. Our sales for fiscal 2014, however, represented an increase 15.8% compared to \$444.0 million in sales for fiscal 2013. Our

## **Table of Contents**

gross profit also decreased 2.9% in fiscal 2015 compared to fiscal 2014, but increased 8.6% in fiscal 2014 compared to fiscal 2013. Our average closing stock price was \$6.79, \$9.94 and \$6.86 in fiscal 2015, 2014 and 2013, respectively, and was \$9.92 at the time compensation decisions were made in February 2015 for fiscal 2015 compensation. Moreover, at the time compensation decisions were made in February 2015 for fiscal 2015 compensation, while our stock price was at a relatively high level as compared to the prior year average closing stock price, the Company was beginning to see some softness in the overall semiconductor equipment market, which it expected to continue over fiscal 2015. Overall, our Compensation Committee set target total compensation at levels relatively consistent with prior years, with actual compensation impacted by our relatively high grant date stock price for 2015, and operating results that reflected relatively challenging market conditions.

On an individual basis, our fiscal 2015 compensation decisions primarily reflected the importance of our top executives (primarily our chief executive officer and our president and chief financial officer) to our business and their roles in guiding the Company's operations through challenging conditions for fiscal 2015. Moreover, compensation decisions for our chief executive officer and our president and chief financial officer were guided by their primary roles in our strategic acquisition activity, which resulted in two successful, significant acquisitions during fiscal 2015 (Marchi Thermal Systems Inc. and Miconex s.r.o.). The Compensation Committee considers these executives, particularly our chief executive officer and president and chief financial officer, to be our primary strategic decision makers and primarily responsible for our overall performance. In addition, we hired Mr. Scholhamer in January 2015 to replace Mr. Granger as our chief executive officer. Accordingly, Mr. Scholhamer's compensation for 2015 was approved by the Compensation Committee based on negotiation with Mr. Scholhamer. Pursuant to Mr. Scholhamer's offer letter approved by the Compensation Committee, we agreed to pay Mr. Scholhamer an annual base salary of \$410,000, with an annual target bonus equal to 100% of his base salary, and to grant him an initial award of 200,000 restricted stock units that vest in four equal installments on each anniversary of the grant date, subject to the terms and conditions of our Stock Incentive Plan. Mr. Scholhamer is also eligible for certain severance and change in control benefits, as described under "Post-Termination Arrangements" below.

Consistent with prior years, each of our named executive officers were eligible for increased cash incentive compensation and earned performance-based equity awards based on our results of operations, thus tying compensation to our performance. The Compensation Committee also considers that the value to our executive officers of their long-term equity incentive awards increases with our stock price, providing our executives with further opportunity to increase the value of the compensation they ultimately realize, while aligning their incentives more closely with stockholder value.

### ***Stockholder Votes***

At our 2015 annual meeting of stockholders, the stockholders approved our non-binding advisory vote on our fiscal 2014 executive compensation program (say-on-pay). After considering our say-on-pay voting results and other factors addressed in the subsequent discussion, the Compensation Committee determined not to make changes to our executive compensation policies and practices as a result of the vote. At our fiscal 2011 annual meeting of stockholders, a majority of the stockholders voted to have the non-binding say-on-pay advisory vote appear annually in our proxy statement. Our Board of Directors considered the results of the vote and agreed with the results. Therefore, we are including the non-binding say-on-pay advisory vote on our executive compensation in this year's proxy, and will have annual votes at least until the next stockholder vote on frequency. Executive compensation decisions for fiscal 2015 and other details are discussed below in this compensation discussion and analysis.

### ***Process for Determining Executive Compensation***

The Compensation Committee meets with our chief executive officer and other executives, as necessary, to obtain recommendations with respect to Company compensation programs, practices and packages. The chief executive officer makes recommendations to the Compensation Committee on executive performance, base

## **Table of Contents**

salary, bonus targets and equity compensation for the executive team and other employees, other than himself. Although the Compensation Committee considers management's recommendations with respect to executive compensation, the Compensation Committee makes all final decisions on executive compensation matters.

The chief executive officer attends most of the Compensation Committee's meetings, but the Compensation Committee also holds executive sessions not attended by any members of management or non-independent directors. The Compensation Committee deliberates and makes decisions with respect to performance and compensation without the chief executive officer and the Company's other executives present. The Compensation Committee has the ultimate authority to make decisions with respect to the compensation of our executive officers, but may, if it chooses, delegate some of its responsibilities to subcommittees. The Compensation Committee has not in the past delegated authority with respect to the compensation of executive officers. The Compensation Committee has delegated to the chief executive officer the authority to grant equity awards to employees below the level of corporate vice president under guidelines approved by the Compensation Committee and to make salary adjustments and short-term bonus decisions for employees (other than executive officers) under guidelines approved by the Compensation Committee.

The Compensation Committee also periodically seeks input from independent compensation consultants prior to making determinations on executive compensation, though no such consultant was engaged for such purpose with respect to fiscal 2015 compensation. The Compensation Committee has the sole authority to retain and terminate independent legal, financial, accounting or other advisors as it determines necessary to carry out its duties, without conferring with or obtaining the approval of management or the full Board of Directors, including the sole authority to approve the fees and other retention terms of any such firm. The Compensation Committee also utilizes data from industry surveys on executive compensation to assist it in its determination of executive compensation.

### ***Elements of Compensation***

The following are the primary elements of our executive compensation program:

- (i) base salary;
- (ii) annual performance-based cash incentive opportunities;
- (iii) long-term incentives through equity awards; and
- (iv) retirement and welfare benefit plans, including a deferred compensation plan, a 401(k) plan, limited executive perquisites and other benefit programs generally available to all employees.

We have selected these elements because each is considered useful and/or necessary to meet one or more of the principal objectives of our compensation policy. For example, base salary and bonus target percentages are set with the goal of attracting employees and adequately compensating and rewarding them for their individual performance, level of responsibility, time spent with the Company and the Company's annual financial results, while our equity programs are geared toward providing incentives and rewards for the achievement of long-term business objectives and retaining key talent. We believe that these elements of compensation, when combined, are effective, and will continue to be effective, in achieving the objectives of our compensation program.

The Compensation Committee reviews base salary, cash incentive programs and long-term incentive programs on at least an annual basis. Other programs are reviewed from time to time to ensure that benefit levels remain competitive but are not included in the annual determination of an executive's compensation package. In setting compensation levels for a particular executive, the Compensation Committee takes into consideration the proposed compensation package as a whole and each element individually, as well as the executive's past and expected future contributions to our business.

