

SIGMATRON INTERNATIONAL INC

Form DEF 14A

August 13, 2010

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**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549  
SCHEDULE 14A  
Proxy Statement Pursuant to Section 14(a) of  
the Securities Exchange Act of 1934**

(Amendment No. \_\_\_\_ )

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

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

**SIGMATRON INTERNATIONAL, 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):

No fee required.

Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

(1) Title of each class of securities to which transaction applies:

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

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

(4) Proposed maximum aggregate value of transaction:

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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:

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**SIGMATRON INTERNATIONAL, INC.**

**2201 Landmeier Road  
Elk Grove Village, IL 60007**

August 13, 2010

Notice of Annual Stockholders Meeting:

You are hereby notified that the 2010 Annual Meeting of Stockholders of SigmaTron International, Inc. (the Company ) will be held at SigmaTron International, Inc., located at 2201 Landmeier Road, Elk Grove Village, Illinois 60007, at 10:00 a.m. local time, on Friday, September 17, 2010, for the following purposes:

1. To elect two Class II directors to hold office until the 2013 Annual Meeting.
2. To consider a proposal to ratify the selection of BDO USA, LLP as registered public accountants of the Company for the fiscal year ending April 30, 2011.
3. To transact such other business as may properly come before the Annual Meeting or any adjournment thereof.

The Board of Directors has fixed the close of business on July 23, 2010 as the record date for the determination of stockholders entitled to notice of and to vote at the Annual Meeting and/or adjournments thereof.

You are urged to attend the Annual Meeting in person. Whether or not you expect to be present in person at the Annual Meeting, please mark, date, sign and return the enclosed proxy in the envelope provided.

By Order of the Board of Directors

Linda K. Frauendorfer  
Secretary

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**SIGMATRON INTERNATIONAL, INC.**

**2201 Landmeier Road  
Elk Grove Village, IL 60007**

**2010 ANNUAL MEETING OF STOCKHOLDERS**

**September 17, 2010**

**PROXY STATEMENT**

**GENERAL**

This Proxy Statement and the accompanying proxy are furnished to stockholders of SigmaTron International, Inc. (the Company ) in connection with the solicitation of proxies by the Company s Board of Directors for use at the 2010 Annual Meeting of Stockholders (sometimes referred to herein as the Meeting ) to be held at SigmaTron International, Inc., located at 2201 Landmeier Road, Elk Grove Village, Illinois, 60007, at 10:00 a.m. local time, on Friday, September 17, 2010, for the purposes set forth in the accompanying Notice of Meeting. This Proxy Statement, the form of proxy included herewith and the Company s Annual Report to Stockholders for the fiscal year ended April 30, 2010 are being mailed to stockholders on or about August 13, 2010.

Stockholders of record at the close of business on July 23, 2010 are entitled to notice of and to vote at the Meeting. On such date there were outstanding 3,823,056 shares of common stock, par value \$.01 per share. The presence, in person or by proxy, of the holders of a majority of the shares of common stock outstanding and entitled to vote at the Meeting is necessary to constitute a quorum. In deciding all questions, each holder of common stock shall be entitled to one vote, in person or by proxy, for each share held on the record date.

If you are a stockholder of record (that is, if you hold your shares in certificate form registered in your name on the books of the Company s transfer agent, American Stock Transfer and Trust Company, as of the close of business on July 23, 2010), and attend the Meeting, you may deliver your completed proxy card in person. However, if you hold your shares in street name (not certificate form) (a) you must return your voting instructions to your broker or nominee so that the holder of record can be instructed how to vote those shares or (b) if you wish to attend the Meeting and vote in person, you must obtain and bring to the Meeting a proxy signed by the record holder giving you the right to vote the shares in order to be able to vote at the Meeting. (You may *not* use the voting instruction form provided by your broker or nominee to vote in person at the Meeting.) For directions to the meeting, please contact the Company at 847-956-8000.

Votes cast by proxy or in person at the Meeting will be tabulated by the election inspector appointed for the Meeting and will determine whether or not a quorum is present. The election inspector will treat abstentions as shares that are present and entitled to vote but as not voted for purposes of determining the approval of any matter submitted to the stockholders for a vote. Abstentions will have the same effect as negative votes on the proposal to ratify the selection of the auditor. If a broker indicates on the proxy that it does not have discretionary authority as to certain shares to vote on a particular matter ( Broker Non-Votes ), those shares will not be considered as present and entitled to vote with respect to that matter.

