

CONEXANT SYSTEMS INC  
Form 10-K/A  
January 30, 2012  
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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**Form 10-K/A**

**Amendment No. 1**

**ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

**For the fiscal year ended September 30, 2011**

**OR**

**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

**Commission file number: 000-24923**

**CONEXANT SYSTEMS, INC.**

(Exact name of registrant as specified in its charter)

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**Delaware**  
(State of incorporation)

**25-1799439**  
(I.R.S. Employer Identification No.)

**4000 MacArthur Boulevard**

**Newport Beach, California**  
(Address of principal executive offices)

**92660-3095**  
(Zip code)

**Registrant's telephone number, including area code: (949) 483-4600**

**Securities registered pursuant to Section 12(b) of the Act: None**

**Securities registered pursuant to Section 12(g) of the Act: None**

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes  No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes  No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No  **Explanatory Note: While the registrant is not subject to the filing requirements of Section 13 or 15(d) of the Exchange Act, it has filed all reports pursuant to Section 13 or 15(d) of the Exchange Act during the preceding 12 months.**

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer  Accelerated filer

Non-accelerated filer  (Do not check if a smaller reporting company) Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes  No

The aggregate market value of the registrant's voting and non-voting common equity held by non-affiliates is zero. There is currently no established public trading market for the registrant's equity securities. As of January 30, 2012, an aggregate of 100,000,000 shares of the registrant's common stock was outstanding.

**DOCUMENTS INCORPORATED BY REFERENCE**

None

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**CONEXANT SYSTEMS, INC. AND SUBSIDIARIES**

**FORM 10-K/A**

**AMENDMENT NO. 1**

**FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2011**

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**EXPLANATORY NOTE**

On December 29, 2011, Conexant Systems, Inc., a Delaware corporation ( "Conexant" ), filed its Annual Report on Form 10-K for the fiscal year ended September 30, 2011 (the "Annual Report" ) with the Securities and Exchange Commission ( "SEC" ). Conexant is filing this Amendment No. 1 to the Annual Report (this "Amendment" ) for the purpose of including the information required by Items 10, 11, 12, 13 and 14 of Part III of Form 10-K, as permitted under General Instruction G(3) to Form 10-K. In connection with the filing of this Amendment, Conexant is also including certain currently dated certifications of its Chief Executive Officer and Chief Financial Officer.

This Amendment makes reference to the date of the Annual Report, and Conexant has not updated or amended the disclosures contained herein to reflect events that have occurred since the filing of the Annual Report, or modified or updated the disclosures contained in the Annual Report in any way other than as specifically set forth in this Amendment. Accordingly, this Amendment should be read in conjunction with the Annual Report and other filings made by Conexant with the SEC subsequent thereto.

On April 19, 2011, Conexant completed a merger with Gold Acquisition Corp., a Delaware corporation ( "Merger Sub" ), and a wholly owned subsidiary of Gold Holdings, Inc., a Delaware corporation, which was subsequently renamed Conexant Holdings, Inc. ( "Conexant Holdings" ). Pursuant to the Agreement and Plan of Merger (the "Merger Agreement" ), dated as of February 20, 2011, by and among the Company, Gold Holdings, Inc. and Merger Sub, Merger Sub was merged with and into the Company with the Company surviving as a wholly owned subsidiary of Conexant Holdings (the "Merger" ). In connection with the Merger, shares of our common stock ceased to be traded on The NASDAQ Stock Market ( "Nasdaq" ) after the close of market on April 19, 2011. For the purposes of presentation and disclosure, all references to "Predecessor" relate to Conexant and its consolidated subsidiaries for periods prior to the Merger. All references to "Successor" relate to Conexant and its consolidated subsidiaries merged with Merger Sub for periods subsequent to the Merger. References to "we" , "us" , "our" and the "Company" relate to the Predecessor for the periods prior to the Merger and to the Successor for periods subsequent to the Merger.

Our fiscal year is the 52- or 53-week period ending on the Friday closest to September 30. In a 52-week year, each fiscal quarter consists of 13 weeks. The additional week in a 53-week year is added to the fourth quarter, making such quarter consist of 14 weeks. References made to our fiscal year ended September 30, 2011, or fiscal year 2011, refer to the combined results of the Predecessor for the period from October 2, 2010 through April 19, 2011, and the Successor for the period from April 20, 2011 through September 30, 2011. References made to our fiscal year ended October 1, 2010, or fiscal year 2010, refer to the results of the Predecessor for the period from October 3, 2009 through October 1, 2010. References made to our fiscal year ended October 2, 2009, or fiscal year 2009, refer to the results of the Predecessor for the period from October 4, 2008 through October 2, 2009. Fiscal years 2011, 2010 and 2009 were each fiscal years that consisted of 52-weeks.

(i)

**Table of Contents****PART III****ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE****Directors**

The following table sets forth certain information concerning the Company's current directors and is followed by a brief biography of each director.

Name	Age	Principal Position	Year First Elected
David C. Dominik	55	Managing Director of Golden Gate Capital	2011
John D. Knoll	40	Managing Director of Golden Gate Capital	2011
Sailesh Chittipeddi, Ph.D	49	President and Chief Executive Officer of Conexant	2011
Andrew S. Rappaport	54	Partner of August Capital	2011

*David C. Dominik*

David C. Dominik was appointed as a director of Conexant in 2011 in connection with the completion of the Merger. Mr. Dominik is a Managing Director of Golden Gate Capital. He has extensive private equity investment and operational experience, especially in a broad range of technology-related industries. Prior to Golden Gate Capital, Mr. Dominik spent ten years as a managing director at Bain Capital where he was responsible for managing Information Partners, a specialized fund within Bain Capital that focused on software, information services, and transaction processing companies serving a broad range of end markets. Mr. Dominik also built several scale companies in the semiconductor and electronics industries. Mr. Dominik also served on the investment committee of Brookside, Bain Capital's public equity hedge fund. In addition, Mr. Dominik opened and ran the California office for Bain Capital. Previously, Mr. Dominik was a partner at Zero Stage Capital, an early stage technology venture capital firm where he helped co-found several successful technology ventures. He was an early investor and assistant to the chairman of Genzyme Corporation. He also served as a Consultant at Bain & Company. Mr. Dominik was formerly on the board of directors of Express Inc., which is a public company. Mr. Dominik has a J.D. from Harvard Law School (cum laude) and an A.B. from Harvard College (magna cum laude; Phi Beta Kappa).

*John D. Knoll*

John D. Knoll was appointed as a director of Conexant in 2011 in connection with the completion of the Merger. Mr. Knoll is a Managing Director of Golden Gate Capital, which he joined in 2000. Prior to Golden Gate Capital, Mr. Knoll spent four years as a Consultant with Bain & Company, where he worked in technology, media, telecommunications, and the private equity advisory group. Mr. Knoll's work experience also includes product management responsibilities at Covad Communications, a DSL provider, and software development for Kawasaki Heavy Industries in Japan. Mr. Knoll currently serves on the board of directors of Aeroflex Holding Corp., which is a public company. Mr. Knoll holds an M.B.A. from the Stanford Graduate School of Business, and an M.S. and B.S. in Industrial Engineering from Stanford University.