Although we did not benchmark our executive compensation for fiscal 2015 against our peer group, our long-term goal has been to target total compensation, including base salaries, cash incentive awards and equity



---

**Table of Contents**

awards near the 50th percentile among our peer group. To achieve this, our goal has been to allocate total compensation such that cash compensation (including base pay and annual bonus) falls between the 25th and 50th percentile among the peer group, and time and performance-based equity awards, which provide our executives with long-term incentives, fall between the 50th and 75th percentile of the peer group, consistent with our pay-for-performance objectives and focusing on creation of long-term stockholder value. Notwithstanding these long-term compensation objectives, the Compensation Committee considers uncertainty in the macroeconomy and cyclical in the industries we serve, among other factors, in determining compensation packages for our executive officers, and in recent years, these considerations have resulted in compensation that our Compensation Committee believed were below our long-term target percentiles within our peer group. In addition, the Compensation Committee considers our stock price in determining to grant equity incentive awards, so as to provide competitive long-term incentives but avoid excess dilution and conserve the number of shares available for future grant under our stock incentive plan.

***Cash Compensation***

Base salaries and cash bonuses are a significant portion of our executive compensation package. We believe this cash compensation helps us remain competitive in attracting and retaining executive talent. Bonuses also are paid in order to motivate officers to achieve our business goals. The Compensation Committee also considers other factors such as job performance, responsibilities, skill set, prior experience, the executive's time in his or her position and/or with the Company, internal consistency regarding pay levels for similar positions or skill levels within the Company, and external pressures to attract and retain talent. In setting executive compensation, including the performance goals upon which certain components of our executive compensation is based, the Compensation Committee also takes into account the cyclical nature of our business and the state of our industry and the economy in general.

*Base Salaries.* In fiscal 2015, the Compensation Committee determined the base salary of our new chief executive officer to be \$410,000 (which was prorated for 2015 based on his start date), based on negotiation with Mr. Scholhamer. In addition, in March 2015, in connection with his promotion to our president and chief executive officer, the Compensation Committee determined to increase Mr. Eichler's base salary to \$370,000 (which was prorated for 2015 based on the effective date of his promotion), representing an increase of approximately 5.4% as compared to the level of his base salary in fiscal 2014. These levels were set after considering the significance of the roles of these executives in our overall management for fiscal 2015 and the Compensation Committee's determination of the correlation of their responsibilities with our overall corporate operating performance. For the remainder of our named executive officers, the Compensation Committee determined to increase base salaries modestly by approximately 3% to 5%. While the Compensation Committee did not benchmark base salaries against a peer group for fiscal 2015, in determining to increase base salaries for fiscal 2015, the Compensation Committee considered industry survey data on executive compensation for similarly situated executives. Overall, the Compensation Committee determined that the base salary levels/increases were consistent with the Company's overall compensation objectives and appropriate to retain our executives at a point in time at which the Company had positive results for fiscal 2014 but was beginning to see some softness in the semiconductor equipment industry over the next several quarters.

*Incentive Bonuses.* Our Management Bonus Plan awards participants with cash incentives in the event we achieve specified levels of operating income. All of the Company's employees with a title of director and above are eligible to participate in the Management Bonus Plan. In fiscal 2015, we paid cash incentive bonuses on the basis of the quarterly achievement of target operating income for fiscal 2015, which targets were unchanged from the fiscal 2014 achievement levels, as set forth in the table below. For fiscal 2015, for purposes of our Management Bonus Plan, operating income refers to operating income calculated in accordance with accounting principles generally accepted in the United States, but excluding the non-cash amortization costs and other non-recurring expenses relating to our acquisitions.

**Table of Contents**

| <b>Fiscal 2015 Achievement Levels*</b>                 |  | <b>Percentage<br/>of<br/>Operating<br/>Income<br/>Paid Under<br/>the<br/>Management<br/>Bonus Plan</b> |
|--|--|--|
| <b>Operating Income as<br/>a Percentage of Revenue</b> |  |  |
| 1.00%  |  | 0.00%  |
| 2.00%  |  | 0.00%  |
| 3.00%  |  | 3.00%  |
| 4.00%  |  | 5.00%  |
| 5.00%  |  | 6.00%  |
| 6.00%  |  | 6.20%  |
| 7.00%  |  | 6.50%  |
| 8.00%  |  | 7.50%  |
| 9.00%  |  | 8.50%  |
| 10.00%   |  | 9.00%  |
| 11.00%   |  | 9.00%  |

\* Operating income must be at least 3% of revenue for the plan to be funded in any given quarter. If operating income is above 3% and is in between percentages in the table above, the percentage of operating income distributed to participants is prorated between the applicable amounts shown above.

Bonuses under the Management Bonus Plan are calculated and paid on a quarterly basis, which we believe to have a positive effect on employee morale. Each quarter, we calculate the total available pool of cash incentive bonuses using the Percentage of Operating Income Distributed as Cash Incentive Compensation as discussed above. For the four quarters of fiscal 2015, our aggregate quarterly bonuses were paid based on the following:

| <b>Quarter in Fiscal 2015</b> | <b>Operating<br/>Income as<br/>a<br/>Percentage<br/>of Revenue<br/>(1)</b> | <b>Percentage of<br/>Operating Income<br/>Paid Under<br/>Management<br/>Bonus Plan</b> |
|-------------------------------|--|--|
| First                         | 5.1%   | 6.0%   |
| Second                        | 4.1%   | 5.1%   |
| Third                         | 4.1%   | 5.1%   |
| Fourth                        | -0.5%  | 0.0%   |

(1) Excludes non-cash amortization costs and other non-recurring expenses relating to our acquisitions.

Once the available pool is determined for a given fiscal quarter as described above, the pool is then allocated among the participants in the plan, including our participating named executive officers, in accordance with each individual participant's target bonus percentage, which is calculated as a percentage of base salary. For fiscal 2015, the target bonus percentages and actual paid bonuses as a percentage of base salary for each of our named executive officers were as follows (excluding Mr. Granger, who retired in January 2015):

Named Executive Officer

Edgar Filing: Ultra Clean Holdings, Inc. - Form DEF 14A

|                     | Target Bonus as a Percentage of Base Salary |                    | Actual Bonus as a Percentage of Base Salary |
|---------------------|---|--------------------|---|
|                     | 2015  | 2014               | 2015  |
| James P. Scholhamer | 100%  | N/A <sup>(1)</sup> | 37%   |
| Kevin C. Eichler    | 75%   | 70%                | 32%   |
| Mark G. Bingaman    | 40%   | 40%                | 18%   |
| Deborah E. Hayward  | 40%   | 40%                | 18%   |
| Lavi A. Lev         | 40%   | 40%                | 19%   |

(1) Mr. Scholhamer joined the Company in January 2015.

---

**Table of Contents**

If the available pool is not sufficient to allocate each participant a bonus equal to his or her target bonus percentage multiplied by his or her base salary for the quarter ( full payout ), then the available pool is allocated among each participant in the plan based on the ratio of that participant s full payout to the aggregate of full payouts for all participants. If the available pool exceeds the amount necessary to allocate each participant his or her full payout, then the excess is allocated among participants in the same manner as shortfalls. The maximum allowable bonus for any quarter is two times a participant s full payout amount.

