MINDSPEED TECHNOLOGIES, INC
Form DEF 14A
January 29, 2009

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SCHEDULE 14A INFORMATION

PROXY STATEMENT PURSUANT TO SECTION 14(a) OF THE SECURITIES EXCHANGE ACT OF 1934

(AMENDMENT NO.___)

Filed by the Registrant þ

Filed by a Party other than the Registrant o

Check the appropriate box:

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

MINDSPEED TECHNOLOGIES, 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):

þ Fee not required.
o Fee computed on table below per Exchange Act Rules 14a-6(i)(4) and 0-11.
(1) Title of each class of securities to which transaction applies:

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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:

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(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

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MINDSPEED TECHNOLOGIES, INC.
NOTICE OF ANNUAL MEETING OF STOCKHOLDERS
TO BE HELD MARCH 10, 2009

To our Stockholders:

Our 2009 annual meeting of stockholders will be held on March 10, 2009, beginning at 2:00 p.m. Pacific Time, at our headquarters, located at 4000 MacArthur Boulevard, East Tower, Newport Beach, California 92660. At the meeting, the holders of our outstanding common stock will act on the following matters:

1. election of two directors, each for a term of three years;

2. ratification of the appointment of our independent registered public accounting firm for fiscal year 2009;

3. approval of an amended and restated 2003 long-term incentives plan, which, among other things, would increase the number of authorized shares from 3,860,000 to 6,675,000 and expand the performance conditions for performance-based compensation;

4. approval of an amended and restated directors stock plan, which, among other things, would increase the number of authorized shares from 288,000 to 468,000 and increase automatic grants of options and restricted stock units;

5. approval of a proposal granting the board of directors the authority to implement a stock option exchange program pursuant to which eligible employees (excluding named executive officers and directors) will be offered the opportunity to exchange their eligible options to purchase shares of common stock outstanding under our existing equity incentive plans for new stock options at an expected lower exercise price; and

6. such other business as may properly come before the meeting.

All holders of record of shares of our common stock (NASDAQ: MSPD) at the close of business on January 12, 2009, are entitled to vote at the meeting and any postponements or adjournments of the meeting. To ensure that your vote is recorded promptly, **please vote as soon as possible,** even if you plan to attend the meeting in person. We encourage you to vote via the Internet or by telephone. If you received a printed set of proxy materials, you also have the option of voting by completing, signing, dating and returning the proxy card that accompanied the printed materials. Submitting your vote via the Internet or by telephone or proxy card will not affect your right to vote in person if you decide to attend the annual meeting.

We are pleased to take advantage of new SEC rules that allow companies to furnish their proxy materials via the Internet. As a result, we are mailing to most of our stockholders a notice of Internet availability of proxy materials instead of a paper copy of this proxy statement and our 2008 annual report to stockholders. The notice of Internet availability of proxy materials contains instructions on how to access those documents via the Internet. The notice of Internet availability of proxy materials also contains instructions on how to request a paper copy of our proxy materials, including this proxy statement, our 2008 annual report to stockholders and a form of proxy card or voting instruction card, as applicable. All stockholders who do not receive a notice of Internet availability of proxy materials will receive a paper copy of the proxy materials by mail. We believe that this new process will reduce the costs of printing and distributing our proxy materials and also provides other benefits.

Important Notice Regarding the Availability of Proxy Materials for the Stockholder Meeting to be Held on March 10, 2009. The proxy statement and our 2008 annual report to stockholders are available at

http://investors.mindspeed.com/proxy.

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IF YOU PLAN TO ATTEND:

Registration will begin at 1:00 p.m. Each stockholder will need to bring a proxy card, voting instruction card or notice of Internet availability of proxy materials and valid picture identification, such as a driver s license or passport, for admission to the meeting. Stockholders holding stock in brokerage accounts (street name holders) will need to bring a copy of a brokerage statement reflecting stock ownership as of the record date. Cameras, recording devices and other electronic devices will not be permitted at the meeting and all mobile phones must be silenced during the meeting. We realize that many mobile phones have built-in digital cameras, and while these phones may be brought into the meeting, the camera function may not be used at any time.

By Order of the Board of Directors,

BRET W. JOHNSEN
Senior Vice President, Chief Financial Officer and Treasurer

January 29, 2009
Newport Beach, California

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MINDSPEED TECHNOLOGIES, INC.
4000 MacArthur Boulevard, East Tower
Newport Beach, California 92660

PROXY STATEMENT

This proxy statement contains information related to our annual meeting of stockholders to be held on Tuesday, March 10, 2009, beginning at 2:00 p.m. Pacific Time, at our headquarters, located at 4000 MacArthur Boulevard, East Tower, Newport Beach, California 92660, and at any postponements or adjournments of the meeting. Your proxy for the meeting is being solicited by the board of directors. This proxy statement will be available on the Internet, and the notice of Internet availability of proxy materials is first being mailed to stockholders beginning on or about January 29, 2009.

In accordance with the rules and regulations adopted by the SEC, we have elected to provide access to our proxy materials to our stockholders via the Internet. Accordingly, a notice of Internet availability of proxy materials has been mailed to the majority of our stockholders, while other stockholders have instead received paper copies of the proxy materials accessible via the Internet. Stockholders that received the notice of Internet availability of proxy materials have the ability to access the proxy materials at *www.proxyvote.com* or request that a printed set of the proxy materials be sent to them, by following the instructions set forth on the notice of Internet availability of proxy materials.