Properly executed proxies will be voted in the manner directed by the stockholders. If no direction is indicated, such proxies will be voted FOR the election of each nominee named under the caption Election of Two Class II Directors as set forth therein as a director of the Company, and FOR the ratification of the selection of BDO USA, LLP as the Company s registered public accountants. If a quorum is present at the Meeting, directors will be elected by a plurality of the votes cast. The ratification of the selection of auditors requires an affirmative vote by holders of a majority of

the shares present at the Meeting in person or by proxy and entitled to vote. Any proxy may be revoked by the stockholder at any time prior to the voting thereof by notice in writing to the Secretary of the Company, either prior to the Meeting (at the above address) or at the Meeting if the stockholder attends in person. A later dated proxy will revoke a prior dated proxy.

All expenses incurred in the solicitation of proxies will be borne by the Company. In addition to the use of the mail, proxies may be solicited on behalf of the Company by directors, officers and employees of the Company by telephone or telecopy. The Company will reimburse brokers and others holding common stock as nominees

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for their expenses in sending proxy material to the beneficial owners of such common stock and obtaining their proxies.

**Important Notice Regarding the Availability of Proxy Materials for the Stockholders Meeting to be held on September 17, 2010.**

**The proxy statement is available at [<http://www.sigmatronintl.com>]**

As of the date of this Proxy Statement, the Board of Directors knows of no other business which will be presented for consideration at the Meeting. If other proper matters are presented at the Meeting, however, it is the intention of the proxy holders named in the enclosed form of proxy to take such actions as shall be in accordance with their best judgment.

The information contained in this Proxy Statement relating to the occupations and security holdings of directors and officers of the Company and their transactions with the Company is based upon information received from each individual as of July 23, 2010.



**Table of Contents****HOLDINGS OF STOCKHOLDERS, DIRECTORS  
AND EXECUTIVE OFFICERS**

The following table sets forth certain information regarding beneficial ownership of common stock as of July 23, 2010 by (i) each director of the Company and each nominee, (ii) each executive officer of the Company, (iii) each person (including any group as defined in Section 13(d)(3) of the Securities Exchange Act of 1934 (the Exchange Act)) who is known by the Company to own beneficially more than 5% of the outstanding common stock, and (iv) all directors and executive officers as a group. The address of directors and executive officers is c/o SigmaTron International, Inc., 2201 Landmeier Road, Elk Grove Village, Illinois 60007.

**Beneficial Ownership**

Name	Number of Shares(1)	Percent
<b>Beneficial Owners of at least 5% of the outstanding Capital Stock</b>		
Royce & Associates, LLC(2) 1414 Avenue of the Americas New York, NY 10019	460,243	12.0%
Cyrus Tang Foundation(3) 8960 Spanish Ridge Ave. Las Vegas, NV 89148	373,884	9.8%
Fidelity Management & Research Company(4) 82 Devonshire St. Boston, MA 02109	381,880	9.99%
Tang Foundation for the Research of Traditional Chinese Medicine(3) 8960 Spanish Ridge Ave. Las Vegas, NV 89148	240,874	6.3%
<b>Directors, Nominees and Executive Officers</b>		
Gary R. Fairhead(5)	108,203	2.8%
Gregory A. Fairhead(5)	68,307	1.8%
John P. Sheehan(5)	51,566	1.3%
Linda K. Frauendorfer(5)	37,468	1.0%
Daniel P. Camp(5)	49,500	1.3%
Rajesh B. Upadhyaya(5)	22,500	*
John P. Chen(6)	10,200	*
Thomas W. Rieck(6)(7)(8)	14,099	*
Carl A. Zemenick(6)	10,000	*
Dilip S. Vyas(6)	10,000	*
All directors and executive officers as a group(9)	381,843	9.3%

\* Less than 1 percent.

(1) Unless otherwise indicated in the footnotes to this table, the Company believes the persons named in this table have sole voting and investment power with respect to all shares of common stock reflected in this table. As of July 23, 2010, 3,823,056 shares were outstanding, not including certain options held by various directors and

officers as noted in subsequent footnotes. This table is based on information supplied by the Company's officers, directors and principal stockholders and by Schedules 13D and 13G filed with the Securities and Exchange Commission.

- (2) Number of shares owned by Royce & Associates, LLC, at December 31, 2009, as reported on Schedule 13G on January 26, 2010.