The Compensation Committee believes that operating income is the most appropriate metric upon which to base cash incentive bonuses due to the fact that it is highly correlated with both revenue growth and profitability, as well as being the measure of operating results for which our executives can be held most accountable, and thus is the most effective measure of their overall performance. The Compensation Committee also believes operating income to be an appropriate metric based on its historical correlation with our public share price.

The Compensation Committee reviews the Management Bonus Plan achievement levels annually, considering projected operating results under the Company s annual operating plan and other factors discussed below.

Target bonus percentages are reviewed and approved on an annual basis for each named executive officer and established based on each named executive officer s role and level of responsibility within the organization. For fiscal 2015, the Compensation Committee determined the target bonus of our new chief executive officer based on negotiation with Mr. Scholhamer. In addition, in March 2015, in connection with his promotion to president and chief executive officer, the Compensation Committee determined to increase Mr. Eichler s target bonus to 75% of his base salary, from 70% for fiscal 2014. The Compensation Committee determined that these levels were appropriate due to the significance of these executives roles in our overall management for fiscal 2015, their status as our most senior executives and the Compensation Committee s determination of the correlation of their responsibilities with our overall corporate operating performance. Moreover, the Compensation Committee noted that Mr. Scholhamer s target bonus was consistent with our prior chief executive officer s target for fiscal 2014 and fiscal 2013. The Compensation Committee set the bonus target percentages for the remaining named executive officers at levels consistent with the prior year.

Target bonus percentages are used primarily to allocate the available bonus pool under our Management Bonus Plan among the plan participants each quarter, and do not necessarily reflect the actual amount of bonuses as a percentage of base salary we are targeting for our named executive officers. The Compensation Committee approves the achievement levels and target bonus percentages after considering the potential bonus pool available under the Management Bonus Plan at various levels of operating performance.

Overall, the Compensation Committee seeks to tie a significant proportion of cash compensation to performance, while factoring in our current and expected financial results given current and expected business conditions and the cyclical nature of the semiconductor equipment industry. The Compensation Committee also recognized that the Management Bonus Plan provides increased cash payments to our executives if we achieve results above targets, providing our executives an opportunity to achieve higher cash compensation for performance above expectations. We intend the performance goals to be challenging and to reflect strong corporate performance. To help achieve our goal of retaining key talent, an executive must remain an employee through the time the bonus is paid in order to be eligible for any bonus under the Management Bonus Plan.

Generally, bonuses are paid under our Management Bonus Plan only if the performance goals described above, which the Compensation Committee sets at the beginning of the fiscal year, are achieved, although the Compensation Committee retains the ability to revise performance measures during the year or to adjust bonuses based on extraordinary events or individual performance. Consistent with our pay-for-performance philosophy, bonuses for fiscal 2015 were paid out in accordance with the performance goals described above, without adjustment. Actual bonuses for our incumbent named executive officers as a percentage of base salary for 2015 were lower than for 2014 primarily due to our operating results in fiscal 2015 as compared to fiscal 2014. See Summary Compensation Table below.



**Table of Contents****Equity Compensation**

Our equity compensation program is intended to align the interests of our officers with those of our stockholders by creating an incentive for our officers to maximize stockholder value. The equity compensation program also is designed to encourage our officers to remain employed with us in a very competitive labor market. The Compensation Committee regularly monitors the changes in the business environment in which we operate and periodically reviews changes to our equity compensation program to help us meet our goals, which include the achievement of long-term stockholder value.

*Types of Equity Awards.* In fiscal 2015, consistent with recent years, we granted our named executive officers restricted stock units, or RSUs, which we believe are effective in retaining and motivating employees because they provide a predictable, tangible value to employees while also serving as an incentive to increase the value of our stock. RSUs are also an efficient way for us to reduce the dilutive effects of equity awards. We grant both time-based and performance-based RSUs to our executive officers. The Compensation Committee believes this combination provides a balance between awards that provide high incentive value (in the form of performance-based RSUs, which will only vest if we meet performance criteria combined with service requirements) and awards that provide high retention value (in the form of time-based RSUs, which will have at least some value over time while imposing continued service requirements, and requiring time-based vesting of the earned performance units). In fiscal 2015, the Compensation Committee granted the following long-term equity awards to our named executive officers:

| <b>Named Executive Officer</b> | <b>Time-based<br/>RSUs</b> | <b>Performance-<br/>based RSUs</b> |
|--------------------------------|----------------------------|------------------------------------|
| James P. Scholhamer            | 200,000                    |                                    |
| Kevin C. Eichler               | 82,500                     | 42,500                             |
| Mark G. Bingaman               | 15,000                     | 5,000                              |
| Deborah E. Hayward             | 12,000                     | 4,000                              |
| Lavi A. Lev                    | 21,000                     | 7,000                              |

The number of equity awards the Compensation Committee granted to each executive officer in fiscal 2015 was determined based on a variety of factors. In deciding the awards for fiscal 2015, the Compensation Committee considered each individual executive's job performance, but primarily his or her level of job responsibility. The Compensation Committee also considered that the Compensation Committee discussed the use of long-term equity awards as a means to retain and incentivize executives as well as our long-term, overall compensation targets. Awards are also influenced by our stock price at the time the awards are granted, as well as new hirings and promotions.

The number (and related vesting terms) of RSUs granted to our new chief executive officer, Mr. Scholhamer, for fiscal 2015 was determined based on negotiation with Mr. Scholhamer. For Mr. Eichler, the Compensation Committee determined to grant Mr. Eichler an additional 40,000 time-based RSUs in connection with his promotion to our president and chief financial officer in March 2015. Including this promotional grant, the grant date fair value of the RSUs granted to Mr. Eichler in fiscal 2015 was consistent with the grant date fair value of the RSUs granted to Mr. Eichler in fiscal 2014, primarily as a result of our lower stock price, offset by an increase in the number of RSUs granted. The grant date fair value of fiscal 2015 RSUs granted to our other named executive officers decreased as compared to the grant date fair value of RSUs granted in fiscal 2014, due primarily to our lower stock price as compared to the grant date of fiscal 2014 awards.

The equity awards granted during fiscal 2015 to our named executive officers are set forth in detail under **Grants of Plan-Based Awards** below. All time-based RSUs granted to our named executive officers (except to our chief executive officer) in fiscal 2015, and all performance-based RSUs earned based on fiscal 2015 performance, vest over a period of 3 years from the grant date in equal annual installments. The RSUs granted to Mr. Scholhamer when he was appointed to become our chief executive officer will vest over a period of 4 years from the grant date in equal annual installments.