Please visit *www.proxyvote.com* for instructions on how to instruct us to send future proxy materials to you electronically by e-mail or in printed form by mail. You may also visit *www.mindspeed.com* to instruct us to send future proxy materials to you electronically by e-mail. If you choose to receive future proxy materials by e-mail, you will receive an e-mail next year with instructions containing a link to those materials or a link to a special website to access our proxy materials. Your election to receive proxy materials by e-mail or printed form by mail will remain in effect until you terminate it.

Choosing to receive future proxy materials by e-mail will allow us to provide you with the proxy materials you need in a timelier manner and will save us the cost of printing and mailing documents to you.

ABOUT THE MEETING AND VOTING

What is the purpose of the annual meeting?

At our annual meeting, stockholders will act upon the matters outlined in the meeting notice provided with this proxy statement, including the election of directors, ratification of the appointment of our independent registered public accounting firm, an amendment to our 2003 long-term incentives plan, an amendment to our directors stock plan and a proposal to implement a stock option exchange program. In addition, management will report on the performance of our company and respond to questions from stockholders.

Who can attend the meeting?

Subject to space availability, all stockholders as of the close of business on January 12, 2009, the record date, or their duly appointed proxies, may attend the meeting. Registration will begin at 1:00 p.m. If you plan to attend the meeting, please note that you will need to bring your proxy card, voting instruction card or notice of Internet availability of proxy materials and valid picture identification, such as a driver s license or passport. Cameras, recording devices and other electronic devices will not be permitted at the meeting and all mobile phones must be silenced during the meeting. We realize that many mobile phones have built-in digital cameras, and while these phones may be brought into the meeting, the camera function may not be used at any time.

Please also note that if you hold your shares in street name (that is, through a broker or other nominee), you will need to bring a copy of a brokerage statement reflecting your stock ownership as of the record date.

Who is entitled to vote at the meeting?

Only stockholders of record at the close of business on the record date for the meeting are entitled to receive notice of and to participate in the annual meeting. If you were a stockholder of record on that date, you will be entitled to vote all of the shares that you held on that date at the meeting, or any postponements or adjournments of the meeting. There were 23,866,569 shares of our common stock outstanding on the record date.

What are the voting rights of the holders of the company s common stock?

Each share of our common stock outstanding on the record date will be entitled to one vote on each matter considered at the meeting.

What is a quorum?

A quorum is the minimum number of our shares of common stock that must be represented at a duly called meeting in person or by proxy in order to legally conduct business at the meeting. For the annual meeting, the presence, in person or by proxy, of the holders of at least 11,933,286 shares, which is a simple majority of the 23,866,569 shares outstanding as of the record date, will be considered a quorum allowing votes to be taken and counted for the matters before the stockholders.

If you are a registered stockholder, you must deliver your vote via the Internet or by telephone or mail or attend the annual meeting in person and vote in order to be counted in the determination of a quorum. If you are a street name stockholder, your broker will vote your shares pursuant to your instructions, and such shares will count in the determination of a quorum. If you do not vote via the Internet, telephone or proxy card, or provide any instructions to your broker, your shares will still count for purposes of attaining a quorum and your broker will vote your shares in its discretion on proposals 1 and 2. If you are a member of a retirement savings plan or other similar plan, the trustee or administrator of the plan will vote according to your directions and the rules of the plan, which may result in your shares being counted in the determination of a quorum even if you do not provide voting directions.

How do I vote?

You may submit your proxy via the Internet or by telephone. If you received printed proxy materials, you also have the option of submitting your proxy by mail or attending the meeting and delivering the proxy card. The designated proxy will vote according to your instructions. You may also attend the meeting and personally vote by ballot. If you are a street name stockholder, in order to vote at the meeting, you will need to obtain a signed proxy from the broker or nominee that holds your shares, because the broker or nominee is the legal, registered owner of the shares. If you have the broker s proxy, you may vote by ballot or you may complete and deliver another proxy card in person at the meeting.

If you are a member of a retirement or savings plan or other similar plan, you may submit your vote via the Internet or by telephone. The trustee or administrator of the plan will vote according to your directions and the rules of the plan.

Can I vote via the Internet or by telephone?

You may submit your vote via the Internet or by telephone by following the instructions contained in the notice of Internet availability of proxy materials. If you received a printed set of proxy materials, you may submit your vote via the Internet or by telephone by following the instructions contained on the proxy card that accompanied the printed materials.

If you are a registered stockholder or you hold your shares in street name, the deadline for submitting your vote by telephone or via the Internet is 11:59 p.m. Eastern Time on March 9, 2009. If you are a member of a retirement or savings plan or other similar plan, the deadline for submitting your voting directions by telephone or via the Internet is 11:59 p.m. Eastern Time on March 5, 2009.

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Can I change or revoke my vote?

You may change your vote at any time before the proxy is exercised by re-submitting your vote via the Internet or by telephone.

If you are a registered stockholder, you may revoke your vote at any time before the proxy is exercised by filing with our secretary a written notice of revocation. At the meeting, you may revoke or change your vote by submitting a proxy to the inspector of elections or voting by ballot. Your attendance at the meeting will not by itself revoke your vote.