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- (3) The Cyrus Tang Foundation and Tang Foundation for the Research of Traditional Chinese Medicine are not-for-profit foundations. The entities, whose combined ownership represents approximately 16% of the outstanding common stock, are controlled by Cyrus Tang.
- (4) Number of shares owned by Fidelity Management & Research Company at March 31, 2010.
- (5) The number of shares includes 30,000, 56,650, 51,566, 37,068, 49,500 and 22,500 shares issuable upon the exercise of stock options granted to Gary R. Fairhead, Gregory A. Fairhead, John P. Sheehan, Linda K. Frauendorfer, Daniel P. Camp and Rajesh B. Upadhyaya, respectively.
- (6) Includes 10,000 shares issuable upon the exercise of director stock options granted on September 2004 and September 2005.
- (7) Includes 4,099 shares issuable upon the exercise of director stock options granted in December 2001.
- (8) In addition to the number of shares set forth on the Beneficial Ownership table, Mr. Rieck is also one of three trustees of Rieck and Crotty, P.C.'s profit sharing plan and is a member of a family investment company which owns 10,000 and 4,000 shares, respectively, of the Company's common stock as of July 10, 2009. Mr. Rieck abstains from all, or has no voting and investment decisions with respect to such shares.
- (9) Includes 291,383 shares issuable upon exercise of stock options.

**SECTION 16 (a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE**

The Company is required to report to stockholders those directors, officers and beneficial owners of more than 10% of any class of the Company's equity securities registered pursuant to Section 12 of the Securities Exchange Act of 1934, as amended (the Exchange Act), who fail to file timely reports of beneficial ownership and changes in beneficial ownership, as required by Section 16(a) of the Exchange Act. Based solely upon a review of copies of such reports furnished to the Company, the Company believes that all persons subject to the reporting requirements of Section 16(a) of the Exchange Act timely filed all necessary reports during the fiscal year ended April 30, 2010.

**I. ELECTION OF DIRECTORS**

Pursuant to the Company's Certificate of Incorporation, the Board of Directors is divided into three classes of directors, each serving overlapping three-year terms. The term of Class I director Mr. Rieck expires in 2012; the terms of Class II directors (Messrs. Chen and Zemenick) expire in 2010; and the terms of Class III directors (Messrs. Fairhead and Vyas) expire in 2011. All directors of each class will hold their positions until the annual meeting of stockholders in the year indicated above, at which time the terms of the directors in such class expire, or until their respective successors are elected and qualified, subject in all cases to any such director's earlier death, resignation or removal.

Mr. Franklin D. Sove was the Chairman of the Board and a member of the Board of Directors from 1994 until he retired following the Company's 2009 Annual Meeting of Stockholders. On September 18, 2009, Mr. John P. Chen was elected Chairman of the Board of Directors. Mr. Chen has been a director of the Company since 1994. The Board of Directors did not fill the vacancy created by the retirement of Mr. Sove. Accordingly, the Board of Directors has reduced the number of directors from six to five as of the 2009 Annual Meeting of Stockholders.



**Table of Contents****Nominees for Election as Class II Director at the Meeting**

If a quorum is present at the Meeting, two Class II directors will be elected by a plurality of the stockholder votes cast at the Meeting, each to serve until the 2013 Annual Meeting of Stockholders or until his successor shall be elected and qualified, subject to his earlier death, resignation or removal. Abstentions and Broker Non-Votes will have no effect on the vote. Shares represented by executed proxies will be voted, if the authority to do so is not withheld, for the election of each nominee named below. The stockholders do not have cumulative voting rights with respect to the election of directors. The following persons have been nominated as a Class II director:

<b>Name</b>	<b>Age</b>	
John P. Chen Class II	56	John P. Chen has served as a director of the Company since February 7, 1994 and has served as Chairman of the Board since September, 2009. Mr. Chen currently serves on the Compensation and Nominating Committees, and has also served on our Audit Committee. Mr. Chen also serves on the Board of Directors of TAP Automotive Holdings, LLC, a privately held company specializing in after market parts for customized trucks and off-road vehicles. From January, 2006 to July, 2009, Mr. Chen served as the President of SKD Automotive Group, a tier one auto parts supplier to most of the OEM's in North America. Before joining SKD, Mr. Chen served as the Chief Financial Officer for Tang Industries, Inc., a multi-national holding company that included interests in pharmaceuticals, steel service and processing centers, aluminum extruders, ferrous scrap trading, furniture manufacturing, steel stamping and assembly, and other industrial operations. Prior to joining Tang Industries, Mr. Chen worked in various divisions of PepsiCo, Inc. in planning and finance. From 1996 to 2001, Mr. Chen also served on the Board of Directors of Siderurgica Venezolana S.A.I.C.A., a publicly traded Venezuelan holding company with interests in steel making, Tier 1 automotive parts manufacturing and scrap processing; from 2002 to 2005, as Chairman of the Board and director of Aviva Biosciences, Inc., a closely held biotechnology company focusing on drug discovery and therapeutic diagnostics; from 2000 to 2009 director and Chairman (2000 to 2005) of Combined Metals of Chicago, LLC, a stainless steel and specialty alloy distributor and processor and a joint venture with AK Steel, a publicly traded company. Mr. Chen holds a Masters of Business Administration in Finance from the Graduate School of Business at Columbia University and a Bachelor of Arts in Political Science from Swarthmore College. The Board of Directors believes Mr. Chen's long tenure as a SigmaTron director and his experience and training in management, operations and finance make him well qualified to serve as a

director.

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<b>Name</b>	<b>Age</b>	
Carl A. Zemenick Class II	65	Carl Zemenick has served as a director of the Company since September, 2001. He currently serves on the Audit and Nominating Committees and is presently Chairman of the Compensation Committee. Mr. Zemenick has been President of TZ Realty L.L.C., a closely held real estate investment company, from June, 1995 through the present. From June, 1990 until his retirement in June, 2005, Mr. Zemenick served as President and Chief Executive Officer of G.F. Office Furniture LTD. L.P., a manufacturer of office furniture and equipment. From November, 2008 through the present time, Mr. Zemenick has served as Treasurer and a director of Seashore Village Homeowners Association, Inc. Mr. Zemenick holds a Bachelor of Business Administration degree from the University of Texas, Arlington and has had extensive experience in mergers and acquisitions throughout his professional career. The Board of Directors believes Mr. Zemenick's long tenure as a SigmaTron director and his business and management background make him well qualified to serve as a director.

**The Board of Directors recommends that you vote in favor of the nominees named above.**

The Board of Directors knows of no reason why the foregoing nominees will be unavailable or will decline to serve, but, in the event of any such unavailability, the proxies received will be voted for such substitute nominees as the Board of Directors may recommend. **The enclosed proxy cannot be voted for a greater number of persons than two, the number of nominees named in this proxy statement.**

**Directors Whose Terms Extend Beyond The Meeting  
Principal Occupation(s) During Past Five Years  
and Other Public Directorships**

<b>Name</b>	<b>Age</b>	
Thomas W. Rieck Class I	65	Thomas W. Rieck has served as a director of the Company since its formation in November, 1993. At that time, he was a director and Secretary of Circuit Systems, Inc., a circuit board maker located in Elk Grove Village, Illinois, and the shareholder of the Company. He has served on the Nominating Committee and is presently Chairman of the Audit Committee, the Company's Audit Committee financial expert, and a member of the Compensation Committee. Prior to the time of the Company's initial public offering and to this date, he has been President and Managing Partner of Rieck and Crotty P.C., a Chicago law firm, and has concentrated his practice in the representation of private and public corporations in all aspects of corporate law, including, but not limited to, securities, tax, and transactional matters. He has served on the Board of Directors of numerous

public and private companies. He holds a Bachelor's degree in accounting from the University of Notre Dame, a Certified Public Accounting degree from the University of Illinois, and a law degree from Northwestern University. The Board of Directors believes Mr. Rieck's extensive legal, business and financial background, including his status as an audit committee financial expert, make him well-qualified to serve as a director.