**Table of Contents***Promotional and New Hire Grants.*

The Compensation Committee's policy has been to make promotional grants, including Mr. Eichler's promotional grant in fiscal 2015, on solely a time-based vesting schedule to enhance retention. For Mr. Scholhamer, the Compensation Committee believed it was appropriate and necessary to make his new hire grant on solely a time-based vesting schedule in order to incentivize him to join the Company and because he did not participate in the Company's business planning for fiscal 2015 prior to his date of hire.

*Annual Refresh Grants.*

The mix of time-based and performance-based awards for annual refresh grants made in fiscal 2015 was also consistent with prior years. In allocating equity awards between time-based and performance-based awards, the Compensation Committee considers each named executive officer's level of responsibility, and the relationship between that named executive officer's performance and our public share price. Consistent with prior years, the Compensation Committee determined that 50% of the annual refresh equity awards that were granted to our president and chief financial officer would consist of performance-based awards because his role focuses more on overall corporate performance than our other incumbent named executive officers. For our other incumbent named executive officers, the Compensation Committee determined that 25% of the equity awards would consist of performance-based awards. Performance-based awards granted in fiscal 2015 to our named executive officers are earned according to the following performance criteria. For fiscal 2015, for purposes of our performance-based awards, operating income is calculated consistent with our Management Bonus Plan.

| <b>% earned</b>                 | <b>0%</b>       | <b>60%</b> | <b>65%</b> | <b>70%</b> | <b>75%</b> | <b>80%</b> | <b>85%</b> | <b>90%</b> | <b>95%</b> | <b>100%</b>           |
|---------------------------------|-----------------|------------|------------|------------|------------|------------|------------|------------|------------|-----------------------|
| Operating income (in thousands) | below \$ 15,620 | \$ 15,620  | \$ 16,992  | \$ 18,224  | \$ 19,526  | \$ 20,827  | \$ 22,129  | \$ 23,431  | \$ 24,732  | at or above \$ 26,034 |

The Compensation Committee determined, based on our actual results for fiscal 2015, that 60% of the performance-based awards granted to our named executive officers in fiscal 2015 were earned. The remaining 40% of such performance-based awards for each applicable executive officer were cancelled.

*Grant Practices.* We have implemented procedures to regularize our equity award grant process, such as making new hire grants and annual executive grants on the same day each month. The Compensation Committee has not granted, nor does it intend in the future to grant, equity compensation awards to executives in anticipation of the release of material nonpublic information that is likely to result in changes to the price of our common stock, such as a significant positive or negative earnings announcement. Similarly, the Compensation Committee has not timed, nor does it intend in the future to time, the release of material nonpublic information based on equity award grant dates. Because our equity awards typically vest over multiple years, we believe recipients are motivated to see our stock price rise in the long-term rather than benefit from an immediate but short-term increase in the price of our stock following a grant.

**Other Benefit Plans**

*Deferred Compensation.* We maintain a non-qualified deferred compensation plan, which allows eligible employees, including executive officers and directors, to voluntarily defer receipt of the portion of his/her salary above a specified amount and all or a portion of a bonus payment until the date or dates elected by the participant, thereby allowing the participating employee to defer taxation on such amounts. This plan gives highly compensated employees the opportunity to defer more compensation than they would otherwise be permitted to defer under a tax-qualified retirement plan, such as our 401(k) plan. We believe that deferred compensation is a competitive practice to enable us to attract and retain top talent. We do not make matching or other employer contributions to the deferred compensation plan because we believe the deferral opportunity is enough of a benefit on its own.

*Executive Perquisites.* In addition to health care coverage that is generally available to our other employees, our executive officers are eligible for annual physical examinations more extensive than under the Company's standard plans. Our chief executive officer and employees in sales and marketing also received a car allowance.

## **Table of Contents**

Because Mr. Lev relocated to Singapore to serve as our senior vice president of Asia, we agreed to provide Mr. Lev with a housing and car allowance. In addition, we agreed to make Mr. Lev whole for any income taxes for which he is responsible above that which he would be responsible for if he received a comparable salary as a resident the United States. No such tax equalization payments were made to Mr. Lev for fiscal 2015. See Summary Compensation Table below for more information.

*Other Benefits.* We also offer a number of other benefits to the executive officers pursuant to benefit programs that provide for broad-based employee participation. For example, our retirement plan is a tax-qualified 401(k) plan, which is a broad-based employee plan. Under the 401(k) plan, all participating employees (including executive officers) are eligible to receive limited matching contributions that are subject to vesting over time.

The main objectives of our benefits programs are to give our employees access to quality healthcare, financial protection from unforeseen events, assistance in achieving retirement financial goals, enhanced health and productivity and to provide support for global workforce mobility, in full compliance with applicable legal requirements. These generally available benefits typically do not specifically factor into decisions regarding an individual executive's total compensation or equity award package.

### ***Post-Termination Arrangements***

Our post-termination arrangements are described in this proxy statement below. We believe the severance benefits under these agreements or policies are reasonable in amount, and provide a protection to key executive officers who would be likely to receive similar benefits from our competitors. The Compensation Committee reviews the potential costs and triggering events of employment and severance agreements and policies before approving them and will continue to consider appropriate and reasonable measures to encourage retention.

### ***Accounting and Tax Considerations***

In designing its compensation programs, the Compensation Committee generally considers the accounting and tax effects as well as direct costs. For example, we intend to limit the accounting expense for our equity compensation programs in an amount determined by the Compensation Committee from time to time. When determining how to apportion between differing elements of compensation, the goal is to meet our compensation objectives while maintaining cost neutrality. For example, if we increase benefits under one program resulting in higher compensation expense, we may seek to decrease costs under another program based on our determination of the affordability level. We recognize a charge to earnings for accounting purposes when equity awards are granted. The Compensation Committee considers the impact to dilution and overhang when making decisions pertaining to equity instruments.

We do not require executive compensation to be tax deductible for the Company, but instead balance the cost and benefits of tax deductibility to comply with our executive compensation goals.

### **Compensation Committee Report**

The Compensation Committee of the Board of Directors of Ultra Clean Holdings, Inc. has reviewed and discussed the Compensation Discussion and Analysis, which appears in this proxy statement, with the management of Ultra Clean Holdings, Inc. Based on this review and discussion, the Compensation Committee recommended to the Board of Directors that the Compensation Discussion and Analysis be included in Ultra Clean Holdings, Inc.'s proxy statement.