If your shares are held in street name or you are a member of a retirement or savings plan or other similar plan, please contact your broker, nominee, trustee or administrator to determine whether you will be able to revoke or change your vote.

What are the board s recommendations?

The board recommends that you vote:

for election of the nominated slate of directors (see proposal 1);

for ratification of the appointment of Deloitte & Touche LLP as our independent registered public accounting firm for fiscal year 2009 (see proposal 2);

for approval of an amended and restated 2003 long-term incentives plan, which, among other things, would increase the number of authorized shares from 3,860,000 to 6,675,000 and expand the performance conditions for performance-based compensation (see proposal 3);

for approval of an amended and restated directors stock plan, which, among other things, would increase the number of authorized shares from 288,000 to 468,000 and increase automatic grants of options and restricted stock units (see proposal 4); and

for approval of a proposal granting the board the authority to implement a stock option exchange program pursuant to which eligible employees (excluding named executive officers and directors) will be offered the opportunity to exchange their eligible options to purchase shares of common stock outstanding under our existing equity incentive plans for new stock options at an expected lower exercise price (see proposal 5).

What vote is required to approve each proposal?

Election of Directors

Directors are elected by a plurality of votes cast. This means that the two directors receiving the most votes cast at the meeting will be elected to serve for the next three years. Only votes cast for are counted in determining whether a plurality has been cast in favor of a director. A properly executed proxy marked withhold authority with respect to the election of one or more directors will not be voted with respect to the director or directors indicated. Abstentions and broker non-votes, while included for purposes of attaining a quorum, will have no effect on the vote on this proposal.

All Other Proposals

For each other proposal, the affirmative vote of the holders of a majority of the shares represented in person or by proxy and entitled to vote on each proposal will be required for approval. If you abstain with respect to a proposal, your shares will not be voted, although it will be counted for purposes of determining the total number of shares necessary for approval of such proposal. Accordingly, an abstention will have the effect of a negative vote.

Street Name Shares and Broker Non-Votes

If you hold your shares in street name through a broker or other nominee, your broker or nominee may not be permitted to exercise voting discretion with respect to some proposals. Broker non-votes are shares as to which a broker or nominee does not vote, or has indicated that it does not have discretionary authority to vote. For this meeting, if you do not give specific instructions, your broker or nominee may cast your vote in its discretion for: proposal 1, the election of directors; and proposal 2, the ratification of the appointment of our independent registered public accounting firm. For proposal 1, abstentions and broker non-votes, while included for purposes of attaining a quorum, will have no effect on the vote. For proposal 2, broker non-votes will have the same effect as a vote against proposal 2. If you do not give specific instructions, your broker or nominee is not permitted to cast your vote in its discretion for: proposal 3, the approval of an amended and restated 2003 long-term incentives plan; proposal 4, the approval of an amended and restated directors stock plan; or proposal 5, the approval of the stock option exchange program, and such broker non-vote will not be counted in determining the total number of shares necessary for approval of such proposals and will therefore have no effect on these three proposals.

Why did I receive a notice of Internet availability of proxy materials instead of a full set of the proxy materials?

We are pleased to take advantage of new SEC rules that allow companies to furnish their proxy materials via the Internet. Accordingly, we sent to the majority of our stockholders a notice of Internet availability of proxy materials regarding Internet availability of the proxy materials for this year s annual meeting of stockholders. Other stockholders were instead sent paper copies of the proxy materials accessible via the Internet. Instructions on how to access the proxy materials via the Internet or to request a paper copy can be found in the notice of Internet availability of proxy materials. In addition, stockholders may request to receive proxy materials in printed form by mail or electronically by e-mail on an ongoing basis by submitting a request to us at *www.proxyvote.com*. You may also visit *www.mindspeed.com* to instruct us to send future proxy materials to you electronically by e-mail. A stockholder s election to receive proxy materials by mail or e-mail will remain in effect until the stockholder terminates it.

Why didn t I receive a notice of Internet availability of proxy materials?

We are providing certain stockholders, including stockholders who have previously requested to receive paper copies of proxy materials, with paper copies of the proxy materials instead of, or in addition to, a notice of Internet availability of proxy materials. If you would like to assist us in reducing the cost of distributing our proxy materials in the future, you can consent to receiving future proxy materials and other stockholder communications electronically via e-mail or the Internet. To sign up for electronic delivery, please visit *www.mindspeed.com* to submit your request.

Can I vote my shares by filling out and returning the notice of Internet availability of proxy materials?

No. The notice of Internet availability of proxy materials does, however, provide instructions on how to vote your shares.

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

How many shares of the company s common stock do the directors, executive officers and certain beneficial owners own?

To our knowledge, the following table sets forth information regarding the beneficial ownership of the 23,868,160 shares of our common stock outstanding on November 30, 2008, by each person who is known to us, based upon filings with the SEC or other information, to beneficially own more than 5% of our common stock, each of our directors, each executive officer named in the Summary Compensation Table below and all current directors and executive officers as a group. Except as otherwise indicated below and subject to applicable community property laws, each owner has sole voting and sole investment power with respect to the stock listed. The shares listed in the table below and the footnotes to the table are adjusted to reflect our June 30, 2008, one-for-five reverse stock split.