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<b>Directors Whose Terms Extend Beyond The Meeting Principal Occupation(s) During Past Five Years and Other Public Directorships</b>		
<b>Name</b>	<b>Age</b>	
Gary R. Fairhead Class III	58	Gary R. Fairhead has served as the President and Chief Executive Officer and a director of the Company since its formation in November, 1993. Mr. Fairhead joined Wall-Able Manufacturing Company, a predecessor of the Company, as its Controller in 1981. Mr. Fairhead led a group of investors in purchasing the business of the predecessor in February, 1990. Mr. Fairhead led the business as President and Chief Executive Officer first of SigmaTron, Inc. and then of SigmaTron L.P., the immediate predecessor of the Company, between February, 1990, and November, 1993. Mr. Fairhead also currently serves as a Trustee of Central States Joint Board Health and Welfare Trust Fund and Block Shield Corporation PLC, an English company specializing in bar code technology, from December, 2004 to the present. He has also served on the Board of Directors of Circuit Systems, Inc., a printed circuit board manufacturer, from September, 1995 to August, 2000, and OnLine Power Supply, Inc., focusing on industrial batteries and power supplies, from June, 2001 to December, 2002. Mr. Fairhead holds a Master's degree in Industrial Administration from the Krannert School of Business, Purdue University. The Board of Directors believes Mr. Fairhead's extensive business, management and financial background, in addition to his lengthy tenure as Chief Executive Officer and a director of the Company, make him well qualified to serve as a director.
Dilip S. Vyas Class III	62	Dilip S. Vyas has served as a director of the Company since the formation of the Company in November, 1993. He has served on our Compensation Committee and is currently Chairman of the Nominating Committee and a member of the Audit Committee. Mr. Vyas was a director of and the Vice President, Business Development and Chief Financial Officer of Circuit Systems, Inc., a printed circuit board manufacturer, from 1981 to 2001. Mr. Vyas managed virtually all aspects of accounting and finance and many of the operations of this publicly traded company, including bank relations, purchasing, production plans, and scheduling and design and maintenance of information systems, human resource management, and shareholder relations. Mr. Vyas also serves as a member of the Board of Directors of Circuit Systems India, a printed circuit board manufacturer, listed on the India stock exchange, having been elected to the Board in November, 2007. Mr. Vyas holds a Bachelor of Engineering degree from the University of Gujarat in India and a Master of Business Administration degree from the University of Illinois, Chicago. The Board of Directors believes Mr. Vyas's long tenure as a SigmaTron director and his

business, management and financial background make him well qualified to serve as a director.

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**Table of Contents****II. PROPOSAL TO RATIFY SELECTION OF INDEPENDENT REGISTERED PUBLIC ACCOUNTANTS**

The Board of Directors will recommend at the Annual Meeting that the stockholders ratify the appointment of the firm of BDO USA, LLP to audit the accounts of the Company for the current fiscal year. Representatives of that firm are expected to be present at the Meeting, have the opportunity to make a statement, if they desire to do so, and be available to respond to appropriate questions. BDO USA, LLP was recommended by the Audit Committee and the Board of Directors for the fiscal year 2011.

**The Board of Directors recommends that you vote in favor of ratification of the selection of BDO USA, LLP as the Company's registered public accountants for the fiscal year ending April 30, 2011.**

In connection with the audits for the years ended April 30, 2010 and 2009, the Company has had no disagreements with BDO USA, LLP on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedure, which disagreements if not resolved to the satisfaction of BDO USA, LLP would have caused it to make reference thereto in its report on the consolidated financial statements for 2010 and 2009.

The ratification of the selection of auditors requires an affirmative vote by holders of a majority of the shares present at the Meeting in person or by proxy and entitled to vote. Abstentions and Broker Non-Votes will have the same effect as negative votes.

**FISCAL YEARS 2010 AND 2009 AUDIT FIRM FEE SUMMARY**

During fiscal years 2010 and 2009, the Company retained as its auditor, BDO USA, LLP, to provide services as defined below. The following amounts were charged by BDO USA, LLP for services provided in fiscal years 2010 and 2009.

	<b>2010</b>	<b>2009</b>
Audit Fees(a)	\$ 189,170	\$ 187,940
Audit-Related Fees(b)	9,500	10,000
Tax Fees(c)(d)	18,335	53,100

(a) Fees for audit services billed in 2010 and 2009 consisted of:

Audit of the Company's annual financial statements and review quarterly financial statements

(b) Fees for audit-related services consisted of services for reviews of the Company's Employee 401(k) Retirement Plan.

(c) Fees for tax services billed in 2009 consisted of tax compliance and tax planning and advice. Tax compliance services consisted of:

Federal, state and local income tax return preparation

Assistance with tax return filings and compliance in certain foreign jurisdictions

Assistance with tax audits and amended tax returns

- (d) Fees for tax services billed in 2010 consisted of tax compliance and tax planning and advice. Tax compliance services consisted of:

Assistance with tax audits and amended tax returns

- (e) As described in the Audit Committee Charter, it is the Audit Committee's policy and procedure to review and consider and ultimately pre-approve, where appropriate, all audit and non-audit engagement services to be performed by the registered public accountants.

