

CATALYST SEMICONDUCTOR INC
Form DEF 14A
August 28, 2006
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 x
Filed by a Party other than the Registrant o
Check the appropriate box:

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

Catalyst Semiconductor, 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):

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

CATALYST SEMICONDUCTOR, INC.

**2975 Stender Way
Santa Clara, CA 95054**

Dear Fellow Stockholders:

You are cordially invited to attend the Annual Meeting of Stockholders of Catalyst Semiconductor, Inc. which will be held on Friday, September 22, 2006, at 9:00 a.m. local time, at our principal executive offices at 2975 Stender Way, Santa Clara, CA 95054.

Whether or not you plan to attend the Annual Meeting, you will be asked to consider and vote upon the proposals set forth in the Notice of Annual Meeting accompanying this Letter. The enclosed Proxy Statement more fully describes the details of the business to be conducted at the Annual Meeting.

After reading the Proxy Statement, please mark, date, sign and return, as promptly as possible, the proxy card in the accompanying reply envelope. **Your shares cannot be voted unless you sign, date and return the enclosed proxy card, vote your shares by telephone (as instructed on the enclosed proxy), vote your shares via the Internet (as instructed on the enclosed proxy) or attend the annual meeting in person.** Any stockholder attending the Annual Meeting may vote in person even if he or she has returned a proxy card.

A copy of our Annual Report on Form 10-K for the fiscal year ended April 30, 2006 is enclosed.

We look forward to seeing you at the Annual Meeting.

Sincerely,

GELU VOICU
President, Chief Executive Officer and Director

Santa Clara, California
August 24, 2006

IMPORTANT

Whether or not you plan to attend the meeting, please mark, date, and sign and return the enclosed proxy card as promptly as possible. You may also vote your shares by following the vote via the Internet or vote by telephone instructions on your proxy. If you attend the meeting and so desire, you may withdraw your proxy and vote in person.

CATALYST SEMICONDUCTOR, INC.

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

**To Be Held on Friday, September 22, 2006
9:00 a.m. local time**

To the Stockholders of Catalyst Semiconductor, Inc.:

NOTICE IS HEREBY GIVEN that the Annual Meeting of Stockholders of Catalyst Semiconductor, Inc., a Delaware corporation, will be held on Friday, September 22, 2006, at 9:00 a.m. local time, at our principal executive offices located at 2975 Stender Way, Santa Clara, CA 95054 for the following purposes:

1. To elect two Class II Directors to serve for a three-year term expiring at the 2009 Annual Meeting of Stockholders or until such directors successors are elected or appointed and qualified.
2. To ratify the appointment of PricewaterhouseCoopers LLP as our independent registered public accounting firm for the fiscal year ending April 29, 2007.
3. To transact such other business as may properly come before the meeting and any adjournment or postponement thereof.

The enclosed Proxy Statement more fully describes the foregoing items and business to be conducted at the Annual Meeting.

The Board of Directors has fixed the close of business on August 18, 2006 as the record date for determining the stockholders entitled to notice of and to vote at the Annual Meeting and any adjournments and postponements thereof.

After careful consideration, the board of directors recommends a vote *in favor of* each proposal set forth above.

After reading the Proxy Statement, please mark, date, sign and return, as promptly as possible, the proxy card in the accompanying reply envelope. **Your shares cannot be voted unless you sign, date and return the enclosed proxy card, vote your shares by telephone (as instructed on the enclosed proxy), vote your shares via the Internet (as instructed on the enclosed proxy) or attend the annual meeting in person.** Any stockholder attending the Annual Meeting may vote in person even if he or she has returned a proxy card.

By Order of the Board of Directors

THOMAS E. GAY III
Secretary

Santa Clara, California
August 24, 2006

IMPORTANT

Whether or not you plan to attend the meeting, please mark, date, and sign and return the enclosed proxy card as promptly as possible. You may also vote your shares by following the vote via the Internet or vote by telephone instructions on your proxy. If you attend the meeting and so desire, you may withdraw your proxy and vote in person.