*Sailesh Chittipeddi, Ph.D*

Sailesh Chittipeddi was appointed President, Chief Executive Officer and director of Conexant in April 2011 in connection with the completion of the Merger. Mr. Chittipeddi previously served as Conexant's President and Chief Operating Officer since November 2010 and was responsible for engineering, operations, quality, and marketing. He served as co-President since July 2009 and was responsible for global engineering, operations, quality, IT, and associated infrastructure-support activities. Mr. Chittipeddi served as Conexant's Executive Vice President, Global Operations and Chief Technology Officer from April 2008 to June 2009 and as Senior Vice President of Global Operations from June 2006 to April 2008. Prior to that, he held several senior operations-related positions with Agere Systems, Lucent Technologies, AT&T Microelectronics, and AT&T Bell Labs. He also served as Lucent Technologies' representative to SEMATECH, and was a member of the Technical Staff with AT&T Bell

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Laboratories. Mr. Chittipeddi holds an M.B.A. from the University of Texas at Austin, an M.S. in physics from Northern Illinois University, and an M.S. and Ph.D in physics from Ohio State University. He also holds 63 U.S. patents related to semiconductor process, package, and design, and has authored nearly 40 publications.

*Andrew S. Rappaport*

Andrew S. Rappaport was appointed as a director of Conexant in 2011 in connection with the completion of the Merger. Since 1996, Mr. Rappaport has been a partner with August Capital, a venture capital firm. Prior to joining August Capital, Mr. Rappaport was involved in the formation and operation of more than a dozen venture capital-backed start-ups, including Actel (ACTL), MMC Networks (acquired by AMCC AMCC), Sequence Design Automation, Silicon Architects (acquired by Synopsys SNPS), Transmeta (TMTA), and Viewlogic (acquired by Synopsys SNPS). Mr. Rappaport's qualifications to serve on our board include his experience as a technology-focused investor and advisor, which gives him in-depth knowledge of, and exposure to, current technology and industry developments and trends, as well as insights into strategic planning, including growth and diversification strategies. Mr. Rappaport served on the board of Atheros Communications, Inc., which was a public company until it was acquired by Qualcomm Incorporated in 2011, and he currently serves on the boards of Alta Devices, Luxtera, Magnum Semiconductor, Scintera Networks, SuVolta, Ubicom, and Unity Semiconductor, each of which are private companies. Mr. Rappaport attended Princeton University.

**Executive Officers**

The following table sets forth certain information concerning the Company's current executive officers and is followed by a brief biography of each executive officer.

Name	Age	Principal Position	Employee Since
Sailesh Chittipeddi, Ph.D	49	President and Chief Executive Officer of Conexant (Principal Executive Officer)	2006
Carl M. Mills	57	Chief Financial Officer and Secretary (Principal Financial Officer and Principal Accounting Officer)	2011
Steven Bakos	45	Vice President, Worldwide Sales	2011
Dennis Gallagher	43	Vice President, Legal, General Counsel and Assistant Secretary	2011
Sverrir Olafsson	51	Vice President, Engineering	1994

*Sailesh Chittipeddi, Ph.D*

Please see the biographical information for Mr. Chittipeddi in the section entitled "Directors" above.

*Carl M. Mills*

Carl M. Mills was appointed the Company's Chief Financial Officer and Assistant Secretary (subsequently appointed as Secretary) in September 2011 and currently serves as the Company's Principal Financial Officer and Principal Accounting Officer. Mr. Mills has been a financial executive in technology businesses in Silicon Valley for over fifteen years, working with emerging growth companies, both publicly held and venture capital backed. During 2011, Mr. Mills served as Chief Financial Officer at SiPort, Inc., a fabless semiconductor company which was sold to Intel Corporation. During 2010, Mr. Mills served as Chief Financial Officer of UPEK, Inc., a fabless semiconductor company which was subsequently sold to AuthenTec. From 2009 to 2010, Mr. Mills was a consulting Chief Financial Officer at Teknovus, Inc., a supplier of EPON semiconductor devices which was sold to Broadcom. Prior to Teknovus, Mr. Mills was Vice President of Finance, Chief Financial Officer and Secretary of QuickLogic Corporation, a NASDAQ listed company, from 2002 to 2008. QuickLogic develops and markets low power customizable semiconductor solutions for Tablets, Smartbooks, Netbooks, Cloudbooks, Smartphones, DataCards and Mobile Enterprise products. Prior to QuickLogic, Mr. Mills was Chief Financial Officer at AltoWeb, Inc., a venture-backed software company providing a platform for delivering J2EE applications, from 2000 to 2002. Prior to AltoWeb, Mr. Mills held several positions, most recently Vice President of Finance and Chief Financial Officer, at WaferScale Integration, a venture-backed producer of peripheral integrated circuits, which was acquired by STMicroelectronics in 2000. Mr. Mills has a B.S. and an M.B.A. in Finance from Santa Clara University.

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### *Steven Bakos*

Steven Bakos was named the Company's Vice President, Worldwide Sales in July 2011. In this role, Mr. Bakos is responsible for the entire sales organization, including the field application engineering support team as well as the sales support function. Mr. Bakos brings over 20 years of sales and marketing experience with nearly half of his career at the executive level. Mr. Bakos has a deep background with a variety of high performance analog companies including Linear Technology, Intersil, Xicor, National Semiconductor, and three entrepreneurial startup companies. During his 11-year tenure with Linear Technology, Mr. Bakos was responsible for over \$250M in revenue both as an Area Sales Manager and while in charge of the entire North America Distribution Marketing team. At Xicor, Mr. Bakos was instrumental as Vice President of Worldwide Sales in returning the company to positive revenue growth and profitability during its difficult but successful transformation from a memory company to a high performance analog company. Mr. Bakos holds a B.S. in Engineering from Cornell University.

### *Dennis Gallagher*

Dennis Gallagher was appointed the Company's Vice President, Legal, General Counsel and Assistant Secretary in June 2011. In this role, Mr. Gallagher is responsible for the management of the Company's worldwide legal affairs. Previously, Mr. Gallagher served as the Company's Intellectual Property Counsel and was responsible for managing the Company's patent portfolio and all intellectual property issues facing the Company and its products. Prior to joining the Company in 2007, Mr. Gallagher spent 10 years in large, international law firms representing prominent consumer electronics, software, automotive and communications companies. He was associated with the law firms of O Melveny & Myers LLP and Crowell & Moring LLP where he specialized in patent litigation and patent prosecution, technology licensing, and patent portfolio management. Prior to his legal career, Mr. Gallagher worked as a software engineer in the defense and consumer electronics industries and as an IT professional for a public relations and marketing firm. Mr. Gallagher received a B.S. degree with honors from the University of Maryland, Baltimore County, and a J.D. degree with honors from Loyola Law School (Los Angeles). Mr. Gallagher is a registered patent attorney, admitted to practice in California and before the Federal Circuit Court of Appeals and United States Patent and Trademark Office.

### *Sverrir Olafsson*

Sverrir Olafsson was named VP Engineering at Conexant in 2004. In this position he has managed the development of various technologies for Conexant, including voice-band data modems, VoIP, Wireless LAN, MFP and currently Audio. Sverrir joined Rockwell International in 1986 and became the lead developer and architect of Rockwell's successful line of data modem products. Mr. Olafsson was a key participant in the V.34, V.90 and V.92 modem standards development where he submitted a number of contributions. From 1994 he led Rockwell's Iceland Design center and continued in that role as Conexant Systems spun out of Rockwell. Since 2005, Mr. Olafsson has been located at Conexant's headquarters in Newport Beach. Mr. Olafsson holds a bachelor's and master's degree in Electrical Engineering from the California Institute of Technology. He holds over 50 patents in communication technologies.