	Common Stock(1)	
Name	**Shares**	**Percent of Class**
5% Stockholders		
AQR Capital Management, LLC(2) Two Greenwich Plaza, 3rd Floor, Greenwich, CT 06830	1,385,281	5.49%
Conexant Systems, Inc.(3) 4000 MacArthur Blvd., West Tower Newport Beach, CA 92660	6,000,000	20.09%
Polar Securities Inc.(4) 372 Bay Street, 21st floor, Toronto, Ontario M5H 2W9, Canada	2,414,097	10.11%
Directors		
Dwight W. Decker(5)	261,417	1.08%
Raouf Y. Halim(5)	437,570	1.81%
Michael T. Hayashi(5)	17,600	*
Ming Louie(5)	26,000	*
Thomas A. Madden(5)	26,000	*
Jerre L. Stead(5)	46,261	*
Named Executive Officers		
Bret W. Johnsen	62,157	*
Preetinder S. Virk(5)	56,878	*
Gerald J. Hamilton(5)(6)	60,550	*
Thomas J. Medrek(5)	153,709	*
Simon Biddiscombe		
Raymond D. Cook(5)	24,478	*
All current directors and executive officers as a group (16 persons)(5)	1,330,546	5.37%

* Represents less than 1% of our outstanding common stock

(1) Unless otherwise indicated, each person s address is c/o Mindspeed Technologies, Inc., 4000 MacArthur Boulevard, East Tower, Newport Beach, California 92660. If a stockholder holds options or other securities that are exercisable or otherwise convertible into our common stock within 60 days of November 30, 2008, we treat the common stock underlying those securities as owned by that stockholder, and as outstanding shares when we calculate that stockholder s percentage ownership of our common stock. However, we do not consider that common stock to be outstanding when we calculate the percentage ownership of any other stockholder.

(2) Represents shares of our common stock issuable upon conversion of our convertible notes. Pursuant to a Schedule 13G/A filed on April 14, 2008, each of AQR Capital Management, LLC and AQR Absolute Return

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Master Account L.P. has identified itself as having shared power to vote or direct the vote of the reported number of shares.

(3) In connection with the spin-off of our company from Conexant Systems, Inc. in June 2003 and the distribution of our common stock by Conexant to its stockholders, we issued Conexant a warrant to purchase 6 million shares of common stock at a price of $17.04 per share (subject to adjustment in certain circumstances), exercisable through June 27, 2013. The warrants may not be exercised to the extent that such exercise would result in the holder of the warrants owning at any one time more than 10% of our outstanding common stock.

(4) This information is based on a Schedule 13G/A filed on October 14, 2008, by Polar Securities, Inc., Altairis Offshore and Altairis Offshore Levered. Polar Securities, Inc. shares voting and dispositive power over 2,414,097 shares and is the investment manager for Altairis Offshore and Altairis Levered. Altairis Offshore and Altairis Levered share voting and dispositive power over 788,308 shares and 1,625,789 shares, respectively.

(5) Includes shares that could be purchased by the exercise of options on November 30, 2008, or within 60 days thereafter, as follows: 240,902 for Mr. Decker; 369,835 for Mr. Halim; 9,000 for Mr. Hayashi; 18,000 for Mr. Louie; 18,000 for Mr. Madden; 33,729 for Mr. Stead; 26,161 for Mr. Virk; 34,165 for Mr. Hamilton; 111,525 for Mr. Medrek; 14,838 for Mr. Cook and 920,926 for all of the current directors and executive officers as a group.

(6) Includes shares in which the individual has shared investment power due to marital dissolution proceedings.

BOARD OF DIRECTORS

Election of Directors

How is the board made up?

Our certificate of incorporation provides for a board consisting of three classes of directors with overlapping three-year terms. One class of directors is elected each year with a term extending to the third succeeding annual meeting after election. Our certificate of incorporation also provides that each of the three classes be as nearly equal in number as the then total number of directors permits.

How are vacancies filled?

Our certificate of incorporation provides that any newly created directorships resulting from an increase in the authorized number of directors or any vacancies on the board resulting from death, resignation, retirement, disqualification, removal from office or other cause may be filled only by a majority vote of the directors then in office. The bylaws permit any of our directors to resign at any time. Our guidelines of corporate governance provide that any director whose personal circumstances or job responsibilities change meaningfully should offer to not stand for reelection as a director.

Which directors are up for election?

The two directors in Class III, Messrs. Decker and Halim, are up for election at the 2009 annual meeting to serve for a term expiring at the 2012 annual meeting.

What are their backgrounds?

Mr. Decker, 58, has been a director of our company since January 2002 and non-executive chairman of the board since June 2003. Mr. Decker is the retired chairman and chief executive officer of Conexant Systems, Inc. (semiconductors communications), having served as chief executive officer from January 1999 to February 2004 and again from November 2004 to July 2007, and as chairman from January 1999 to July 2008. Mr. Decker continues as a member of the board of directors of Conexant and is also a member of the boards of Newport Media, Inc. (semiconductors broadcast media), BCD Semiconductor (semiconductors analog) and Pacific Mutual Holding Company (life insurance products). He also serves as a director or member of numerous professional and civic organizations.