Thank you for acting promptly.

CATALYST SEMICONDUCTOR, INC.

PROXY STATEMENT FOR THE 2006

ANNUAL MEETING OF STOCKHOLDERS

To Be Held on Friday, September 22, 2006

General

The enclosed proxy is solicited on behalf of the board of directors of Catalyst Semiconductor, Inc., a Delaware corporation, for use at the Annual Meeting of Stockholders to be held on Friday, September 22, 2006, at 9:00 a.m. local time, or at any adjournment thereof, for the purposes set forth herein and in the accompanying Notice of Annual Meeting of Stockholders. The Annual Meeting will be held at our principal executive offices located at 2975 Stender Way, Santa Clara, CA 95054. This proxy statement contains important information regarding our Annual Meeting. Specifically, it identifies the proposals on which you are being asked to vote, provides information you may find useful in determining how to vote and describes the voting procedures.

These definitive proxy materials were first mailed to our stockholders on or about August 25, 2006. The term "proxy materials" includes this proxy statement, as well as the enclosed proxy card and our Annual Report on Form 10-K for the year ended April 30, 2006.

Record Date and Voting Securities

The close of business on August 18, 2006 has been fixed as the record date for determining the stockholders who are entitled to notice of and to vote at the meeting. As of the close of business on the record date, there were 16,350,073 shares of our common stock issued and outstanding. We have 2,000,000 shares of authorized preferred stock, none of which were issued and outstanding as of the record date.

Revocability of Proxies

You or such other person as you have authorized to vote your shares may revoke any proxy given pursuant to this solicitation at any time:

- by delivering a written notice of revocation to the Secretary of Catalyst at our principal executive offices at 2975 Stender Way, Santa Clara, CA 95054;
- by signing and returning another proxy bearing a later date; or
- by attending the meeting and voting in person.

Methods of Voting

Each stockholder is entitled to one vote on all matters presented at the Annual Meeting, for each share of common stock owned by such stockholder. The inspector of elections appointed for the Annual Meeting will separately tabulate the affirmative and negative votes, abstentions and broker non-votes. You may vote your shares in the following manner:

Voting by Mail. By signing and returning the proxy card according to the enclosed instructions, you are enabling our Chairman and Chief Executive Officer, Gelu Voicu, and our Vice President of Finance and Administration and Chief Financial Officer, Thomas E. Gay, III, who are named on the proxy card as proxies and attorneys-in-fact, to vote your shares as proxy holders at the meeting in the manner you

indicate. We encourage you to sign and return the proxy card even if you plan to attend the meeting. In this way, your shares will be voted even if you are unable to attend the meeting.

Your shares will be voted in accordance with the instructions you indicate on the proxy card. If you submit the proxy card, but do not indicate your voting instructions, your shares will be voted as follows:

- FOR the election of the Class II director nominees identified in Proposal One; and
- FOR the ratification of the appointment of PricewaterhouseCoopers LLP as our independent auditors for the fiscal year ending April 29, 2007.

Voting in Person at the Meeting. If you plan to attend the Annual Meeting and vote in person, we will provide you with a ballot at the meeting. If your shares are registered directly in your name, you are considered the stockholder of record and you have the right to vote in person at the meeting. If your shares are held in the name of your broker or other nominee, you are considered the beneficial owner of shares held in your name, but if you wish to vote at the meeting, you will need to bring with you to the Annual Meeting a legal proxy from your broker or other nominee authorizing you to vote these shares.

Voting via the Internet or by Telephone. In addition, if your shares of our common stock are registered directly in your name you may vote either via the Internet or by telephone. Specific instructions for voting via the Internet or by telephone are set forth on the enclosed proxy card. The Internet and telephone voting procedures are designed to authenticate your identity and to allow you to give your voting instructions and confirm that your voting instructions have been properly recorded.