## **Family Relationships**

There are no family relationships among any of our directors and executive officers.

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

Prior to the completion of the Merger, our common stock was registered pursuant to Section 12(b) of the Securities Exchange Act of 1934 ( Exchange Act ) and was listed for trading on Nasdaq. Accordingly, for the portion of fiscal year 2011 prior to completion of the Merger, Section 16(a) of the Exchange Act required our directors, officers and beneficial owners of more than 10% of our common stock to file reports of ownership and changes in ownership with the SEC. To our knowledge, during that period of time, based solely upon a review of such reports and amendments thereto filed with the SEC during or with respect to fiscal year 2011, we did not



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identify any such report that was not timely filed. For the portion of fiscal year 2011 following completion of the Merger, no reports of ownership or changes in ownership were required to be filed pursuant to Section 16(a) of the Exchange Act by our directors, officers or beneficial owners of more than 10% of our common stock because we no longer had a class of equity securities registered pursuant to Section 12 of the Exchange Act during that period.

### **Code of Ethics**

The information required to be disclosed about our code of ethics is included under the heading "Code of Ethics and Code of Conduct" in Item 10 of the Annual Report.

### **Material Changes to the Procedures by which Security Holders May Recommend Nominees to Our Board**

Following the completion of the Merger, our common stock ceased trading on Nasdaq. There is currently no established public trading market for any of our securities. All of our outstanding common stock is currently held by Conexant Holdings. Accordingly, we do not currently have any policies or procedures by which security holders may recommend nominees to our board of directors.

### **Board Composition**

Our board of directors is currently comprised of four directors. Each director serves for an annual term and until his or her successor is elected and qualified. We are controlled by Conexant Holdings (and its affiliates), which has the ability to elect all of the members of our board of directors.

### **Board Committees**

The board of directors has the authority to appoint committees to perform certain management and administrative functions. The board of directors has provided for a 401(k) committee. The board of directors is not required to and has not provided for a separate audit committee, compensation committee or nominating and corporate governance committee (or any similar committees). Following completion of the Merger, the board of directors has not determined if any current member of the board is an "audit committee financial expert" as defined by SEC rules.

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**ITEM 11. EXECUTIVE COMPENSATION**

**Compensation Discussion and Analysis**

**Introduction**

On April 19, 2011, the Company completed a merger with Gold Acquisition Corp., a Delaware corporation, and a wholly owned subsidiary of Gold Holdings, Inc., a Delaware corporation, which was subsequently renamed Conexant Holdings, Inc. Pursuant to the Agreement and Plan of Merger, dated as of February 20, 2011, by and among the Company, Gold Holdings, Inc. and Merger Sub, Merger Sub was merged with and into the Company with the Company surviving as a wholly owned subsidiary of Conexant Holdings.

Notwithstanding the completion of the Merger, our current executive compensation philosophy and program is generally consistent with the executive compensation philosophy and program of the Predecessor, modified as appropriate to reflect that we are now a privately-owned company with closely-held debt. During the Predecessor period, the compensation committee of the board of directors was responsible for developing, implementing and administering our cash and equity compensation policies. At that time, our compensation committee's responsibilities included, among other things, determination of the cash and equity compensation paid to our executive officers, the establishment and administration of the Company's incentive programs and the review and approval of all stock options or other equity awards pursuant to the Company's equity compensation plans. Upon completion of the Merger, the incumbent members of the Predecessor board of directors, including each of the members of the compensation committee, resigned and new members were elected to the Successor board. Our board currently consists of four members, including three non-employee directors and Sailesh Chittipedi, our President and Chief Executive Officer. The Successor board is not currently required to, and has not, appointed a compensation committee. Instead, decisions with respect to executive compensation are now made by the full board of directors, which serves in the capacity as a compensation committee as appropriate. Our President and Chief Executive Officer generally does not participate in deliberations regarding his own compensation.

This Compensation Discussion and Analysis describes the compensation philosophy and program that we have adopted for our Named Executive Officers (NEOs) as required under the rules of the SEC. These rules require disclosure for (i) our principal executive officer and our principal financial officer, regardless of their total compensation level, (ii) any persons who served in such capacities during the last fiscal year regardless of whether their employment with the Company has ceased as of the end of the last completed fiscal year (these persons include D. Scott Mercer, our former principal executive officer, Jean Hu, our former principal financial officer, and David C. Walker, our former principal financial officer), and (iii) the three most highly compensated executive officers serving in such capacities at the end of our last completed fiscal year, other than the principal executive officer and principal financial officer referred to in (i) above. The executive officers (and former executive officers) referenced in (i) through (iii) above are collectively referred to in this Compensation Discussion and Analysis as our NEOs.

**Compensation Philosophy and Objectives**

The Company believes that executive compensation should be principally based on a pay-for-performance philosophy that rewards executives for exceptional performance and focuses management on critical short-term and long-term Company and individual performance objectives. Accordingly, in making executive compensation decisions, the board intends (and the compensation committee previously intended) to link a substantial portion of each executive officer's total compensation opportunity to the Company's overall business and financial performance, increases in stockholder value, and, in some cases, the achievement of individual performance objectives. In this regard, a key objective of the Company's executive compensation program is to encourage the achievement of sustained year-over-year financial performance by requiring that executive officers and other key members of senior management have a significant portion of their compensation tied directly to enhanced Company and stockholder value. At the senior executive level, this is accomplished in part by providing officers with an equity stake in the Company. During the Predecessor period, this was accomplished principally through grants of option awards or, in more recent years, through grants of restricted stock units (RSUs). During the Successor period, this is being accomplished principally through grants of options to purchase shares of Class A Common Stock of Conexant Holdings as described under the heading Elements of Executive Compensation

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Equity Incentive Compensation below. The Company believes that this type of equity-based compensation is appropriate for the Company's business and typical for companies in the industry in which it operates, and provides an important link between increases in the value of the Company and the compensation received by our senior management.

Against the framework of the aforementioned compensation philosophy, the principal objective of the Company's executive compensation programs is to attract, motivate and retain talented executives. Competition for talented executives in the high technology industry generally, and the semi-conductor industry in particular, is intense and so the Company must maintain an attractive and competitive executive compensation package. In order to accomplish this, the board strives to set for each of our executive officers an overall compensation package consisting of a fixed salary, cash incentive compensation, equity compensation and other compensation and benefits at competitive levels for our industry that will allow us to retain our executives and, to the extent necessary, attract new executive talent, while also motivating our executive management team to perform in a manner that creates value for our stockholder. In addition, the equity compensation portion of the compensation package typically includes a time-based vesting component to create a meaningful incentive for executives to remain in the employ of the Company over a significant period of time.

Ultimately, there are many factors, both internal to the Company and external in the marketplace, which are considered when designing and implementing the Company's executive compensation program. The board's judgment in making its decisions is a critical part of the compensation program and, we believe, helps give the Company flexibility in designing incentives to attract, motivate and retain talented executive officers.

Our overall executive compensation philosophy and the above guidelines drive the specific elements of compensation that we choose to provide to our executive officers, as well as our decisions concerning the percentage mix of elements (e.g., cash vs. non-cash and short-term vs. long-term) that comprise each individual compensation package. How our elements of compensation are designed around our compensation philosophy and guidelines to achieve specific objectives are discussed in more detail under the heading Elements of Executive Compensation below.