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### **Corporate Governance**

Our Board of Directors determined that each of Messrs. Chen, Rieck, Vyas and Zemenick are independent under the rules of the Nasdaq Stock Market, Inc. As a result, our Board of Directors currently has a majority of independent directors under the rules of the Nasdaq Stock Market, Inc. Our Board of Directors has determined that our independent directors shall have regularly scheduled meetings at which only the independent directors are present. Generally, the independent directors, meet separately at each regularly scheduled board meeting.

### **Director Committees; Board Meetings**

The Board of Directors has established an Audit Committee, a Compensation Committee and a Nominating Committee. The Audit Committee Charter, Compensation Committee Charter and the Nominating Committee Charter are available on the Company's website at [www.sigmatronintl.com](http://www.sigmatronintl.com). The Company believes that the composition of these committees meets the criteria for independence under, and the functioning of these committees complies with, the applicable requirements of the current listing standards of the Nasdaq Stock Market, Inc. and the Securities and Exchange Commission's rules and regulations promulgated under the Sarbanes-Oxley Act of 2002 as set forth below.

The functions of the Audit Committee are to: (1) Select and evaluate the performance of the independent accountants. (2) review the audits of the financial statements of the Company and the scope of the audit; (3) review with the independent accountants the corporate accounting and financial reporting practices and policies and recommend to whom reports should be submitted within the Company; (4) review with the independent accountants their final report; (5) review with the internal and independent accountants overall accounting and financial controls; and (6) be available to the independent accountants and management for consultation purposes. The Audit Committee is currently comprised of three members: Messrs. Rieck (Chairman), Zemenick and Vyas. The Board of Directors has determined that each of the members of the Audit Committee, both currently and after the 2010 Annual Meeting of Stockholders, is independent under the rules of the Securities and Exchange Commission. Mr. Rieck has been determined to be an Audit Committee financial expert as defined in Item 407 of Regulation S-K promulgated under the Exchange Act. The Board of Directors has adopted a written charter for the Audit Committee, which was revised and restated as of July 8, 2010. The report of the Audit Committee to the Stockholders is included in this Proxy Statement under the heading Report of the Audit Committee.

The functions of the Compensation Committee are to review and recommend to the Board of Directors annual salaries and bonuses for all executive officers of the Company, to review and recommend to the Board of Directors compensation for the Directors, to review and recommend to the Board of Directors the terms and conditions of all employee benefit plans or changes thereto and to administer the Company's stock option plans. While the Chief Executive Officer of the Company may make recommendations regarding such salaries, compensation and terms and conditions, the Compensation Committee reviews any such recommendations independently and is responsible for making final recommendations to the full Board of Directors. Messrs. Zemenick (Chairman), Rieck, and Chen are members of the Compensation Committee. The Board of Directors has determined that each of the members of the Compensation Committee is independent under the listing standards of the Nasdaq Stock Market, Inc.

The functions of the Nominating Committee shall include (1) review and recommend to the Board of Directors the size and composition of the Board of Directors and a slate of nominees for each election of members to the Board of Directors; (2) review and recommend changes to the number, classification and term of directors; (3) identify and recommend to the Board of Directors candidates to fill appointments to Board committees; (4) develop, assess and make recommendations to the Board of Directors concerning appropriate corporate governance policies; (5) identify and recommend to the Board of Directors candidates to fill a vacancy in the offices of President and Chief Executive; and (6) review nominations by stockholders with regard to the nomination process and to establish the procedures by

which stockholder candidates will be considered. The members of the Nominating Committee are Messrs. Vyas (Chairman), Chen and Zemenick. The Board of Directors has determined that each of the members of the Nominating Committee is independent under the Nasdaq Stock Market, Inc. listing standards.

In evaluating and determining whether to recommend a person as a candidate for election as a Director, the Nominating Committee's criteria reflects the requirements of the recently adopted Nasdaq rules with respect to

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independence as well as the following factors: the needs of the Company with respect to the particular talents and experience of its directors; personal and professional integrity of the candidate; the level of education and/or business experience of the candidate; broad-based business acumen of the candidate; the candidate's level of understanding of the Company's business and the electronic manufacturing services industry; the candidate's abilities for strategic thinking and willingness to share ideas; and the Board of Directors' need for diversity of experiences, expertise and background. The Committee nominating will use these criteria to evaluate all potential nominees.

The Company does not have a stand-alone diversity policy, but in considering whether to recommend any director nominee, including candidates recommended by stockholders, the Nominating Committee will consider the factors above, including the candidate's diversity of experiences, expertise and background. The Nominating Committee does not assign specific weights to particular criteria, and no particular criterion is necessarily applicable to all prospective nominees. The Company believes that the backgrounds and qualifications of the directors, considered as a group, should provide a significant mix of experience, knowledge and abilities that will allow the Board of Directors to fulfill its responsibilities.