If your shares are registered in the name of a bank or brokerage firm, you may be eligible to vote your shares electronically via the Internet or by telephone. A large number of banks and brokerage firms offer Internet and telephone voting. If your bank or brokerage firm offers Internet and telephone voting, your proxy will provide specific instructions. If your proxy does not reference Internet or telephone voting information please complete and return your proxy in the self-addressed, postage-paid envelope provided.

Votes Required for Each Proposal

The vote required and method of calculation for the proposals to be considered at the Annual Meeting are as follows:

- *Proposal One Election of Class II Directors.* The two Class II director nominees receiving the highest number of votes, in person or by proxy, will be elected as directors. You may vote (i) for each nominee, or (ii) withhold for each nominee.
- *Proposal Two Ratification of PricewaterhouseCoopers LLP as Independent Auditors.* Ratification of PricewaterhouseCoopers LLP as our independent auditors will require the affirmative vote of a majority of the shares present at the Annual Meeting, in person or by proxy. You may vote for, against, or abstain from voting on the proposal to ratify PricewaterhouseCoopers LLP as our independent auditors.

Proxy Solicitation Costs

We will pay the cost of soliciting proxies, consisting of the printing, handling and mailing of the proxy and related material and the actual expense incurred by brokerage houses, custodians, nominees and fiduciaries in forwarding proxy material to the beneficial owners of our common stock. In order to assure that a majority vote will be present in person or by proxy at the Annual Meeting, it may be necessary for certain of our officers, directors, regular employees and other representatives to solicit proxies by telephone, facsimile, telegraph, electronic means or in person. These persons will receive no extra compensation for their services.

Householding

To reduce the expenses of delivering duplicate voting materials to our stockholders who may have more than one Catalyst stock account, we are delivering only one set of the proxy statement and the Annual Report on Form 10-K for Fiscal 2006 to certain stockholders who share an address, unless otherwise requested. A separate proxy is included in the voting materials for each of these stockholders. If you share an address with another stockholder and have received only one set of voting materials, you may write or call us to request a separate copy of these materials at no cost to you. For future annual meetings, you may request separate voting materials, or request that we send only one set of voting materials to you if you are receiving multiple copies, by calling us at (408) 542-1051 or by writing us at Catalyst Semiconductor, Inc., 2975 Stender Way, Santa Clara, CA 95054 Attn: Secretary. **You may receive an additional copy of our Annual Report on Form 10-K for the fiscal year ended April 30, 2006 without charge by sending a written request to Catalyst Semiconductor, Inc., 2975 Stender Way, Santa Clara, CA 95054 Attn: Secretary.**

Quorum; Abstentions; Broker Non-Votes

Holders of a majority of our outstanding shares of common stock entitled to vote must be present, in person or by proxy, at the Annual Meeting in order to have the required quorum for the transaction of business. If the shares present in person and by proxy at the meeting do not constitute the required quorum, the meeting may be adjourned to a subsequent date for the purpose of obtaining a quorum.

Shares that are voted for, against or withheld are treated as being present at the meeting for purposes of establishing a quorum. Shares that are voted for, against or abstain with respect to a matter will also be treated as being present.

If you return a proxy card that indicates an abstention from voting on all matters, the shares represented will be counted as present for the purpose of determining a quorum, but they will not be voted on any matter at the Annual Meeting. Consequently, if you abstain from voting on the proposal to ratify the appointment of PricewaterhouseCoopers LLP as our independent accountants, your abstention will have the same effect as a vote against that proposal.

Under the rules that govern brokers who have record ownership of shares that are held in street name for their clients, who are the beneficial owners of the shares, brokers have discretion to vote these shares on routine matters but not on non-routine matters. Your broker will have discretionary authority to vote your shares on each of the proposals, which are all routine matters. A broker non-vote occurs when a broker expressly instructs on a proxy that it is not voting on a matter, whether routine or non-routine. Broker non-votes are counted for the purpose of determining the presence or absence of a quorum but are not counted for determining the number of votes cast for or against a proposal. Thus, a broker non-vote will make a quorum more readily obtainable, but the broker non-vote will not otherwise affect the outcome of the vote on a proposal. With respect to a proposal that requires a majority of the outstanding shares, however, a broker non-vote has the same effect as a vote against the proposal.