### **Members of the Compensation Committee**

David T. ibnAle, Chair

Thomas T. Edman

Emily M. Liggett

**Table of Contents****Summary Compensation Table**

The following table shows compensation information for the three most recently completed fiscal years for our principal executive officer, our principal financial officer and our other three most highly compensated executive officers as of December 25, 2015 (collectively, our named executive officers ):

| Name and Position  | Year | Salary<br>(\$) | Stock<br>Awards<br>(\$) <sup>(1)</sup> | Non-Equity<br>Incentive<br>Plan<br>Compensation<br>(\$) <sup>(2)</sup> | All Other<br>Compensation<br>(\$) | Total<br>(\$) |
|--|------|----------------|--|--|-----------------------------------|---------------|
| James P. Scholhamer<br>Chief Executive Officer   | 2015 | 370,577        | 1,848,000                              | 137,932  | 1,516                             | 2,358,025     |
| Kevin C. Eichler<br>President & Chief Financial Officer                                    | 2015 | 364,718        | 1,002,150                              | 117,451  | 7,853 <sup>(3)</sup>              | 1,492,172     |
|  | 2014 | 344,696        | 999,750                                | 238,790  | 12,040                            | 1,595,276     |
|  | 2013 | 329,192        | 364,200                                | 126,066  | 12,199                            | 831,657       |
| Deborah E. Hayward<br>Senior Vice President, Sales   | 2015 | 257,500        | 133,600                                | 46,040   | 6,401 <sup>(4)</sup>              | 443,541       |
|  | 2014 | 239,154        | 186,620                                | 100,303  | 3,335                             | 529,412       |
|  | 2013 | 214,848        | 121,400                                | 124,620  | 8,669                             | 469,537       |
| Lavi A. Lev<br>Senior Vice President, Asia   | 2015 | 247,199        | 233,800                                | 47,272   | 234,634 <sup>(5)</sup>            | 762,905       |
|  | 2014 | 247,200        | 453,220                                | 100,357  | 234,005                           | 1,034,782     |
|  | 2013 | 244,274        | 121,400                                | 52,896   | 146,728                           | 565,298       |
| Mark G. Bingaman<br>Senior Vice President of Global Materials & Supply Chain<br>Management | 2015 | 271,314        | 167,000                                | 48,179   | 11,652 <sup>(6)</sup>             | 498,145       |
|  | 2014 | 263,423        | 245,800                                | 104,419  | 7,195                             | 620,837       |
|  | 2013 | 255,170        | 133,540                                | 24,815   | 7,823                             | 421,348       |
| Clarence L. Granger<br>Former Chief Executive Officer                                      | 2015 | 51,783         |  |  | 2,400,058 <sup>(7)</sup>          | 2,451,841     |
|  | 2014 | 454,950        | 1,333,000                              | 444,055  | 11,554                            | 2,243,559     |
|  | 2013 | 436,933        | 500,775                                | 237,642  | 19,498                            | 1,194,848     |

(1) Amounts shown do not reflect compensation actually received by the named executive officers. The amounts shown are the grant date fair value for stock awards granted in the applicable fiscal year, based on the per share closing price of our common stock the day preceding the grant date. The other valuation assumptions and the methodology used to determine such amounts are set forth in Note 1 of the Notes to our Consolidated Financial Statements included in our Form 10-K for the year ended December 25, 2015.

(2) Amounts consist of incentive bonuses and, for Ms. Hayward, sales commissions for 2013.

(3) This amount consists of a matching contribution of \$6,628 under the 401(k) Plan and payment on behalf of Mr. Eichler of \$1,225 in long-term disability and life insurance premiums.

(4) This amount consists of a matching contribution of \$2,884 under the 401(k) Plan and payment on behalf of Ms. Hayward of \$3,517 in long-term disability and life insurance premiums.

(5) This amount consists of \$184,800 and \$48,000 of housing and transportation benefits, respectively and payment on behalf of Mr. Lev of \$1,834 in long-term disability and life insurance premiums.

(6)

## Edgar Filing: Ultra Clean Holdings, Inc. - Form DEF 14A

This amount consists of a matching contribution of \$6,815 under the 401(k) Plan and payment on behalf of Mr. Bingaman of \$4,837 in long-term disability and life insurance premiums.

- (7) On January 5, 2015, we announced Mr. Granger's retirement as our chief executive officer. In connection with his retirement, we and Mr. Granger entered into a Transition Agreement, pursuant to which, subject to a release of claims, Mr. Granger received a lump sum cash payment equal to \$2,400,000. Mr. Granger also continued to receive his then-current salary and benefits through January 19, 2015, including payment on behalf of Mr. Granger of \$58 in long-term disability and life insurance premiums. Mr. Granger remains as our non-executive Chairman of the Board of Directors. See the table included under "Director Compensation" for Mr. Granger's non-employee director fee and grant received in fiscal 2015.

**Table of Contents****Grants of Plan-Based Awards**

The following table shows all plan-based awards granted to the named executive officers during fiscal 2015:

| Name   | Grant Date                          | Compensation Committee<br>Action Date | Estimated Future Payouts Under Non-Equity Incentive Plan Awards <sup>(1)</sup> |              | Estimated Future Payouts Under Equity Incentive Plans <sup>(2)</sup> |            |             | All Other Stock Awards: Number of Shares of Stock or Units <sup>(3)</sup> | Grant Date Fair Value of Stock Awards <sup>(4)</sup> |
|--|-------------------------------------|---------------------------------------|--|--------------|--|------------|-------------|---|--|
|  |                                     |                                       | Target (\$)  | Maximum (\$) | Threshold (#)  | Target (#) | Maximum (#) |   |  |
| James P. Scholhamer<br>Chief Executive Officer                           | 1/30/2015                           | 12/29/2014                            | 410,000  | 820,000      |  |            |             | 200,000   | 1,848,000  |
| Kevin C. Eichler<br>President & Chief Financial Officer                  | 2/27/2015<br>2/27/2015<br>3/27/2015 | 2/11/2015<br>2/11/2015<br>3/24/2015   | 277,500  | 555,000      | 25,500   | 42,500     | 42,500      | 42,500<br>40,000  | 354,875<br>354,875<br>292,400                        |
| Deborah E. Hayward<br>Senior Vice President, Sales                       | 2/27/2015<br>2/27/2015              | 2/11/2015<br>2/11/2015                | 105,060  | 210,120      | 2,400  | 4,000      | 4,000       | 12,000  | 33,400<br>100,200                                    |
| Lavi A. Lev<br>Senior Vice President, Asia                               | 2/27/2015<br>2/27/2015              | 2/11/2015<br>2/11/2015                | 109,015  | 218,030      | 4,200  | 7,000      | 7,000       | 21,000  | 58,450<br>175,350                                    |
| Mark G. Bingaman<br>Sr. VP of Global Materials & Supply Chain Management | 2/27/2015<br>2/27/2015              | 2/11/2015<br>2/11/2015                | 110,009  | 220,018      | 3,000  | 5,000      | 5,000       | 15,000  | 41,750<br>125,250                                    |

- (1) Reflects target at 100% and maximum cash award amounts pursuant to the Management Bonus Plan for fiscal 2015.
- (2) Reflects performance-based restricted stock units. On the basis of performance criteria for fiscal 2015, 40% of all performance-based units granted in fiscal 2015 were cancelled.
- (3) Represents time-based stock units issued under our stock incentive plan
- (4) Under the terms of our stock incentive plan, fair market value is defined as the closing price on the day preceding the grant date. Our practice is for grants to be effective on the last Friday of the month in which the grant is approved.