The Nominating Committee will consider proposed nominees whose names are submitted to it by stockholders. The Nominating Committee has not adopted a formal process for that purpose because it believes that the nominating Committee's process for considering information has been and remains adequate. Historically, stockholders have not proposed any nominees. The Nominating Committee intends to review periodically whether a formal process should be adopted. To be considered, all stockholder nominations must comply with the notice provisions of the Company's by-laws, which generally require that such notice be received by the Secretary of the Company not less than 60 days and not more than 90 days prior to a regularly scheduled Annual Meeting of Stockholders, or within 10 days after receipt of notice of an Annual Meeting of Stockholders if the date of such meeting has not been publicly disclosed within 70 days prior to the meeting date.

The Board of Directors held 10 meetings either in person or by telephone conference during the fiscal year ended April 30, 2010. The Compensation Committee held 1 meeting in person or by telephone conference and the Audit Committee held 5 meetings in person or by telephone conference during the fiscal year 2010. The Nominating Committee held one meeting during the fiscal year 2010. All directors attended at least 75% of the meetings of the board and each of the committees of which they were members. The Company has a policy of encouraging all directors to attend the Annual Meeting of Stockholders. All directors attended the Company's 2009 Annual Meeting of Stockholders.

## **Board Leadership Structure and Role in Risk Oversight**

John P. Chen is the non-executive Chairman of the Board of Directors, and Gary R. Fairhead is the President and CEO. The Board of Directors believes that separating these roles enables Mr. Fairhead to run the Company with minimum distraction while the Chair leads the Board of Directors and advises the CEO.

## **Stockholder Communications with the Board of Directors**

Stockholders can contact the Board of Directors or any of the individual directors by contacting: Henry J. Underwood, Corporate Counsel, Howard & Howard Attorneys PLLC, by regular mail at 200 South Michigan Avenue, Chicago, IL 60604. Inquiries will be reviewed, sorted and summarized by the Corporate Counsel of the Board of Directors before they will be forwarded to the Board of Directors or to an individual director.

## **Compensation of Directors**

The Company pays non-employee directors \$2,500 per month. Directors who serve on the Audit Committee are paid an additional \$1,500 per month. Directors who serve on the Compensation Committee or the Nominating Committee are paid an additional \$250 per month per committee. The Chairman of the Board receives monthly the greater of \$4,000 or the amount paid to the most highly compensated non-employee director. The directors voluntarily reduced the above compensation scale by 20 percent beginning February 2009 due to the Company's cost reduction program in response to the downturn in the economy. Due to the improvement in the Company's financial



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performance, the directors were paid back 95% of the 2010 fee reduction which was initiated in February 2009. Effective July 2010, the monthly director fees were reinstated at the regular compensation scale set forth above.

In addition, under the 2000 Directors' Stock Option Plan, non-employee directors received a grant of options to acquire 7,500 shares of common stock at each of the September 2000, December 2001 and September 2002 Annual Stockholders' Meetings. Such options are exercisable for ten years from the respective date of grant at a price based on the price of the common stock on the respective grant dates. In addition, under the 2004 Directors' Stock Option Plan, non-employee directors received a grant of options to acquire 5,000 shares of common stock at the September 2004 and September 2005 Annual Stockholders' Meeting. Such options are exercisable for ten years from the respective date of grant at a price based on the price of the common stock on the respective grant dates.

**EXECUTIVE COMPENSATION**

Set forth below is information on the compensation of the Company's Chief Executive Officer and its two other most highly compensated Named Executive Officers who served in such capacities during fiscal year 2010 based on total compensation for the last completed fiscal year. In view of the depressed economic environment and the Company's reduced profitability during late 2008 and much of calendar year 2009, the Named Executive Officers (together with all the other officers and non-union U.S. employees of the Company) participated in salary reductions which took effect on February 1, 2009, and no bonuses were awarded during fiscal year 2009. In light of the Company's improved financial performance during fiscal year 2010, all non-union U.S. employees received a partial repayment of those salary reductions and the Named Executive Officers received in the aggregate repayments of \$47,267. Salaries of all non-union employees, including Named Executive Officers, remained at the reduced levels throughout fiscal year 2010. At the end of fiscal year 2010, the Company awarded bonuses to all of its non-union U.S. employees. Bonuses earned in fiscal year 2010 and paid to Named Executive Officers in fiscal year 2011 are listed in the following summary compensation table.