Mr. Halim, 48, has been a director of our company since January 2002 and our chief executive officer since June 2003. He was senior vice president and chief executive officer of the Internet infrastructure business of Conexant from February 2002 to June 2003 and senior vice president and general manager, network access division, of Conexant from January 1999 to February 2002.

Who are the remaining directors?

Class I Directors* continuing directors with terms expiring at the 2010 annual meeting

Mr. Stead, 66, has been a director of our company since June 2003. He has been executive chairman of the board of IHS, Inc. (software) since December 2000 and has been chief executive officer of IHS since September 2006. Prior to that, he was chairman of the board and chief executive officer of Ingram Micro Inc. (computer technology services) from August 1996 to May 2000. Mr. Stead is a director of Brightpoint, Inc. (cell phone service supplier) and Conexant. He is also chairman of the board of the Center of Ethics and Values at Garret Seminary on the Northwestern University campus.

* Donald H. Gips, who previously served as a Class I director, resigned from the board effective January 15, 2009.

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Class II Directors continuing directors with terms expiring at the 2011 annual meeting

Mr. Hayashi, 43, has been a director of our company since August 2005. Mr. Hayashi has been the executive vice president, advanced engineering and technologies, of Time Warner Cable, Inc. (cable television) since January 2008. He had previously served as the senior vice president, advanced engineering and technologies of Time Warner from May 2002 to January 2008, and as the vice president, advanced technologies, of Time Warner from July 1993 to May 2002.

Mr. Louie, 62, has been a director of our company since June 2003. Mr. Louie co-founded and has served as the managing director and a director of Mobile Radius, Inc. (mobile Internet data services) since March 2002. Mr. Louie served as the China President of the GSM Association (global trade association wireless technology) from October 2003 to May 2005. He also has been the managing director of Dynasty Capital Services LLC (consulting) since January 2002. Mr. Louie served as president, Qualcomm Greater China (wireless communications) from May 2000 to October 2001 and as vice president, business development of Globalstar Communications Limited (satellite telecommunications) from January 1989 to May 2000. Since December 2007, Mr. Louie has been a member of the board of directors of Pacific Online (Internet hosting services), a publicly-traded company listed on the Hong Kong Stock Exchange.

Mr. Madden, 55, has been a director of our company since June 2003. He was the executive vice president and chief financial officer of Ingram Micro from July 2001 through April 2005. He served as senior vice president and chief financial officer of ArvinMeritor, Inc. (automotive components) from October 1997 to July 2001. He currently serves as a director of FreightCar America, Inc. (manufacturing and rebuilding railroad freight cars), Champion Enterprises, Inc. (manufacturing factory built houses) and Intcomex, Inc. (computer part distribution).

Board Governance Matters

Who is the chairman of the board?

Mr. Decker has served as chairman of the board since June 2003.

How often did the board meet during fiscal year 2008?

The board met six times during fiscal year 2008. Each director is expected to attend each meeting of the board and of those committees on which he serves. All of our directors attended at least 75% of all applicable board and committee meetings during fiscal year 2008, except for Mr. Stead. We usually schedule meetings of the board on the same day as our annual meetings, and when this schedule is followed, it is the policy of the board that directors are expected to attend our annual meetings. All directors attended the annual meeting of stockholders in April 2008.

How does the board determine which directors are considered independent?

Each year prior to the annual meeting, the board reviews and determines the independence of its directors. During this review, the board considers transactions and relationships between each director or any member of his or her immediate family and our company and its subsidiaries and affiliates. The board measures these transactions and relationships against the independence requirements of the SEC and The NASDAQ Stock Market, LLC. As a result of this review, the board affirmatively determined that the following continuing directors, Messrs. Decker, Hayashi, Louie, Madden and Stead, are independent in accordance with the applicable rules of the SEC and NASDAQ.

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What is the role of the primary board committees?

The board has standing audit, governance and board composition and compensation and management development committees. The table below provides membership information as of the end of fiscal year 2008 and meeting information for each of the committees during fiscal year 2008.

Name	**Audit**	**Governance and Board Composition**	**Compensation and Management Development**
Dwight W. Decker		Chair	
Donald H. Gips		X	Chair
Michael T. Hayashi	X	X	X
Ming Louie	X	X	
Thomas A. Madden	Chair	X	X
Jerre L. Stead	X	X	X
Number of meetings during fiscal year 2008	8	4	7

Donald R. Beall retired from the board effective November 15, 2007. In January 2008, Mr. Gips was appointed to take Mr. Beall s place as the chairman of the compensation committee, and Mr. Decker was appointed to replace Mr. Stead as the chairman of the governance committee. Mr. Stead remained a member of the governance committee. In April 2008, Mr. Hayashi was appointed to replace Mr. Gips as a member of the audit committee.

Mr. Gips resigned from the board effective January 15, 2009 to serve as White House director of presidential personnel for the new United States Presidential Administration. Mr. Stead was appointed chairman of the compensation committee to replace Mr. Gips.

Audit Committee

The audit committee assists the board in overseeing our accounting and financial reporting processes and audits of our financial statements. It is directly responsible for the appointment, compensation, retention and oversight of the work of the independent registered public accounting firms we engage. It reviews the independent registered public accounting firm s audit of the financial statements and its report thereof; our system of internal control over financial reporting and management s evaluation and the independent registered public accounting firm s audit thereof; the independent registered public accounting firm s annual management letter; various other accounting and auditing matters; and the independence of the auditing registered public accounting firm. The committee reviews and pre-approves all audit and non-audit services performed by our independent registered public accounting firm, other than as may be allowed by applicable law.