### **Effect of Merger on Executive Compensation**

Following completion of the Merger, the Company's board determined that the executive compensation philosophy and policies that existed during the Predecessor period were generally appropriate with respect to their focus on rewarding achievement of Company performance objectives and attracting, motivating and retaining executive talent. Therefore, the board did not significantly modify our executive compensation philosophies or policies following the Merger, and the Company's current executive compensation approach remains substantially similar to the Company's approach prior to completion of the Merger. In particular, the board did not significantly adjust the type of compensation elements that are paid (e.g., base salary, cash incentive compensation, equity compensation, etc.) or the relative percentage mix of those compensation elements. However, the completion of the Merger did result in a few noteworthy changes to our executive compensation process and policies as follows:

Executive compensation decisions which were made by the Company's compensation committee before the Merger are now made by the Company's full board of directors, including our President and Chief Executive Officer.

Mr. Chittipeddi was appointed President and Chief Executive Officer of the Company. We entered into an employment agreement with Mr. Chittipeddi, which is discussed in more detail under the heading Employment Agreements below.

Mr. Bakos was hired to serve as Vice President, Worldwide Sales of the Company. We entered into an employment agreement with Mr. Bakos, which is discussed in more detail under the heading Employment Agreements below.

Mr. Mills was hired to serve as Chief Financial Officer and Secretary of the Company.

Mr. Gallagher was appointed Vice President, Legal, General Counsel, and Assistant Secretary.

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The type of equity securities issued to our executive officers under the equity incentive portion of our compensation programs changed (from RSUs to options to purchase shares of Conexant Holdings) as a result of the change to the Company's ownership structure following completion of the Merger, as discussed in greater detail under the heading Elements of Executive Compensation Equity Incentive Compensation below.

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### **Role of Board of Directors and Management**

Following completion of the Merger, the Successor board is not required to, and has not, appointed a compensation committee. Instead, decisions with respect to executive compensation are now made by the full board of directors, which serves in the capacity as a compensation committee when appropriate. Accordingly, the board has the primary authority and responsibility for determining our compensation philosophy and objectives and establishing compensation for our executive officers and key management personnel, including our NEOs. As discussed above, the board has not significantly changed the compensation philosophy and objectives that existed prior to completion of the Merger and does not expect to significantly change the philosophy or objectives in the near future.

The board (excluding our President and Chief Executive Officer) will annually review and consider the performance of our President and Chief Executive Officer and, in line with our compensation philosophy, determine compensation for our President and Chief Executive Officer. The full board will annually review and consider the performance of our executive management team (other than our President and Chief Executive Officer) and, in line with our compensation philosophy, determine compensation for the other members of our executive management team.

Our President and Chief Executive Officer, as a member of the board, assists with establishing the compensation of our executive management team, including our NEOs, by providing evaluations of their performance and recommendations to the board regarding their compensation. Other members of executive management may participate in discussions about executive compensation as requested by the board. Executive officers, including our President and Chief Executive Officer, generally do not participate in deliberations regarding their own compensation.

### **Compensation Consultant**

Prior to the Merger, the Company's compensation committee engaged Frederic W. Cook & Co. ( FWC ) as an independent compensation consultant to bring expertise and independence to the Company's deliberations with regard to executive compensation issues. During fiscal year 2010, FWC reviewed and advised the compensation committee on several topics, including pay-for-performance disclosure, the perquisite program for NEOs, and the proxy statement filed with respect to the 2011 annual meeting of stockholders. However, the Company did not retain the services of FWC or any other compensation consultant during fiscal year 2011.

The Company has not utilized the services of a compensation consultant since the completion of the Merger, and does not expect to utilize such services in the foreseeable future. However, the board retains the right to hire a compensation consultant in the future if it deems necessary or appropriate.

### **Peer Group Data / Benchmarking**

In establishing compensation levels for the Company's executive officers, the board considers total compensation levels of U.S.-based semiconductor and other high technology companies, including companies of similar size to the Company. The board also takes into account that the Company is privately-owned. However, while general market surveys may provide a reference point for making executive compensation decisions, including with respect to the establishment of base salaries and cash bonus targets, the Company principally relies on the judgment of the board members and the recommendations of management, as well as outside consultants as necessary. As discussed above, the Company has not engaged any outside consultants to assist in making executive compensation decisions for fiscal year 2011.

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### **Elements of Executive Compensation**

#### *Base Salary*

Base salary is intended to provide our executive officers with a reasonable base level of compensation that is required to attract and retain their services. In general, we believe that base salaries should provide financial security for our executive officers by providing a guaranteed amount of compensation in the event that incentive compensation is not earned. We intend base salaries to be competitive with salaries within our peer group generally, so that we can compete effectively in the market for talented individuals to serve as our executives and to retain those executives.

We determine base salaries for executive officers principally based on each of their positions, duties and levels of responsibility. In so doing, we have historically taken into account the salary ranges for comparable positions, and the scope of duties and levels of responsibility associated with those positions, at similarly-sized companies in the semi-conductor and high technology industries. The board reviews the base salaries of each of our executive officers periodically, in the context of individual and Company performance, market survey data, the Company's overall ability to pay, internal pay equity, contractual arrangements, the experience level and contribution of the executive to the Company, and other factors deemed relevant by the board.

#### *Cash Incentive Compensation*

The Company believes that an important element of executive compensation is variable cash incentive compensation, and that this form of compensation should be based on the achievement of key Company quantitative or qualitative performance objectives. The Company also believes that, if the performance criteria is met, this cash incentive compensation should represent a meaningful portion of the executive officers total compensation potential. The following is a discussion of the Company's various cash incentive programs pursuant to which the NEOs are (or were) eligible to participate.

2010 Management Incentive Plan. In October 2009, the Company's compensation committee adopted the 2010 Management Incentive Plan ( "2010 Plan" ). The 2010 Plan served as a framework under which target cash bonuses were established for, and earned by, the NEOs. In determining whether cash bonuses were earned under the 2010 Plan, the compensation committee assessed the Company's achievement of core operating income to determine the Company's financial performance level for the period. Core operating income was calculated as core gross profit less core operating expenses with certain adjustments specified in the 2010 Plan. The compensation committee believed that core operating income provided the appropriate measure for assessing achievement under the 2010 Plan, because it was a measure of both Company performance and management team effectiveness. However, the compensation committee also had the authority to take into consideration a number of other criteria in assessing the achievement of cash bonuses under the 2010 Plan, including the Company's overall performance, the performance of individual NEOs, and the committee's subjective discretion. Thus, while the 2010 Plan was an equity incentive compensation plan in some respects, it also retained some qualities of a discretionary cash bonus plan.

2011 Management Incentive Plan. In November 2010, the compensation committee adopted the Predecessor Management Incentive Plan ( "MIP" ) for fiscal year 2011. The MIP was an annual cash bonus plan and was intended to be similar in many respects to the 2010 Plan. All NEOs were eligible to participate in the MIP (as well as certain other employees as determined by the Chief Executive Officer). Under the MIP, each eligible employee, including each of the NEOs, was eligible to receive an annual bonus award based upon the employee's target bonus, the employee's performance during fiscal year 2011, and the size of an incentive pool to be determined by the compensation committee. In exercising its discretion to determine the size of the incentive pool, if any, the compensation committee was given the authority to consider all circumstances that it deemed relevant, including the achievement of certain fiscal year 2011 core operating profit goals, market conditions, current financial forecasts and anticipated expenses to be incurred or payable during fiscal year 2011. In addition, the compensation committee was given the discretion to increase or decrease individual awards from the target bonus levels based on individual performance and the available incentive pool. Thus, similar to the 2010 Plan, while the MIP was an equity incentive compensation plan in some respects, it also retained some qualities of a discretionary cash bonus plan.