Deadline for Receipt of Stockholder Proposals for the 2007 Annual Meeting of Stockholders

As a stockholder, you may be entitled to present proposals for action at a forthcoming meeting if you comply with the requirements of the proxy rules established by the Securities and Exchange Commission (SEC). Proposals of our stockholders intended to be presented for consideration at our 2007 Annual Meeting of Stockholders must be received by us no later than April 26, 2007, in order that they may be included in the proxy statement and proxy related to our 2007 Annual Meeting.

The SEC rules establish a different deadline with respect to discretionary voting for stockholder proposals that are not intended to be included in a company s proxy statement. The attached proxy card

grants the proxy holders discretionary authority to vote on any matter raised at the annual meeting. The discretionary vote deadline for our 2007 Annual Meeting is July 11, 2007, which is 45 calendar days prior to the anniversary of the mailing date of this proxy statement. If a stockholder gives notice of a proposal after the discretionary vote deadline, our proxy holders will be allowed to use their discretionary voting authority to vote against the stockholder proposal when and if the proposal is raised at our 2007 Annual Meeting.

In addition, our bylaws establish an advance notice procedure with regard to specified matters, including stockholder proposals and director nominations, which are proposed to be properly brought before an Annual Meeting of Stockholders. In general, notice of the proposal must be received by our Secretary not less than 90 days prior to the date of the 2007 Annual Meeting, or, if less than 100 days prior notice of the date of the meeting is given to the stockholders, not later than 10 days following the notice of the meeting was mailed. A stockholder's notice shall include: (i) the name and address of the stockholder who intends to make the nominations or propose the business, and, as the case may be, the name and address of the person or persons to be nominated or the nature of the business to be proposed; (ii) a representation that the stockholder is a holder of record of stock of the corporation entitled to vote at such meeting and, if applicable, intends to appear in person or by proxy at the meeting to nominate the person or persons specified in the notice or introduce the business specified in the notice; (iii) if applicable, a description of all arrangements or understandings between the stockholder and each nominee and any other person or persons (naming such person or persons) pursuant to which the nomination or nominations are to be made by the stockholder; (iv) such other information regarding each nominee or each matter of business to be proposed by such stockholder as would be required to be included in a proxy statement filed pursuant to the proxy rules of the SEC had the nominee been nominated, or intended to be nominated, or the matter been proposed, or intended to be proposed by the board of directors; and (v) if applicable, the consent of each nominee to serve as director of the corporation if so elected. A copy of our bylaws is available upon written request to: Catalyst Semiconductor, Inc., 2975 Stender Way, Santa Clara, CA 95054, Attn: Secretary.

Stockholder Communications to Directors

Stockholders may communicate directly with our non-management directors by mail by writing to Thomas E. Gay III, our chief financial officer and secretary, at 2975 Stender Way, Santa Clara, CA 95054. Mr. Gay will monitor these communications and will ensure that appropriate summaries of received messages are provided to the board of directors at its regularly scheduled meetings. Where the nature of a communication warrants, Mr. Gay may decide to obtain the more immediate attention of the appropriate committee of the board of directors or a non-management director, or our management or independent advisors, as he considers appropriate.

PROPOSAL 1

ELECTION OF TWO CLASS II DIRECTORS

Nominees

Our bylaws provide that the number of directors shall be established by the board of directors or our stockholders. Our certificate of incorporation provides that the membership of the board of directors shall be divided into three classes, with the classes serving for staggered, three-year terms. After the election of the Class II directors at the 2006 Annual Meeting of Stockholders, the terms of the Class I directors, Class II directors and Class III directors will expire at the Annual Meeting of Stockholders to be held in 2008, 2009 and 2007, respectively.