The audit committee also reviews and approves the appointment or change of our internal auditor. The committee reviews and approves any proposed related party transactions (unless such transactions are approved by another independent body of the board). It has established procedures for the receipt, retention and treatment of complaints we receive regarding accounting, internal accounting controls or auditing matters and the confidential, anonymous submission by our employees of concerns regarding questionable accounting and auditing matters. The committee meets with management to review any issues related to matters within the scope of its duties. The committee has the power to conduct or authorize investigations into any matter within its scope of responsibilities and may engage independent legal, accounting and other advisers as it determines necessary.

The charter of the committee is available on our website at *www.mindspeed.com*. The board has determined that all of the members of the committee are independent in accordance with Rule 10A-3(b)(1) of the Securities Exchange Act of 1934, as amended, the applicable rules of NASDAQ and our board membership criteria. All of the committee members also meet the audit committee composition requirements of NASDAQ. The board has determined that Mr. Madden, the chairman of the audit committee, is qualified as an audit committee financial expert within the meaning of SEC regulations and that he has accounting and related financial management expertise within the meaning of the applicable rules of NASDAQ. Mr. Madden s experience is discussed above under the caption Board of Directors Election of Directors.

Governance and Board Composition Committee

The governance committee reviews with the board, on an annual basis or more frequently as needed, our corporate governance guidelines and the board s committee structure and membership. The committee annually establishes a framework for the evaluation of our chief executive officer. The committee recommends nominees for election at each annual meeting and nominees to fill any board vacancies. The committee recommended to the board Messrs. Decker and Halim for re-election at the 2009 annual meeting. When needed, the committee leads the search for qualified director candidates by defining the experiential background and qualifications for individual director searches and may engage third-party search firms to source potential candidates and coordinate the logistics of each search. The committee also has the power to engage outside advisors and counsel to assist the committee.

The committee prepares, not less frequently than every three years, and submits to the board, for adoption by the board, a list of selection criteria to be used by the committee. The committee will consider director candidates recommended by our stockholders pursuant to our procedures described below under the caption Other Matters Stockholder Proposals. The selection criteria for director candidates include the following:

Each director should be an individual of the highest character and integrity, have experience at or demonstrated understanding of strategy/policy-setting and reputation for working constructively with others.

Each director should have sufficient time available to devote to the affairs of our company in order to carry out the responsibilities of a director.

Each director should be free of any conflict of interest which would interfere with the proper performance of the responsibilities of a director. This excludes from consideration officers of companies in direct or substantial competition with our company and major or potential major customers, suppliers or contractors.

The committee s charter is available on our website at *www.mindpseed.com*. The board has determined that all of the members of the committee are independent in accordance with applicable rules of NASDAQ and our board membership criteria.

Compensation and Management Development Committee

The compensation committee recommends to the board compensation and benefits for non-employee directors; reviews and approves, on an annual basis, the corporate goals and objectives with respect to compensation of our chief executive officer pursuant to the framework developed by the governance committee; determines salaries for all executive officers and reviews annually the salary plan for other executives in general management positions; reviews standard base pay, incentive compensation, deferred compensation and all equity-based plans and recommends changes in such plans as needed; reviews annually the performance of our chief executive officer and other senior executives; assists the board in developing and evaluating potential candidates for executive positions; oversees the development of executive succession plans; and reviews and discusses the Compensation Discussion and Analysis with management and gives its recommendation to the board on whether the Compensation Discussion and Analysis should be included in our proxy statement and annual report on Form 10-K.

The charter of the committee is available on our website at *www.mindspeed.com*. The board has determined that all of the members of the committee are independent in accordance with applicable rules of NASDAQ and our board membership criteria. The compensation committee has the authority to engage services of outside advisors, experts and others to assist the committee. Our human resources department supports the committee in its work and in some cases acts pursuant to delegated authority to fulfill various functions in administering our compensation programs. In addition, the committee reviews its charter at least annually, and recommends any proposed changes to the board for approval.

During the course of fiscal year 2008, management and the board engaged Semler Brossy Consulting Group, LLC to consult and assist in the determination of executive compensation. The engagement specifically called for an analysis of the competitiveness of our equity compensation practices, summaries of our stock plans and the level of overall compensation for our chief executive officer and our chief financial officer. The companies analyzed in this engagement were the companies listed as peer companies below under the caption Executive Officer and Director Compensation Compensation Discussion and Analysis Objectives of Compensation Programs and Compensation Program Design Peer Group. The engagement covered information on equity practices, such as burn rates, overhang, forms of equity and allocation of equity awards between officers and non-officers. Semler Brossy also analyzed trends, including changes in equity participation eligibility and the mix of cash and equity in total compensation.