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The bonus target amounts for fiscal year 2011 were set by the compensation committee and were generally consistent with the levels established for each NEO in recent years. In establishing the 2011 target bonuses, the compensation committee reviewed the targeted amounts versus prior year levels and industry survey data, and also considered factors such as internal pay equity and the Company's recent financial performance and ability to pay. Following this analysis, the annual target bonuses (as a percentage of each NEO's base salary) for the NEOs for fiscal year 2011 were set as follows:

<b>Name</b>	<b>Target Bonus for Fiscal Year 2011</b>
D. Scott Mercer	100%
Sailesh Chittipeddi	80%
Dennis Gallagher	30%
Sverrir Olafsson	30%
Jean Hu	70%
David Walker	24%

As discussed above, target cash bonus amounts under the MIP were determined by the compensation committee in its discretion. As it did under the 2010 Plan, when determining whether cash bonuses would be earned under the MIP in fiscal year 2011, the compensation committee assessed the Company's achievement of core operating income to determine the Company's financial performance level for the period. The compensation committee determined that core operating income provided the appropriate measure because it is a meaningful measure of both Company performance and management team effectiveness.

The compensation committee determined that no cash bonuses would be paid under the MIP if the Company did not achieve core operating income of at least 10% for the first two quarters of fiscal year 2011. The compensation committee then assessed the Company's achievement with respect to the core operating income target during the first half of fiscal year 2011 and determined that the Company had not achieved the targeted amount. In addition, in light of the circumstances surrounding the consideration, negotiation and completion of the Merger, the compensation committee did not establish modified performance targets under the MIP for the second half of fiscal year 2011. As a result, no cash bonuses were earned under the MIP in fiscal year 2011.

2012 Management Incentive Plan. The Company continues to believe that variable cash incentive compensation is an important element of executive officer compensation. Accordingly, the Company expects to adopt a 2012 Management Incentive Plan (or similar compensation plan) with respect to the payment of cash bonuses for fiscal year 2012. However, as of the date of this Amendment, no such plan has been adopted by the board. As a result, the board has not yet determined the amount of any executive bonus targets, the size of any incentive bonus pool, or the performance criteria that will be used to assess achievement under the plan.

*Sales Incentive Plan*

In keeping with the Company's philosophy of providing variable cash compensation that is based on the achievement of key Company quantitative or qualitative performance objectives, the Company has established a Sales Incentive Plan that is available to certain of the Company's employees, including Mr. Bakos. None of the other NEOs are eligible to receive payments under the Sales Incentive Plan.

The Sales Incentive Plan was created to incentivize members of the Company's sales and applications engineering team to increase sales, increase the use of our products in our customers' products, reward individuals for their own contributions to the Company's success, and enable the retention and recruitment of talented sales and design team members. The Company feels it is appropriate to include Mr. Bakos in the Sales Incentive Plan in light of his role as Vice President, Worldwide Sales. Due to Mr. Bakos' participation in the Sales Incentive Plan, it is not expected that he will be eligible to participate in the 2012 Management Incentive Plan once it is adopted.

The following is a summary of the material terms of the Sales Incentive Plan.

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2011 Sales Incentive Plan. Potential compensation under the 2011 Sales Incentive Plan is derived from meeting Company performance goals in two key areas: (1) revenue incentives, and (2) design and production win incentives. Achievement with respect to each performance goal is weighted equally under the plan such that 50% of the potential sales incentive compensation is tied to the revenue incentive and 50% of the potential sales incentive compensation is tied to the design and production win incentive. Performance targets for each of these components were set by management semiannually and payments under the plan were made on a quarterly basis.

Revenue Incentives: Under this component of the Sales Incentive Plan, each 1% increase in revenue above a minimum of 75% of the revenue target established by management resulted in a 4% increase in incentive compensation for the quarter. For example, if the revenues achieved equaled 80% of the established quota, the incentive payment would equal 20% ( $100\% + ((80\% - 100\%) \times 4)$ ) of the revenue portion of the target incentive compensation. Similarly, if the revenues achieved equaled 110% of the established quota, the incentive payment would equal 140% ( $100\% + ((110\% - 100\%) \times 4)$ ) of the revenue portion of the target incentive compensation.

Design and Production Win Incentives: Incentives paid under this portion of the Sales Incentive Plan required the achievement of design wins, which were defined as written confirmation that a customer is incorporating a Conexant device in a product under development and customer resources have been assigned to the development, and production wins, which were defined as receipt by the Company of the initial order for production volumes of our device incorporated in a new customer product. Design and production win quotas were set semiannually. Each design win was worth either one-half of a point or two points depending on the importance of the design opportunity, which was at the discretion of management. Similarly, each production win was worth either one-half of a point or two points, depending on the importance of the design opportunity, which was also at the discretion of management.

The total points associated with forecast design and production win activity for the second half of fiscal year 2011 became Mr. Bakos' design quota for the second half of 2011. Each percentage increase in actual results earned above the quota established translated into a 1% increase in the design and production win incentive compensation earned by Mr. Bakos.

Pursuant to the terms of his employment agreement, Mr. Bakos' target bonus amount for fiscal year 2011 was \$192,500 (70% of his base salary of \$275,000). Because Mr. Bakos joined the Company in July 2011, which was in the Company's fourth fiscal quarter, he was only eligible to earn sales incentive compensation with respect to one fiscal quarter. As a result, Mr. Bakos' target incentive compensation for fiscal year 2011 was \$48,125 ( $\$192,500 / 4$ ).

As noted above, the Sales Incentive Plan provides that a participant is eligible to earn 50% of the targeted amount based on revenue incentives and 50% based on design and production win incentives. Mr. Bakos did not earn any sales incentive compensation based on the achievement of revenue results compared with our revenue objective for the second half of fiscal 2011. However, he did earn 80.4% of his design and production win target compensation, based on the Company's results for the second half of fiscal 2011. As a result, Mr. Bakos earned a sales incentive compensation payment of \$19,354 ( $\$48,125 \times 50\% \times 80.4\%$ ) under the Sales Incentive Plan in fiscal year 2011.

2012 Sales Incentive Plan. The 2012 Sales Incentive Plan is substantially similar to the 2011 Sales Incentive Plan with some key differences. First, only 40% of the potential sales incentive payment is based on revenue incentives. Second, the category based on design and production wins was separated into two discrete components:

Design Incentives: A design in is earned when a customer has either sent an email confirming the use of a device designed by the Company or sent a schematic showing a Company device on its design. Quarterly design in quotas are set annually, measured as the revenue value of required design in activity. The value of an actual design in is the forecast revenue associated with the specific opportunity, subject to certain maximum amounts per design in. In 2012, design in incentives account for 30% of the total possible incentive compensation under the 2012 Sales Incentive Plan.

Design Win Incentives: As in 2011, a design win incentive is defined as the Company having booked a production purchase order for a device in a specified program. Quarterly design win quotas are set annually, measured as the revenue value of required design win activity. The value of an actual design win is the forecast revenue associated with the specific opportunity, subject to certain maximum amounts per production win. In 2012, design win incentives account for 30% of the total possible incentive compensation under the 2012 Sales Incentive Plan.