Currently, the authorized number of directors is five. Two directors will be elected at the Annual Meeting to serve as the Class II directors until the 2009 Annual Meeting of Stockholders or until such directors' successors are elected or appointed and qualified.

The board of directors has nominated Garrett A. Garrettson and Glen G. Possley, each of whom is a current director, for election as the Class II directors.

Unless otherwise instructed, the proxy holders will vote the proxies received by them for Messrs. Garrettson and Possley. In the event that Messrs. Garrettson and Possley become unable or decline to serve as directors at the time of the Annual Meeting, the proxy holders will vote the proxies for any substitute nominee who is designated by the current board of directors to fill such vacancy. However, we do not expect that Messrs. Garrettson and Possley will be unable or will decline to serve as directors. In the event that additional persons are nominated for election as directors, the proxy holders intend to vote all proxies received by them in such a manner as to assure the election of Messrs. Garrettson and Possley.

Vote Required for Election

If a quorum is present and voting, the two nominees receiving the highest number of affirmative votes will be elected as the Class II directors. Votes withheld from any director are counted for purposes of determining the presence or absence of a quorum, but have no other legal effect under Delaware law. If you hold your shares through a broker, bank or other nominee and you do not instruct them how to vote on this proposal, your broker may have the authority to vote your shares.

**THE BOARD OF DIRECTORS RECOMMENDS A VOTE *FOR*
MR. GARRETT A. GARRETTSON AND MR. GLEN G. POSSLEY AS CLASS II DIRECTORS.**

Information with Respect to Nominee and Other Current Directors

Set forth below are the names of and certain information about Messrs. Garrettson and Possley and the current Class I and Class III directors as of April 30, 2006.

Name	Age	Principal Occupation
<i>Nominees for Class II Directors</i>		
Garrett A. Garrettson	63	President, G. Garrettson LLC Chief Executive Officer, Fresco Technologies
Glen G. Possley	66	Managing General Partner, Glen-Ore Associates;
<i>Continuing Class I Directors</i>		
Henry C. Montgomery	70	Chairman of the Board, Catalyst Semiconductor, Inc.; Chairman of the Board, Montgomery Professional Services Corporation; Chairman of the Board, ASAT Holdings Ltd.
Gelu Voicu	56	President and Chief Executive Officer, Catalyst Semiconductor, Inc.
<i>Continuing Class III Director</i>		
Roland M. Duchâtelet	59	Chairman of the Board, Elex NV; Chairman of the Board, Melexis NV

There are no family relationships between any of our directors or executive officers.

Dr. Garrettson has served as our director since February 2003. From December 2005 to present, Dr. Garrettson has served as the president, chief executive officer and a director of Fresco Technologies, a private digital imaging company, and from October 2004 to present, he has served as the president of G. Garrettson Consulting LLC. From November 2001 to September 2004, Dr. Garrettson served as the president, chief executive officer and a director of Clairvoyante, Inc., an intellectual property licensing company of flat panel display technology. From April 2000 to December 2002, Dr. Garrettson served as the chairman of the board of directors of Spectrian. From April 1996 to March 2000, Dr. Garrettson served as president, chief executive officer and a director of Spectrian Corporation. From March 1993 to March 1996, Dr. Garrettson served as president and CEO of Censtor Corporation. Dr. Garrettson holds a B.S. and an M.S. in Engineering Physics and a Ph.D. in Mechanical Engineering from Stanford University.

Dr. Possley has served as our director since July 2000 and served as our lead director from May 2001 to August 2002. From January 1998 to the present, Dr. Possley served as a managing general partner at Glen-Ore Associates, a consulting company focused on the semiconductor business. From January 1998 to January 2000, Dr. Possley was a partner at International Technology Ventures and N-Able Group. Dr. Possley is a director of Novellus Systems, Inc., a semiconductor equipment company, and in November 2005, Dr. Possley began serving as a member of the board of directors of ASAT Holdings Ltd., a provider of semiconductor assembly, test and purchase design services. He received a B.S. in Mathematics from Western Illinois University and a Ph.D. in Physical Chemistry from the University of Kentucky.