Stockholder Communications with Directors

Stockholders and other parties interested in communicating directly with any individual director, including the chairman, the board as a whole or the non-management directors as a group may do so by writing to Mindspeed Technologies, Inc., 4000 MacArthur Boulevard, East Tower, Newport Beach, California 92660, Attention: Secretary. Our secretary reviews all such correspondence and regularly forwards to the board a summary of all such correspondence and copies of all correspondence that, in the opinion of the secretary, deals with the functions of the board, the board committees or other such correspondence that the secretary otherwise determines requires their attention. Directors may at any time review a log of all correspondence we receive that is addressed to members of the board and may request copies of any such correspondence. Concerns relating to accounting, internal controls or auditing matters are immediately brought to the attention of our internal audit department and handled in accordance with procedures established by the audit committee with respect to such matters.

Compensation Committee Interlocks and Insider Participation

No member of the compensation committee during fiscal year 2008 was a current or former officer or employee of our company. There are no compensation committee interlocks between our company and other entities involving our executive officers and board members who serve as executive officers or board members of such other entities. No member of the committee had any relationship requiring disclosure below under the caption Certain Relationships and Related Transactions, except for Messrs. Decker and Stead, who serve as directors of Conexant.

EXECUTIVE OFFICERS

The table below sets forth certain information concerning our executive officers as of November 30, 2008.

Name	Age	Title
Raouf Y. Halim	48	Chief Executive Officer
Bret W. Johnsen	39	Senior Vice President, Chief Financial Officer and Treasurer
Najabat H. Bajwa	31	Senior Vice President and General Manager, Lightspeed Connectivity Solutions
Kurt F. Busch	38	Senior Vice President and General Manager, High-Performance Analog
Jing Cao	49	Senior Vice President, Operations
Ron Cates	51	Senior Vice President and General Manager, Wide Area Networking
Gerald J. Hamilton	55	Senior Vice President, Worldwide Sales
Anil S. Mankar	53	Senior Vice President, VLSI Engineering
Thomas J. Medrek	52	Senior Vice President and General Manager, Multiservice Access
Thomas O. Morton	54	Senior Vice President, Human Resources
Preetinder S. Virk	45	Senior Vice President and General Manager, Enterprise and Customer Premise Equipment

There are no family relationships among the individuals serving as our directors or executive officers. Set forth below are the name, office and position held with our company and principal occupations and employment during the past five years of each of our executive officers. Biographical information on Mr. Halim is discussed above under the caption Board of Directors Election of Directors.

Mr. Johnsen has been our senior vice president, chief financial officer and treasurer since July 2008. Prior to joining us, Mr. Johnsen served in a variety of finance and accounting positions with Broadcom Corporation (wired and wireless communication semiconductor and software products) from October 1999 through June 2008, including as vice president and corporate controller (principal accounting officer) from September 2007 through June 2008, senior director of finance, wireless connectivity group, from June 2007 through September 2007, senior director of finance and operations, worldwide manufacturing, from May 2005 through June 2007, director of finance, worldwide operations, from April 2003 through May 2005, as controller for various business groups within Broadcom from June 2000 through December 2003 and as corporate accounting manager from October 1999 through June 2000.

Mr. Bajwa has been our senior vice president and general manager, lightspeed connectivity solutions, since October 2007. Mr. Bajwa previously served as our vice president of marketing and applications engineering from October 2006 to October 2007, executive director of marketing from April 2006 to October 2006 and director of marketing from August 2003 to April 2006 for our optical communications IC product line. Prior to joining us, Mr. Bajwa was the director, navigation business, of Agilent Technologies, Inc. (electronic measurement devices and services) from November 2002 to August 2003.

Mr. Busch has been our senior vice president and general manager, high-performance analog, since October 2007. Mr. Busch previously served as our vice president of marketing and applications for our switching and signal conditioning product line from November 2006 to October 2007 and our executive director of business development from January 2006 to November 2006. Prior to joining us, Mr. Busch was a business development manager of Analog Devices, Inc. (signal processing solutions) from November 2003 to December 2005 and the vice president of marketing and president of the U.S. subsidiary of TeraCross Ltd. (semiconductor manufacturer) from November 2001 to November 2003.

Mr. Cao has been our senior vice president, operations, since March 2008. Prior to joining us, Mr. Cao was the vice president, operations, of HOYA Corporation USA, formerly Xponent Photonics, Inc. (optical network component manufacturer), from August 2006 to March 2008. Mr. Cao also served as the vice president,

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manufacturing and technology, from March 2006 to August 2006 and the director, assembly operations, from January 2001 to March 2006 of Vitesse Semiconductor Corporation (semiconductor communications design and development).

Mr. Cates has been our senior vice president and general manager, wide area networking, since May 2007. Prior to joining us, he was the vice president of North American sales and marketing of Metalink Ltd. (broadband communications) from October 2004 to May 2007. Mr. Cates also served as the vice president of marketing of Solarflare Communications, Inc. (vendor of ethernet products) from June 2003 to September 2004 and the vice president of sales and marketing of Peregrine Semiconductor Corp. (semiconductor manufacturer and designer) from September 2001 to June 2003.

Mr. Hamilton has been our senior vice president, worldwide sales, since July 2006. Mr. Hamilton previously served as our vice president of sales for the Asia Pacific region from June 2003 to July 2006. He served as the vice president of sales for the Asia Pacific region of Conexant from September 2001 to June 2003.