**Table of Contents****Outstanding Equity Awards**

The following table shows all outstanding equity awards held by the named executive officers as of December 25, 2015:

| Name                | Number of Securities Underlying Unexercised Options Exercisable (#) | Option Awards   |                            |                        | Stock Awards                             |  |
|---------------------|---|---|----------------------------|------------------------|--|--|
|                     |   | Number of Securities Underlying Unexercised Options (#) | Option Exercise Price (\$) | Option Expiration Date | Shares or Units That Have Not Vested (#) | Market Value of Shares or Units That Have Not Vested (\$) <sup>(1)</sup> |
| James P. Scholhamer |   |   |                            |                        | 200,000 <sup>(2)</sup>                   | 1,076,000  |
| Kevin C. Eichler    | 100,000   |   | 3.96                       | 7/31/2019              | 8,200 <sup>(3)</sup>                     | 44,116   |
|                     |   |   |                            |                        | 10,000 <sup>(4)</sup>                    | 53,800   |
|                     |   |   |                            |                        | 25,000 <sup>(5)</sup>                    | 134,500  |
|                     |   |   |                            |                        | 22,750 <sup>(6)</sup>                    | 122,395  |
|                     |   |   |                            |                        | 42,500 <sup>(7)</sup>                    | 228,650  |
|                     |   |   |                            |                        | 25,500 <sup>(8)</sup>                    | 137,190  |
|                     |   |   |                            |                        | 40,000 <sup>(9)</sup>                    | 215,200  |
| Deborah E. Hayward  | 30,000  |   | 14.9                       | 4/27/2017              | 1,368 <sup>(3)</sup>                     | 7,359  |
|                     |   |   |                            |                        | 5,000 <sup>(4)</sup>                     | 26,900   |
|                     |   |   |                            |                        | 7,000 <sup>(5)</sup>                     | 37,660   |
|                     |   |   |                            |                        | 2,124 <sup>(6)</sup>                     | 11,427   |
|                     |   |   |                            |                        | 12,000 <sup>(7)</sup>                    | 64,560   |
|                     |   |   |                            |                        | 2,400 <sup>(8)</sup>                     | 12,912   |
| Lavi A. Lev         |   |   |                            |                        | 1,368 <sup>(3)</sup>                     | 7,359  |
|                     |   |   |                            |                        | 5,000 <sup>(4)</sup>                     | 26,900   |
|                     |   |   |                            |                        | 19,500 <sup>(5)</sup>                    | 104,910  |
|                     |   |   |                            |                        | 2,882 <sup>(6)</sup>                     | 15,505   |
|                     |   |   |                            |                        | 21,000 <sup>(7)</sup>                    | 112,980  |
|                     |   |   |                            |                        | 4,200 <sup>(8)</sup>                     | 22,596   |
| Mark G. Bingaman    |   |   |                            |                        | 1,504 <sup>(3)</sup>                     | 8,091  |
|                     |   |   |                            |                        | 5,500 <sup>(4)</sup>                     | 29,590   |
|                     |   |   |                            |                        | 7,500 <sup>(5)</sup>                     | 40,350   |
|                     |   |   |                            |                        | 2,275 <sup>(6)</sup>                     | 12,240   |
|                     |   |   |                            |                        | 15,000 <sup>(7)</sup>                    | 80,700   |
|                     |   |   |                            |                        | 3,000 <sup>(8)</sup>                     | 16,140   |
|                     |   |   |                            |                        | 3,333 <sup>(10)</sup>                    | 17,932   |

(1) The most recent closing price of our common stock as of December 25, 2015 (our fiscal 2015 year end) was \$5.38.

(2) 1/4 of remaining units vest on January 30, 2016 and 1/4 vest on each year thereafter.

(3) Represents remaining unvested performance-based award earned for fiscal 2013 performance, which vests on May 22, 2016.

- (4) Remaining units vest on May 22, 2016.
- (5) 1/2 of remaining units vest on each of February 28, 2016 and February 28, 2017.
- (6) Represents remaining unvested performance-based award earned for fiscal 2014 performance. 1/2 of remaining units vest on each of February 28, 2016 and February 28, 2017.



**Table of Contents**

- (7) 1/3 of remaining units vest on 2/27/2016 and 1/3 each year thereafter.
- (8) Represents earned portion of performance-based awards granted in fiscal 2015. These units exclude 40% of the performance-based awards granted in fiscal 2015, which were cancelled as some of the performance criteria was not met. 1/3 of remaining units vest on 2/27/2016 and 1/3 each year thereafter.
- (9) 1/3 of remaining units vest on 3/27/2016 and 1/3 each year thereafter.
- (10) 1/2 of remaining units vest on each of 7/25/2016 and 7/25/2017.

**Option Exercises and Stock Vested**

The following table shows all stock options exercised and value realized upon exercise, and all stock awards vested and value realized upon vesting, by the named executive officers during fiscal 2015, which ended on December 25, 2015:

| Name                | Option Awards                             |  | Stock Awards                             |   |
|---------------------|---|--|--|---|
|                     | Number of Shares Acquired on Exercise (#) | Value Realized on Exercise (\$) <sup>(1)</sup> | Number of Shares Acquired on Vesting (#) | Value Realized on Vesting (\$) <sup>(2)</sup> |
| James P. Scholhamer |   |  |  |   |
| Clarence L. Granger | 334,157                                   | 585,876  |  |   |
| Kevin C. Eichler    |   |  | 48,742                                   | 405,339                                       |
| Mark G. Bingaman    |   |  | 18,057                                   | 148,218                                       |
| Deborah E. Hayward  |   |  | 14,677                                   | 122,187                                       |
| Lavi A. Lev         |   |  | 22,056                                   | 183,137                                       |

- (1) The value realized equals the difference between the option exercise price and the fair market value of the Company's common stock on the date of exercise, multiplied by the number of shares for which the option was exercised.
- (2) The value realized equals the fair market value of the Company's common stock on the date of vesting multiplied by the number of stock awards vesting.

**Nonqualified Deferred Compensation**

We maintain a nonqualified deferred compensation plan, the Ultra Clean Holdings, Inc. 2004 Executive Deferred Compensation Plan (the EDCP), which allows eligible employees, including executive officers, and directors to voluntarily defer receipt of a portion of his/her salary and all or a portion of a bonus payment until the date or dates elected by the participant, thereby allowing the participating employee to defer taxation on such amounts. Amounts credited to the EDCP consist only of cash compensation that has been earned and payment of which has been deferred by the participant. The amounts deferred under the EDCP are credited with realized gains on investments and interest at market rates on cash balances. We do not make matching or other employer contributions to the EDCP.