Mr. Montgomery has served as our director since July 2000 and has served as the chairman of our board of directors since August 2002. Mr. Montgomery previously served as a member of our board of directors from 1990 to 1996. Since 1980, Mr. Montgomery has served as the chairman of the board of Montgomery Professional Services Corporation, a management consulting and financial services firm. From November 2000 to December 2002, Mr. Montgomery served as a director of Spectrian Corporation, a power amplifiers company that was acquired by REMEC, Inc. in December 2002. Mr. Montgomery also serves as a director of Swift Energy Company, an independent oil and gas company and ASAT Holdings Ltd., a provider of semiconductor assembly, test and package design services. In June 2006,

Mr. Montgomery began serving as chairman of the board of ASAT Holdings Ltd. He holds a B.A. in Economics from Miami University in Oxford, Ohio.

Mr. Voicu has served as our president and chief executive officer and as a director since October 2002. From August 2002 to October 2002, he served as our executive vice president and chief operating officer. From April 1998 to August 2002, he served as our vice president of engineering and manufacturing. From July 1995 to April 1998, Mr. Voicu was our director of flash product lines. Mr. Voicu holds an M.S. in Electrical Engineering from the Polytechnical Institute, Bucharest, Romania.

Dr. Duchâtelet has served as our director since September 1999. From September 1989 to the present, Dr. Duchâtelet has served as chairman of Elex N.V., a holding company. Additionally, Dr. Duchâtelet serves as chairman of the board of directors of Melexis N.V., a semiconductor company, a position he has held since May 1994, and is also a director of EPIQ N.V., a semiconductor company. Dr. Duchâtelet holds a B.S. in Applied Economic Sciences, an M.B.A. and a Ph.D. in Electronic Engineering from the University of Leuven, Belgium.

Board Meetings and Committees; Corporate Governance Matters

Our board of directors held ten meetings during fiscal 2006. No director attended fewer than 75% of the meetings of the board of directors and of the committees on which he served that were held during fiscal 2006. Our directors are expected, absent exceptional circumstances, to attend all board meetings and meetings of committees on which they serve, and are also invited to attend our Annual Meeting. Each of our directors attended our 2005 Annual Meeting of Stockholders.

The board of directors currently has four committees: an Audit Committee, a Compensation Committee, a Nominating and Governance Committee and a Non-Section 16 Option Committee.

The Audit Committee consists of Messrs. Garrettson, Montgomery and Possley, each of whom is independent within the meaning of the rules of the SEC and the listing standards of the NASDAQ Stock Market. The board of directors has determined that Mr. Montgomery is an audit committee financial expert as defined pursuant to the rules of the SEC. Our board of directors amended the charter of the Audit Committee in February 2004 to comply with requirements of the NASDAQ Stock Market and the rules of the SEC. A copy of the charter is available on our website at www.catsemi.com. The Audit Committee held five meetings during fiscal 2006.

The Compensation Committee consists of Messrs. Garrettson, Montgomery and Possley, each of whom is independent within the meaning of the rules of the SEC and the listing standards of the NASDAQ Stock Market. The Compensation Committee is responsible for reviewing and approving our compensation policies and the compensation paid to our executive officers. A copy of the charter is available on our website at www.catsemi.com. The Compensation Committee held seven meetings and acted by unanimous written consent one time during fiscal 2006.

The Nominating and Governance Committee consists of Messrs. Garrettson, Montgomery and Possley, each of whom is independent within the meaning of the rules of the SEC and the listing standards of the NASDAQ Stock Market. The Nominating and Governance Committee is responsible for assisting the board of directors in identifying prospective director nominees and to select the director nominees for the next annual meeting of stockholders, and that the board of directors and the company adopt and follow appropriate governance standards. Our board of directors amended the charter of the Nominating and Governance Committee in June 2006 to address continuing education of directors and Section 16 officers. A copy of the charter is available on our website at www.catsemi.com. The Nominating and Governance Committee held two meetings during fiscal 2006.