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Pursuant to the terms of his employment agreement, Mr. Bakos' target sales incentive compensation for fiscal year 2012 is again \$192,500 (70% of his base salary of \$275,000). Compensation for design in and design wins is capped at 125% and 150% of target compensation, respectively. For fiscal year 2012, Mr. Bakos' total quarterly sales incentive compensation is capped at 120% of target compensation. However, sales incentive compensation for annual results may exceed 120% of the target compensation although sales incentive compensation may not exceed 200% of the target compensation without specific board approval.

The board retains discretion to change the amounts or timing of amounts paid under the 2012 Sales Incentive Plan.

*Discretionary Cash Bonuses*

The Company believes that discretionary cash bonuses play an important role in furthering the Company's executive compensation objective of attracting, motivating and retaining talented executives. The principal reason for this is that discretionary bonuses allow the Company to retain considerable flexibility to augment the executive compensation package with cash bonuses that reward NEOs for significant contributions to the performance of the Company's business. It is the Company's policy that discretionary bonuses may be granted to the NEOs based on factors determined by the board, including Company or business segment financial performance, individual performance or achievement, or other subjective factors as determined by the board.

The following is a description of the significant discretionary cash bonuses that were awarded to NEOs during fiscal year 2011.

In February 2011, Ms. Hu received a \$31,302 bonus under the Refresh and Renew Program (see discussion below).

In May 2011, in connection with his appointment as our Vice President, Worldwide Sales, Mr. Bakos received a discretionary cash signing bonus of \$30,000.

In September 2011, in connection with his appointment as our Chief Financial Officer, Mr. Mills received a one-time cash relocation bonus of \$10,000.

Refresh and Renew Program. The Predecessor adopted a discretionary bonus program referred to as the Refresh and Renew Program that was generally available to all Company employees. The program was designed to recognize specific individual or team contributions, such as an extensive commitment of time to the Company over an extended period. Under the program, the Company would reimburse an employee for actual vacation expenses incurred during the employee's time off and pay the associated taxes related to the payment. The intent of the payment was to encourage employees that dedicate significant time and energy to the Company, to be able to enjoy their time off and return to work more engaged, energized and focused. The Refresh and Renew Program has been terminated and it is not expected that it will be reestablished by the Successor.

*Management Equity Investments*

Following completion of the Merger, certain of our NEOs voluntarily made a direct investment in Conexant Holdings, which owns all of the Company's issued and outstanding shares of capital stock, through the purchase of shares of Class L Common Stock of Conexant Holdings (the Class L Common Stock). The number of shares of Class L Common Stock purchased by these NEOs is set forth in the table below:

Name	Number of Shares of Class L Common Stock
Sailesh Chittipeddi	60,283.7
Carl M. Mills	8,037.8
Steven Bakos	10,047.3
Dennis Gallagher	8,037.8
Sverrir Olafsson	8,037.8



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While the purchases of the Class L Common Stock were made directly by these NEOs, and were not made pursuant to any particular component of the Company's executive compensation program, we believe that the purchase of the Class L Common Stock is relevant to the discussion of our executive compensation programs. This is because we believe that the purchases will encourage these NEOs to be committed to the Company in light of the significant personal investment they have made in the Company. We also believe that the purchases will motivate these NEOs to contribute to the achievement of outstanding financial performance by the Company that creates value for our stockholder because their economic interests are aligned with those of our stockholder.

### *Equity Incentive Compensation*

In furtherance of the Company's pay-for-performance philosophy, and in an effort to create a direct link between executive compensation and the enhancement of stockholder value, the Company believes that long-term equity incentive grants for executive officers are an important element of executive compensation. The Company also believes that appropriately structured equity incentive grants can further the Company's objective of attracting, motivating and retaining talented executives.

Historically, long-term incentive compensation was delivered principally through the grant of stock options. In the years immediately prior to the Merger, the Company's equity awards to executive officers were principally made in the form of RSUs. The compensation committee believed that these RSUs appropriately linked the recipient's interests with those of our stockholder since the ultimate value of the awards was dependent upon the Company's stock price. In addition, the compensation committee believed that these RSUs were effective in serving as a retention tool because they typically were subject to time-based vesting over a period of several years. The compensation committee was charged with reviewing and approving all material aspects of the long-term incentive awards for NEOs, including the recipients of awards, the amount of the awards, and the timing of the grants, in each case after taking into account such factors as it deemed appropriate under the circumstances.

*Grants of RSUs in Fiscal Year 2011.* In December 2010, the Company granted to Jean Hu, the Company's then-current Chief Financial Officer, Treasurer and Senior Vice President Business Development, an award of 100,000 RSUs. The RSUs would have vested on the third anniversary of the date of grant. These RSUs were cancelled in connection with the Merger as discussed below.

*Effect of Merger on Outstanding RSUs.* In connection with the completion of the Merger, all RSUs outstanding under the Company's long-term incentive plans were either exchanged for cash as fully vested or replaced by stock option grants pursuant to the 2011 Incentive Compensation Plan described below. There are currently no equity compensation plans under which equity securities of the Company are authorized for issuance.

*2011 Incentive Compensation Plan.* In August 2011, the board of directors of Conexant Holdings (the Holdings Board), the direct parent of the Company, approved the Conexant Holdings, Inc. 2011 Incentive Compensation Plan (the 2011 Plan). The purpose of the 2011 Plan is to enable Holdings to offer eligible persons equity-based incentive awards in order to attract, retain and reward such individuals and strengthen the mutuality of interests between such individuals and the stockholders of Conexant Holdings. The 2011 Plan authorizes Conexant Holdings to issue non-qualified stock options to eligible employees, non-employee directors and consultants of Conexant Holdings and its affiliates (including the Company). Pursuant to the 2011 Plan, Holdings may issue options to purchase up to 25.0 million shares of the Class A Common Stock of Conexant Holdings (the Class A Common Stock), subject to adjustment as described therein. The 2011 Plan may be administered by the Holdings Board or a committee established by the Holdings Board. This committee has the authority, among other things, to (i) select the individuals to whom options may be granted, (ii) determine the number of shares of Class A Common Stock to be covered by each option granted, (iii) determine the terms and conditions of any option granted (including the exercise or purchase price, any vesting schedule or acceleration, or any forfeiture restrictions), (iv) determine whether and under what circumstances an option may be settled in cash and/or Class A Common Stock, and (v) determine whether and under what circumstances to modify, extend or renew any option granted. The 2011 Plan will terminate on August 26, 2021.

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As discussed above, the Holdings Board (or a committee established by the Holdings Board) reviews and approves all material aspects of stock option awards for NEOs granted under the 2011 Plan. The Holdings Board determines the number of stock options awarded to individual NEOs based on many factors, including the NEOs title, duties, level of responsibility, contributions made (or expected to be made) to the Company, and other factors deemed appropriate by the Holdings Board (or the committee).

*Option Grants Under the 2011 Plan.* In August 2011, following the adoption of the 2011 Plan, the board of directors of Conexant Holdings (and the board of directors of the Company) approved the grant of non-qualified stock options under the 2011 Plan to Mr. Chittipeddi. The stock options that were granted include (i) an option to purchase 745,614 shares at an exercise price of \$0.05 per share, (ii) an option to purchase 828,460 shares at an exercise price of \$2.77 per share, and (iii) an option to purchase 925,926 shares at an exercise price of \$6.14 per share. Each of the stock options vest as to 20% of the shares covered by the option on each of the first, second, third, fourth and fifth anniversaries of the date of grant. Each of the stock options were granted pursuant to the Company's standard form of Stock Option Agreement.