The following table shows certain information for the named executive officers under the EDCP for fiscal 2015:

| Name | Executive Contributions in Last Fiscal | Registrant Contributions in Last Fiscal | Aggregate Earnings in Last | Aggregate Withdrawals/Distributions | Aggregate Balance at Last Fiscal Year end |
|------|--|---|----------------------------|-------------------------------------|---|
|------|--|---|----------------------------|-------------------------------------|---|

Edgar Filing: Ultra Clean Holdings, Inc. - Form DEF 14A

|                     | Year<br>(\$) <sup>(1)</sup> | Year<br>(\$) | Fiscal<br>Year<br>(\$) <sup>(2)</sup> | (\$)      | (\$) <sup>(3)</sup> |
|---------------------|-----------------------------|--------------|---------------------------------------|-----------|---------------------|
| Clarence L. Granger |                             |              | (7,773)                               | (601,783) | 296,816             |
| Kevin C. Eichler    |                             |              | 6,480                                 |           | 693,809             |
| Mark G. Bingaman    | 50,198                      |              | (6,390)                               |           | 550,111             |

**Table of Contents**

- (1) Consists of salary reported in the Summary Compensation Table under the columns entitled Salary.
- (2) Includes realized and unrealized gains (losses) and interest earned during the 2015 fiscal year.
- (3) Consists of aggregate salary deferred in applicable fiscal years and reported in the Summary Compensation Table in such years, plus the aggregate of earnings (losses) in applicable fiscal years.

**Post-Termination Arrangements**

*Change in Control Severance Agreement with James P. Scholhamer.* We entered into a Change in Control Severance Agreement with James P. Scholhamer dated January 19, 2016. If upon, or within 3 months prior to or 12 months following, a change in control, Mr. Scholhamer is terminated without cause or he resigns for good reason, he is entitled to receive 200% of his then-current salary, plus 200% of average annual cash bonus as determined by us over the prior three years, payment or reimbursement of health benefit continuation coverage under COBRA for 24 months (or, if earlier, until he becomes eligible for group health coverage with another employer) and accelerated vesting of 100% of his unvested outstanding equity awards.

*Change in Control Severance Agreement with Kevin C. Eichler.* We entered into a Change in Control Severance Agreement with Kevin C. Eichler dated July 31, 2009. Such agreement provides that, if upon, or within 12 months following, a change in control, Mr. Eichler is terminated without cause or he resigns for good reason, he is entitled to receive 150% of his then-current salary, plus 150% of average annual cash bonus as determined by us over the prior three years, payment or reimbursement of health benefit continuation coverage under COBRA for 18 months (or, if earlier, until he becomes eligible for group health coverage with another employer) and accelerated vesting of 100% of his unvested outstanding equity awards. We do not provide any tax gross-ups.

In the Change in Control Severance Agreements described above, good reason is defined as (i) a reduction in the executive's then existing annual salary (by more than 10% in the case of Mr. Eichler) other than in connection with an action affecting a majority of the executive officers of the Company (not to exceed 25% in the case of Mr. Scholhamer), (ii) relocation of the principal place of the executive's employment to a location more than 50 miles from the principal place of executive's employment prior to the change in control and (iii) a material reduction in the executive's authority, duties or responsibilities after the change in control.

The following table shows amounts that would have been paid if certain named executive officers had been terminated on December 25, 2015 in connection with a change of control:

| Name                | Salary<br>(\$) | Cash<br>Incentive<br>(\$) | Health<br>Benefits<br>(\$) | Value of<br>Accelerated<br>Vesting<br>(\$) <sup>(1)</sup> | Total<br>Severance<br>(\$) |
|---------------------|----------------|---------------------------|----------------------------|---|----------------------------|
| James P. Scholhamer | 820,000        | 275,864                   | 40,297                     | 1,076,000   | 2,212,161                  |
| Kevin C. Eichler    | 555,000        | 206,238                   | 30,815                     | 935,851   | 1,727,904                  |

- (1) Amounts based on our stock price as of December 25, 2015, less the option exercise price, in the case of options.
- Severance Policy for Executive Officers.* Under our severance policy for executive officers of the Company, in the event that the chief executive officer is terminated without cause and signs a release of claims, the executive would receive 150% of the executive's then-current salary, plus 150% of the executive's average annual cash bonus and cash incentive compensation as determined by us over the prior three years, payment of health benefit continuation coverage under COBRA for 18 months (or, if earlier, until he becomes eligible for group health coverage with another employer) and immediate vesting of unvested outstanding equity awards that would vest within 18 months. In the event that the chief financial officer or chief operating officer is terminated without cause and signs a release of claims, the executive would receive 100% of the executive's then-current



**Table of Contents**

salary, 100% of the executive's average annual cash bonus and cash incentive compensation as determined by us over the prior three years, payment of health benefit continuation coverage under COBRA for 12 months (or, if earlier, until he becomes eligible for group health coverage with another employer) and immediate vesting of unvested outstanding equity awards that would vest within 12 months. In the event that an executive officer, other than those described in the foregoing, is terminated without cause and signs a release of claims, the executive would receive 75% of the executive's then-current salary, 50% of the executive's average annual cash bonus and cash incentive compensation as determined by us over the prior three years and payment of health benefit continuation coverage under COBRA for 9 months (or, if earlier, until he becomes eligible for group health coverage with another employer). We may revise or terminate this policy at any time, except that following a change in control, the policy may not be terminated or amended to adversely affect a participant for 12 months thereafter.

In addition, pursuant to Mr. Lev's offer letter, should we decide to terminate Mr. Lev's assignment without cause, or fail to identify another similar position for Mr. Lev at our offices in Hayward, California (or another mutually agreed upon location with a similar cost of living) at the end of Mr. Lev's current assignment (a Replacement Position), Mr. Lev is entitled to receive a severance benefit of 12 months' salary continuation (at the base pay rate in effect at the time), the earned but unpaid portion of bonus and equity award vesting for 12 months, and health benefits continuation through COBRA (with the Company's contribution paid by the Company with normal employee contributions deducted).