The Non-Section 16 Option Committee may make grants of up to 50,000 shares to persons who are not executive officers or directors. Mr. Voicu served as the sole member of our Non-Section 16 Option

Committee during fiscal 2006. During fiscal 2006, the Non-Section 16 Option Committee acted by written consent on ten occasions.

Policy for Director Recommendations and Nominations

The Nominating and Governance Committee was established in August 2004 and adopted guidelines regarding director recommendations and nominations at that time. The Nominating and Governance Committee will consider candidates for board membership suggested by a board member, management, stockholders and others. It is the policy of our Nominating and Governance Committee to consider recommendations for candidates to the board of directors from stockholders who have held not less than 1% shares of the outstanding shares of our common stock for at least 12 months prior to the date of the submission of the recommendation. The Nominating and Governance Committee will consider persons recommended by our stockholders in the same manner as a nominee recommended by the board of directors, a board member or management.

A stockholder may also nominate a person directly for election to the board of directors at an Annual Meeting of our Stockholders provided they meet the requirements set forth in our bylaws related to stockholder proposals.

Where the Nominating and Governance Committee has either identified a prospective nominee or determines that an additional or replacement director is required, the Nominating and Governance Committee may take such measures that it considers appropriate in connection with its evaluation of a candidate for nomination, including candidate interviews, inquiry of the person or persons making the recommendation or nomination, engagement of an outside search firm to gather additional information, or reliance on the knowledge of the members of the committee, the board of directors or management. In its evaluation of director candidates, including incumbent directors, the Nominating and Governance Committee will consider a number of factors, including:

- The current size and composition of the board of directors and the needs of the board of directors and its committees; and
- Factors such as judgment, independence, character and integrity, area of expertise, diversity of experience, length of service and potential conflicts of interest.

While the Nominating and Governance Committee has not specified specific, minimum qualifications for candidates, it also believes that the following qualifications are desirable for a nominee for director:

- The highest personal and professional ethics and integrity;
- Proven achievement and competence in the nominee's field and the ability to exercise sound business judgment;
- Skills that are complementary to those of the existing directors;
- The ability to assist and support management and make contributions to our success; and
- An understanding of the fiduciary obligations of a board member and the commitment of time and energy necessary to diligently carry out those duties.

After completing the evaluation and review, the Nominating and Governance Committee will make a recommendation to the board of directors as to a slate of the persons for nomination to the board of directors. The board of directors will review the slate and adjust or approve it after considering the recommendation and report of the Nominating and Governance Committee.

Director Independence

A majority of our board of directors is independent within the rules of the NASDAQ Stock Market. The board of directors had determined that Messrs. Garrettson, Montgomery and Possley are independent within the meaning of the rules of the NASDAQ Stock Market.

Code of Business Conduct and Ethics

Our board of directors has adopted the Catalyst Semiconductor, Inc. Code of Ethics for Principal Executive and Senior Financial Officers, which applies to our principal executive officer, our principal financial officer and our principal accounting officer. The board of directors has also adopted the Catalyst Semiconductor, Inc. Code of Business Conduct and Ethics applicable to all of our employees, officers and directors. Our Code of Ethics for Principal Executive and Senior Financial Officers and Code of Business Conduct and Ethics are publicly available on our website at www.catsemi.com. The information contained on or connected to our website is not incorporated by reference into this proxy statement and should not be considered part of this or any other report that we file with or furnish to the SEC. We intend to post amendments to or waivers from these codes on our website or as otherwise required by the rules of the NASDAQ Stock Market.