Additional options have been granted to the other NEOs under the 2011 Plan. See the Fiscal Year 2011 Outstanding Equity Awards at Fiscal Year-End Table for additional information regarding these grants.

As of January 30, 2011, a total of 12,757,500 options have been granted pursuant to the 2011 Plan.

### *Retirement Benefits*

For all U.S. employees, including the NEOs, the Company provides a 401(k) Retirement Savings Plan with Company matching contributions as the only tax-qualified retirement plan. The plan provides a basic benefit for employees and NEOs to allow them to save money on a pretax basis for retirement. Without this benefit the Company believes it would have a disadvantage in attempting to attract, motivate and retain executive officers and other employees. During difficult financial circumstances facing the Company in fiscal year 2009, the Company suspended the Company match, which was 4% of base salary for each 6% of an employee's contribution up to the statutory tax-qualified plan limits. As Company performance improved, in early fiscal year 2010, the Company reinstated the Company match for most employees. The plan currently provides for a maximum Company match of 2% of base salary for each 6% of an employee's contribution up to the statutory tax-qualified plan limits. The Company's NEOs and certain members of management are eligible to participate in the plan; however, these individuals are not eligible for the Company match in the program. The intent of reinstating the Company match was to encourage retirement savings, and to provide what the Company believes to be a standard and competitive compensation benefit. The Company believes it is more important to exclude management from participation in the Company match and create a more meaningful matching benefit for other employees. This is because the Company believes that management, including the NEOs, has a greater ability (versus the broader group of employees) to fund retirement through other compensation vehicles including equity award participation. The Company will continue to review the design of, and benefits provided under, the plan to ensure that it meets the objective of attracting, motivating and retaining employees at all levels of the Company in light of the Company's ability to make contributions to the plan.

The Company does not sponsor any pension or defined benefit plans for the benefit of any of the NEOs. The board does not presently foresee adopting any such plans.

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### *Perquisites*

We provide health and welfare benefits, long-term disability insurance, life insurance and other benefits that we believe are typical and necessary in order to attract and retain employees. We generally do not provide perquisites to our NEOs above and beyond the benefits that are generally available to all of our employees.

### **Severance / Change of Control Agreements**

Severance and change of control benefits are designed to facilitate the Company's ability to attract, motivate and retain executives as it competes for talented employees in a marketplace where, the Company believes, such protections are commonly offered. The rationale for including these benefits in the employment agreements for certain NEOs is to encourage the NEOs to remain focused on our business in the event of a potential or actual fundamental corporate changes. These benefits typically consist of some combination of continued base salary payments, continued health and welfare benefits, and the acceleration of vesting of outstanding equity-based awards, such as options or RSUs.

### *Successor Period*

To support our compensation objective of attracting, retaining and motivating talented executives, we have adopted severance policies that apply to Messrs. Chittipeddi and Bakos. These policies are not contained within standalone agreements, but are instead included within their respective employment agreements. Additional information regarding the specific employment agreement provisions that address severance arrangements is set forth under the heading "Employment Agreements" below.

The Company has not adopted any standalone change of control agreements or policies.

### *Predecessor Period*

During the period prior to the Merger, the Company entered into employment agreements with each of Messrs. Chittipeddi and Mercer and Ms. Hu that contain severance and/or change in control payment provisions. A summary of the relevant provisions of these employment agreements is set forth below.

**Sailesh Chittipeddi.** The Company and Mr. Chittipeddi entered into an employment agreement prior to the Merger, which has now been replaced with a new employment agreement (discussed under the heading "Employment Agreements" below) following Mr. Chittipeddi's promotion to President and Chief Executive Officer. Under the prior employment agreement, if the Company terminated Mr. Chittipeddi's employment as Executive Vice President, Global Operations and Chief Technology Officer without cause (as defined in that agreement): (i) the Company would pay him a cash lump-sum equal to (x) any unpaid base salary (and any other unpaid amounts) accrued through his termination date, plus (y) one times Mr. Chittipeddi's annual base salary; (ii) the Company would continue to provide coverage under the Company's health insurance plan to him and his eligible dependents for 18 months after the date of his termination; and (iii) all of his options and non-performance based RSUs would become fully vested and Mr. Chittipeddi would be permitted to exercise all vested options until the earlier of (A) the 15 month anniversary of his termination date, or (B) the expiration date of such options set forth in the option awards. If a change in control (as defined in that agreement) occurred, Mr. Chittipeddi's outstanding and unvested stock options and time-based restricted stock and RSUs would become fully vested.

**D. Scott Mercer.** The Company and Mr. Mercer entered into an employment agreement setting forth the terms and conditions of Mr. Mercer's employment as the former Chief Executive Officer of the Company. Under the agreement, if the Company terminated Mr. Mercer's employment as Chief Executive Officer without cause or he resigned as Chief Executive Officer for good reason (each as defined in that agreement): (i) the Company would pay him a cash lump-sum equal to (v) any unpaid base salary (and any other unpaid amounts) accrued through his termination date, plus (w) a pro-rata share of his target bonus for the fiscal year in which his termination occurs, plus (x) two times his base salary, plus (y) two times his annual target bonus, plus (z) \$200,000; (ii) the Company would continue to provide coverage under the Company's health insurance plan to him for 18 months after the date of his termination; and (iii) all of his options and non-performance based RSUs would become fully vested and Mr. Mercer would be permitted to exercise all vested options until the earlier of (A) the second anniversary of his

(b)

Percent of class:

0.2%

(c) Number of shares as to which the person has:

(i) Sole power to vote or to direct the vote

Franklin Resources, Inc.: 0

Charles B. Johnson: 0

Rupert H. Johnson, Jr.: 0

Franklin Advisers, Inc.: 88,800

Fiduciary Trust Company International: 14,100

Franklin Templeton Institutional, LLC: 0

(ii) Shared power to vote or to direct the vote

0

(iii) Sole power to dispose or to direct the disposition of

Franklin Resources, Inc.: 0

Charles B. Johnson: 0

Rupert H. Johnson, Jr.: 0

Franklin Advisers, Inc.: 88,800

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Franklin Templeton Institutional, LLC:	40,400
Fiduciary Trust Company International:	14,100
(iv) Shared power to dispose or to direct the disposition of	
0	

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CUSIP NO. 768573107 13G  
Item 5. Ownership of Five Percent or Less of a Class

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If this statement is being filed to report the fact that as of the date hereof the reporting person has ceased to be the beneficial owner of more than five percent of the class of securities, check the following X.

Item 6. Ownership of More than Five Percent on Behalf of Another Person

The clients of the Investment Management Subsidiaries, including investment companies registered under the Investment Company Act of 1940 and other managed accounts, have the right to receive or power to direct the receipt of dividends from, and the proceeds from the sale of, the Securities.

Item 7. Identification and Classification of the Subsidiary Which Acquired the Security Being Reported on By the Parent Holding Company

See Attached Exhibit C

Item 8. Identification and Classification of Members of the Group

Not Applicable

Item 9. Notice of Dissolution of Group

Not Applicable

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Item 10. Certification

By signing below I certify that, to the best of my knowledge and belief, the securities referred to above were acquired and are held in the ordinary course of business and were not acquired and are not held for the purpose of or with the effect of changing or influencing the control of the issuer of the securities and were not acquired and are not held in connection with or as a participant in any transaction having that purpose or effect.