**SUMMARY COMPENSATION TABLE**

The individuals listed in the following table are referred to as our Named Executive Officers throughout this proxy statement. The following table sets forth a summary of all compensation paid by the Company for its fiscal years ended April 30, 2010 and 2009 to the Company's Named Executive Officers:

Name and Principal Position		Annual Compensation		All Other Compensation (2)(\$)	Total Compensation (3)(\$)
		Salary (\$)	Bonus (\$)		
Gary R. Fairhead President and Chief Executive Officer	2010	150,000	45,000(1)	19,993	214,993
	2009	188,349	0	2,184	190,533
Rajesh B. Upadhyaya Executive Vice President, West Coast Operations since 2005. Mr. Upadhyaya was the Vice President of the Fremont Operation from 2001 until 2005.	2010	156,000	40,000(1)	17,700	213,700
	2009	182,450	0	2,522	164,972
Gregory A. Fairhead Executive Vice President and Assistant Secretary. Gregory A. Fairhead has been Executive Vice President since February 2000 and Assistant Secretary since	2010	153,600	40,000(1)	15,375	208,975
	2009	183,899	0	2,139	186,038

1994. Mr. Fairhead was Vice President Acuna Operations for the Company from February 1990 to February 2000. Gregory A. Fairhead is the brother of Gary R. Fairhead

- (1) Represents bonus earned in fiscal 2010 and paid in fiscal 2011.
- (2) Represents 21 weeks of salary paybacks for wage reductions implemented in February 2009. Includes the match and contributions to the Company's 401(k) plan made by the Company.

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The Company adopted an Amended and Restated Change-in-Control Severance Payment Plan on May 30, 2002 (the CIC Plan ), which covers Named Executive Officers and certain other officers of the Company (each a CIC Participant ). Under the terms of the CIC Plan, each CIC Participant is entitled to the payment of severance pay in the event such CIC Participant 's employment with the Company is involuntarily terminated within twenty-four months of a change of control of the Company. The amount of severance pay to which a CIC Participant may be entitled under the CIC Plan is a function of the value of the common stock of the Company as of the date on which a change in control of the Company takes place.

In general, for purposes of the CIC Plan, a change of control will be deemed to have occurred when (a) any entity, person or group other than Cyrus Tang or his affiliates, acquires more than thirty percent of the outstanding stock entitled to vote for directors of the Company, (b) as a result of or in connection with certain corporate transactions identified in the CIC Plan, the identity of a majority of the members of the Board of Directors immediately before such transaction changes immediately after the transaction, (c) the merger, consolidation, or share exchange of the Company, or (d) a sale of all or substantially all of the Company 's assets. In general, a CIC Participant 's employment will be deemed to have been involuntarily terminated under the CIC Plan in the event of such employee 's termination by the Company for a reason other than (w) for cause (as defined in the Plan), (x) death, (y) disability, or (z) that employee 's voluntary retirement or resignation except on account of the reasons set forth in the CIC Plan (which in general would result in a constructive discharge).

The CIC Plan provides for automatic reduction of the amounts to be paid out under the plan in the event such amounts would constitute parachute payments under the Internal Revenue Code. Payments under the CIC Plan are also subject to an aggregate cap equal to 15% of the market value of the Company 's outstanding capital stock on such date in the event the employment of one or more of the CIC Participants is terminated voluntarily or involuntarily within seven days after the change-in-control. Disputes concerning the CIC Plan and benefits under the CIC Plan are subject to arbitration.

**Potential Severance Payments upon Change-In-Control**

The following table describes approximate potential severance payments under the CIC Plan to which the Named Executive Officers would be entitled upon change-in-control of the Company, assuming that the change in control of the Company occurred on April 30, 2010, that all participants actually participated in the severance payment, and that our common stock is valued at \$6.13, which was the closing market price for our common stock on April 30, 2010. The actual amount of payments can only be determined at the time of a change-in-control and will vary from the estimated amounts in the table below.

	<b>Gary R. Fairhead</b>	<b>Rajesh B. Upadhyaya</b>	<b>Gregory A. Fairhead</b>
Change-In-Control Payment	\$ 412,714	\$ 398,182	\$ 371,810

**OUTSTANDING EQUITY AWARDS AT FISCAL YEAR-END TABLE**