The following table shows amounts that would have been paid if the named executive officers had been terminated without cause (or, in the case of Mr. Lev, if we are unable to identify a Replacement Position) on December 25, 2015:

| Name <sup>(1)</sup> | Salary<br>(\$) | Cash<br>Incentive<br>(\$) | Health<br>Benefits<br>(\$) | Value of<br>Accelerated<br>Vesting<br>(\$) | Total<br>Severance<br>(\$) |
|---------------------|----------------|---------------------------|----------------------------|--|----------------------------|
| James P. Scholhamer | 615,000        | 206,898                   | 30,223                     | 538,000                                    | 1,390,121                  |
| Kevin C. Eichler    | 370,000        | 137,492                   | 20,149                     | 420,044                                    | 947,685                    |
| Deborah E. Hayward  | 196,988        | 46,222                    | 15,407                     |  | 258,617                    |
| Lavi Lev            | 204,404        | 28,549                    | 23,733                     |  | 256,686                    |
| Mark G. Bingaman    | 206,267        | 29,569                    | 10,501                     |  | 246,337                    |

- (1) Our former chief executive officer, Clarence L. Granger, is not included in this table. On January 5, 2015, we announced Mr. Granger's retirement as our chief executive officer. In connection with his retirement, we and Mr. Granger entered into a Transition Agreement, pursuant to which, subject to a release of claims, Mr. Granger received a lump sum cash payment equal to \$2,400,000. Mr. Granger also continued to receive his then-current salary and benefits through January 19, 2015. Mr. Granger remains as our non-executive Chairman of the Board of Directors. See the table included under Director Compensation for Mr. Granger's non-employee director fee and grant received in fiscal 2015.

**Compensation Committee Interlocks and Insider Participation**

The current members of the Compensation Committee are David T. ibnAle (chair), Emily M. Ligget and Thomas T. Edman. No member of our Compensation Committee is or was an officer or employee of the Company during 2015. None of our executive officers serves or served during 2015 as a member of the board of directors or compensation committee of any entity that has one or more executive officers serving as a member of our Board of Directors or its Compensation Committee.

**Table of Contents**

**OTHER MATTERS**

We know of no other matters to be submitted to the meeting. If any other matters properly come before the meeting, it is the intention of the persons named in the enclosed form of proxy to vote the shares they represent as the Company or the Company's management may recommend.

BY ORDER OF THE BOARD OF DIRECTORS

By: /s/ James P. Scholhamer

Name: James P. Scholhamer

Title: Chief Executive Officer

Dated: April 22, 2016

**Table of Contents**

***ULTRA CLEAN HOLDINGS, INC.***  
***26462 CORPORATE AVENUE***  
***HAYWARD, CA 94545***

**VOTE BY INTERNET - [www.proxyvote.com](http://www.proxyvote.com)**

Use the Internet to transmit your voting instructions and for electronic delivery of information up until 11:59 P.M. Eastern Time the day before the meeting date. Have your proxy card in hand when you access the web site and follow the instructions to obtain your records and to create an electronic voting instruction form.

**Electronic Delivery of Future PROXY MATERIALS**

If you would like to reduce the costs incurred by our company in mailing proxy materials, you can consent to receiving all future proxy statements, proxy cards and annual reports electronically via e-mail or the Internet. To sign up for electronic delivery, please follow the instructions above to vote using the Internet and, when prompted, indicate that you agree to receive or access proxy materials electronically in future years.

**VOTE BY PHONE - 1-800-690-6903**

Use any touch-tone telephone to transmit your voting instructions up until 11:59 P.M. Eastern Time the day before the meeting date. Have your proxy card in hand when you call and then follow the instructions.

**VOTE BY MAIL**

Mark, sign and date your proxy card and return it in the postage-paid envelope we have provided or return it to Vote Processing, c/o Broadridge, 51 Mercedes Way, Edgewood, NY 11717.

TO VOTE, MARK BLOCKS BELOW IN BLUE OR BLACK INK AS FOLLOWS:

KEEP THIS PORTION FOR YOUR RECORDS  
DETACH AND RETURN THIS PORTION ONLY

**THIS PROXY CARD IS  
VALID ONLY WHEN SIGNED AND DATED.**

**The Board of Directors recommends you vote FOR the following:**

**1. Election of Directors**

| <b>Nominees</b>         | <b>For</b> | <b>Against</b> | <b>Abstain</b> |
|-------------------------|------------|----------------|----------------|
| 1A Clarence L. Granger  | ..         | ..             | ..             |
| 1B James P. Scholhamer  | ..         | ..             | ..             |
| 1C David T. ibnAle      | ..         | ..             | ..             |
| 1D Leonid Mezhvinsky    | ..         | ..             | ..             |
| 1E Emily Maddox Liggett | ..         | ..             | ..             |
| 1F Barbara V. Scherer   | ..         | ..             | ..             |

For address change/comments, mark here. (see reverse for instructions) ..

Please sign exactly as your name(s) appear(s) hereon. When signing as attorney, executor, administrator, or other fiduciary, please give full title as such. Joint owners should each sign personally. All holders must sign. If a corporation or partnership, please sign in full corporate or partnership name, by authorized officer.

**The Board of Directors recommends you vote FOR proposals 2 and 3.**

|   | <b>For</b> | <b>Against</b> | <b>Abstain</b> |
|---|------------|----------------|----------------|
| <b>2.</b> Ratification of the appointment of Moss Adams LLP as the independent registered public accounting firm of Ultra Clean Holdings, Inc. for fiscal 2016.   | ..         | ..             | ..             |
| <b>3.</b> To approve, by an advisory vote, the compensation of Ultra Clean's named executive officers for fiscal year 2015 as disclosed in our proxy statement for the 2016 Annual Meeting of Stockholders. | ..         | ..             | ..             |

**NOTE:** Conduct other business that may properly come before the annual meeting or any adjournment or postponement thereof



Signature [PLEASE SIGN WITHIN BOX] Date

Signature (Joint Owners) Date

**Table of Contents**

**ULTRA CLEAN HOLDINGS, INC. ANNUAL**

**MEETING OF STOCKHOLDERS**

**Thursday, May 26, 2016**

**12:30 p.m. Pacific Daylight Time**

**Davis Polk & Wardwell LLP**

**1600 El Camino Real**

**Menlo Park, CA 94025**

**Important Notice Regarding the Availability of Proxy Materials for the Annual Meeting:** The Notice & Proxy Statement, Annual Report/10-K is/are available at [www.proxyvote.com](http://www.proxyvote.com)

**ULTRA CLEAN HOLDINGS, INC.**

**26462 Corporate Avenue**

**Hayward, CA 94545**

**This proxy is solicited by the Board of Directors for use at the Annual Meeting on Thursday, May 26, 2016. This proxy will be voted as directed, or if no choice is specified, the proxy will be voted FOR Items 1, 2, and 3.**

By signing the proxy, you revoke all prior proxies and appoint James P. Scholhamer and Kevin C. Eichler, and each of them acting in the absence of the other, with full power of substitution, to vote your shares on the matters shown on the reverse side and in their discretion on any other matters which may properly come before the Annual Meeting and all adjournments.

**Address change/comments:**

(If you noted any Address Changes and/or Comments above, please mark corresponding box on the reverse side.)

**Continued and to be signed on reverse side**