Exhibits

Exhibit A - Joint Filing Agreement

Exhibit B - Limited Powers of Attorney for Section 13 Reporting Obligations

Exhibit C - Item 7 Identification and Classification of Subsidiaries

SIGNATURE

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this statement is true, complete and correct.

Dated: January 19, 2010

Franklin Resources, Inc.

Charles B. Johnson

Rupert H. Johnson, Jr.

By:

/s/ ROBERT C. ROSSELOT

Robert C. Rosselot  
Assistant Secretary of Franklin Resources, Inc.

Attorney-in-Fact for Charles B. Johnson pursuant to Limited Power of Attorney attached to this  
Schedule 13G

Attorney-in-Fact for Rupert H. Johnson, Jr. pursuant to Limited Power of Attorney attached to this  
Schedule 13G



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EXHIBIT A

JOINT FILING AGREEMENT

In accordance with Rule 13d-1(k) under the Securities Exchange Act of 1934, as amended, the undersigned hereby agree to the joint filing with each other of the attached statement on Schedule 13G and to all amendments to such statement and that such statement and all amendments to such statement are made on behalf of each of them.

IN WITNESS WHEREOF, the undersigned have executed this agreement on  
January 19, 2010.

Franklin Resources, Inc.

Charles B. Johnson

Rupert H. Johnson, Jr.

By:

/s/ ROBERT C. ROSSELOT

-----

Robert C. Rosselot  
Assistant Secretary of Franklin Resources, Inc.

Attorney-in-Fact for Charles B. Johnson pursuant to Limited Power of Attorney attached to this  
Schedule 13G

Attorney-in-Fact for Rupert H. Johnson, Jr. pursuant to Limited Power of Attorney attached to this  
Schedule 13G

CUSIP NO. 768573107

13G

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EXHIBIT B

LIMITED POWER OF ATTORNEY  
FOR  
SECTION 13 REPORTING OBLIGATIONS

Know all by these presents, that the undersigned hereby makes, constitutes and appoints each of Robert Rosselot and Maria Gray, each acting individually, as the undersigned's true and lawful attorney-in-fact, with full power and authority as hereinafter described on behalf of and in the name, place and stead of the undersigned to:

- (1) prepare, execute, acknowledge, deliver and file Schedules 13D and 13G (including any amendments thereto or any related documentation) with the United States Securities and Exchange Commission, any national securities exchanges and Franklin Resources, Inc., a Delaware corporation (the Reporting Entity), as considered necessary or advisable under Section 13 of the Securities Exchange Act of 1934 and the rules and regulations promulgated thereunder, as amended from time to time (the Exchange Act); and
- (2) perform any and all other acts which in the discretion of such attorney-in-fact are necessary or desirable for and on behalf of the undersigned in connection with the foregoing.

The undersigned acknowledges that:

- (1) this Limited Power of Attorney authorizes, but does not require, each such attorney-in-fact to act in their discretion on information provided to such attorney-in-fact without independent verification of such information;
- (2) any documents prepared and/or executed by either such attorney-in-fact on behalf of the undersigned pursuant to this Limited Power of Attorney will be in such form and will contain such information and disclosure as such attorney-in-fact, in his or her discretion, deems necessary or desirable;
- (3) neither the Reporting Entity nor either of such attorneys-in-fact assumes (i) any liability for the undersigned's responsibility to comply with the requirements of the Exchange Act or (ii) any liability of the undersigned for any failure to comply with such requirements; and
- (4) this Limited Power of Attorney does not relieve the undersigned from responsibility for compliance with the undersigned's obligations under the Exchange Act, including without limitation the reporting requirements under Section 13 of the Exchange Act.

The undersigned hereby gives and grants each of the foregoing attorneys-in-fact full power and authority to do and perform all and every act and thing whatsoever requisite, necessary or appropriate to be done in and about the foregoing matters as fully to all intents and purposes as the undersigned might or could do if present, hereby ratifying all that each such attorney-in-fact of, for and on behalf of the undersigned, shall lawfully do or cause to be done by virtue of this Limited Power of Attorney.

This Limited Power of Attorney shall remain in full force and effect until revoked by the undersigned in a signed writing

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delivered to each such attorney-in-fact.

IN WITNESS WHEREOF, the undersigned has caused this Limited Power of Attorney to be executed as of  
this 30th day of April, 2007

/s/Charles B. Johnson  
Signature

Charles B. Johnson  
Print Name

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LIMITED POWER OF ATTORNEY  
FOR  
SECTION 13 REPORTING OBLIGATIONS

Know all by these presents, that the undersigned hereby makes, constitutes and appoints each of Robert Rosselot and Maria Gray, each acting individually, as the undersigned's true and lawful attorney-in-fact, with full power and authority as hereinafter described on behalf of and in the name, place and stead of the undersigned to:

- (1) prepare, execute, acknowledge, deliver and file Schedules 13D and 13G (including any amendments thereto or any related documentation) with the United States Securities and Exchange Commission, any national securities exchanges and Franklin Resources, Inc., a Delaware corporation (the Reporting Entity), as considered necessary or advisable under Section 13 of the Securities Exchange Act of 1934 and the rules and regulations promulgated thereunder, as amended from time to time (the Exchange Act); and
- (2) perform any and all other acts which in the discretion of such attorney-in-fact are necessary or desirable for and on behalf of the undersigned in connection with the foregoing.

The undersigned acknowledges that:

- (1) this Limited Power of Attorney authorizes, but does not require, each such attorney-in-fact to act in their discretion on information provided to such attorney-in-fact without independent verification of such information;
- (2) any documents prepared and/or executed by either such attorney-in-fact on behalf of the undersigned pursuant to this Limited Power of Attorney will be in such form and will contain such information and disclosure as such attorney-in-fact, in his or her discretion, deems necessary or desirable;
- (3) neither the Reporting Entity nor either of such attorneys-in-fact assumes (i) any liability for the undersigned's responsibility to comply with the requirements of the Exchange Act or (ii) any liability of the undersigned for any failure to comply with such requirements; and
- (4) this Limited Power of Attorney does not relieve the undersigned from responsibility for compliance with the undersigned's obligations under the Exchange Act, including without limitation the reporting requirements under Section 13 of the Exchange Act.

The undersigned hereby gives and grants each of the foregoing attorneys-in-fact full power and authority to do and perform all and every act and thing whatsoever requisite, necessary or appropriate to be done in and about the foregoing matters as fully to all intents and purposes as the undersigned might or could do if present, hereby ratifying all that each such attorney-in-fact of, for and on behalf of the undersigned, shall lawfully do or cause to be done by virtue of this Limited Power of Attorney.

This Limited Power of Attorney shall remain in full force and effect until revoked by the undersigned in a signed writing delivered to each such attorney-in-fact.

IN WITNESS WHEREOF, the undersigned has caused this Limited Power of Attorney to be executed as of this 25th day of April, 2007

/s/ Rupert H. Johnson, Jr.  
Signature

Rupert H. Johnson, Jr.  
Print Name

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CUSIP NO. 768573107

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EXHIBIT C

Franklin Advisers, Inc.

Item 3 Classification: 3(e)

Franklin Templeton Institutional, LLC

Item 3 Classification: 3(e)

Fiduciary Trust Company International

Item 3 Classification: 3(b)