Compensation of Directors

Messrs. Duchâtelet, Garrettson and Possley received cash remuneration for serving on the board of directors, which consisted of fees of \$40,000 in fiscal 2006. Mr. Montgomery received cash remuneration for serving as Chairman of the board of directors, which consisted of fees of \$55,000 in fiscal 2006. Lionel Allan received cash remuneration as a non-voting emeritus director, which consisted of fees of \$20,000 in fiscal 2006. Directors are also reimbursed for reasonable expenses incurred in attending board of directors and committee meetings. Directors do not receive additional compensation for serving on a committee.

Pursuant to our 2003 Director Stock Option Plan (Director SOP), each non-employee director who has served for six months or more is granted an option to purchase 15,000 shares on May 1 of each calendar year, provided that he or she is in office on May 1. Each new non-employee director is entitled to a one-time grant of 30,000 options when he or she becomes a director. Option grants under the Director SOP must be at prices equal to 100% of the fair market value of the stock at the date of grant. Options granted under prior plans before the adoption of the Director SOP in December 2002 vested over a period of three years. Options granted to non-employee directors under the Director SOP are fully vested on the date of the grant.

Compensation Committee Interlocks and Insider Participation

The compensation committee of the board of directors currently consists of Messrs. Garrettson, Montgomery and Possley. No interlocking relationship exists between any member of our board of directors or compensation committee and any member of the board of directors or compensation committee of any other company, nor has any such interlocking relationship existed in the past. No member of the compensation committee is or was formerly an officer or an employee of us or our subsidiaries.

PROPOSAL 2**RATIFICATION OF APPOINTMENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

The Audit Committee of the board of directors has selected PricewaterhouseCoopers LLP (PwC), an independent registered public accounting firm, to audit our financial statements for the fiscal year ending April 29, 2007, and the board of directors recommends that the stockholders vote for the ratification of such appointment.

Representatives of PwC are expected to be present at the Annual Meeting and will have the opportunity to make a statement if they desire to do so. The PwC representatives also are expected to be available to respond to appropriate questions from stockholders. The board of directors believes that reappointing PwC is in our best interest.

Vote Required

Stockholder ratification of the selection of PwC as our independent registered public accounting firm is not required by our bylaws or other applicable legal requirement. However, the board of directors is submitting the selection of PwC to our stockholders for ratification as a matter of good corporate practice. If the stockholders fail to ratify the selection, the Audit Committee will reconsider whether or not to retain that firm. Even if the selection is ratified, the Audit Committee at its discretion may direct the appointment of a different independent registered public accounting firm at any time during the year if it determines that such a change would be in our best interests and in the best interests of our stockholders.

The affirmative vote of a majority of the shares present in person or represented by proxy and entitled to vote is required to ratify the appointment of PricewaterhouseCoopers LLP as our independent registered public accounting firm.

THE BOARD OF DIRECTORS RECOMMENDS A VOTE *FOR* THE RATIFICATION OF THE APPOINTMENT OF PRICEWATERHOUSECOOPERS LLP AS OUR INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM FOR THE FISCAL YEAR ENDING APRIL 29, 2007.

Fees Paid to Independent Registered Public Accounting Firm for Fiscal 2006 and 2005 Services

PwC fees for professional services during fiscal 2006 and 2005:

	Fiscal Years Ended	
	April 30, 2006	May 1, 2005
Audit fees	\$ 1,264,000	\$ 1,603,000
Audit-related fees		
Tax fees		
All other fees		
Total professional fees	\$ 1,264,000	\$ 1,603,000

Audit Fees

Audit fees consist of the aggregate fees for professional services rendered by PwC for the audit of our consolidated financial statements, the review of management's assessment of the effectiveness of internal control over financial reporting and for their attestation of the effectiveness of our internal controls over financial reporting, the filing of our Form S-8 and S-3 registration statements as well as the review of our unaudited condensed consolidated interim financial statements.

Audit-Related Fees

Audit-related fees consist of fees billed for assurance and related services that are reasonably related to the performance of the audit, review of our unaudited condensed consolidated interim financial statements or assistance with SEC matters and are not reported under Audit Fees. These services include accounting consultations concerning financial accounting and