Mr. Mankar has been our senior vice president, VLSI engineering, since August 2008. Prior to joining us, Mr. Mankar provided consulting services to Conexant from May 2008 to August 2008, and was the senior vice president, worldwide core engineering, and chief development officer of Conexant from December 2006 to May 2008. He also served as vice president, VLSI hardware systems broadband media processing, and vice president, worldwide core engineering, of Conexant from January 2005 to December 2006. He was vice president, VLSI hardware systems personal computing division, of Conexant from September 1999 to December 2004, and vice president, core engineering, of Conexant from January 2004 to December 2004.

Mr. Medrek has been our senior vice president and general manager, multiservice access, since June 2004. Mr. Medrek previously served as our senior vice president and general manager, broadband internetworking systems, from June 2003 to June 2004. Mr. Medrek served as the vice president and general manager, broadband internetworking systems, of Conexant from February 2001 to June 2003 and the vice president of marketing, broadband internetworking systems, of Conexant from March 2000 to February 2001.

Mr. Morton has been our senior vice president, human resources, since October 2007. Mr. Morton previously served as our vice president, human resources, from August 2003 to October 2007 and our executive director, human resources, from June 2003 to August 2003. He served as the executive director, human resources, of Conexant from January 1999 to June 2003.

Mr. Virk has been our senior vice president and general manager, enterprise and customer premise equipment, since October 2007. Mr. Virk previously served as our vice president and business director for enterprise and customer premise equipment media processing solutions from February 2006 to October 2007, vice president of marketing for our voice-over-Internet Protocol/media processing solutions from January 2005 to February 2006, executive director of marketing from September 2004 to January 2005 and director of marketing from June 2003 to September 2004. He was the director of marketing, broadband internetworking systems, of Conexant from July 2001 to June 2003.

EXECUTIVE OFFICER AND DIRECTOR COMPENSATION

Compensation Discussion and Analysis

Overview

The following provides a brief overview of the more detailed disclosure set forth in the Compensation Discussion and Analysis below:

The objectives of our compensation program are to: (i) attract and retain talented executive officers; (ii) align the financial interests of executive officers with those of our stockholders; and (iii) pay for performance.

In making its fiscal year 2008 compensation decisions, the compensation committee consulted with a third-party compensation consultant and compared the compensation of our executive officers with a peer group of 14 other semiconductor companies.

Our executive compensation consists primarily of: (i) a base annual salary; (ii) incentive-based compensation; and (iii) long-term equity awards. We also provide certain perquisites to our executive officers and on occasion grant discretionary and retention bonuses.

We encourage a pay-for-performance environment by linking short-term incentive-based compensation to the achievement of overall company and individual performance goals. Achievement of performance goals by our named executive officers (as defined in the Summary Compensation Table below) during fiscal year 2008 ranged from 90% to 100%.

In fiscal year 2009, we intend to award a combination of cash and equity awards as part of our incentive-based compensation.

We experienced a transition of our chief financial officer position and granted certain bonuses and awards in connection with the transition.

Objectives of Compensation Programs and Compensation Program Design

The compensation committee establishes our executive compensation philosophy and oversees our executive compensation programs. Under the compensation committee s supervision, in fiscal year 2008, we implemented compensation policies, plans and programs intended to achieve the following objectives:

Attract and retain talented executive officers. We are engaged in a very competitive and highly cyclical industry, and our success depends upon our ability to attract and retain qualified executive officers through competitive compensation arrangements.

Align the financial interests of executive officers with those of our stockholders. We want and expect our executive officers to think and act in both the near-term and long-term interests of our stockholders.

Pay for performance. We provide executive officers with incentive opportunities linked to achievement of both overall company and individual performance goals. Incentive programs are designed to reward business plan achievement.

We carry out these objectives by providing market competitive salaries, achieving an appropriate mix of cash and equity compensation, setting compensation based on individual and overall company performance and occasionally granting discretionary and retention bonuses.

Total Compensation Program Design

The compensation committee considers the total compensation, earned or potentially available, of the executive officers in establishing each component of compensation. In its review, the committee considers information regarding our general industry and direct peer group, national surveys of other U.S. semiconductor and high technology companies, reports of our third-party compensation consultants and performance judgments as to the past and expected future contributions of individual executive officers. The compensation committee also reviews tally sheets in an effort to promote internal pay equity.

Our total compensation package generally includes a base annual salary, short-term incentive awards and long-term incentive awards. We target the short-term incentives of the chief executive officer to equal 100% of his base annual salary. We target the short-term incentives of all other named executive officers to equal 55% of their respective base annual salaries. Mr. Cook, who was not an executive officer at the beginning of fiscal year 2008, had a short-term incentives target of 30%. Mr. Halim s higher incentive target is a result of his higher level of responsibility and the industry standard of providing the chief executive officer with higher incentive targets. We also occasionally grant cash discretionary and retention bonuses to promote specific goals.

Although we have established target incentive levels, the incentive-based compensation awards to our executive officers have generally not reached such levels during the past several fiscal years. Executive officers who have earned 100% of their incentive-based compensation for a given fiscal year have been compensated below their respective target levels. We do not anticipate that our incentive-based compensation awards will reach the target levels in fiscal year 2009. While our incentive-based compensation awards have been typically below the target levels, we retain these levels for competitive reasons and may award incentive-based compensation that reaches these levels in the future.

Our annual incentive compensation plan for the executive officers, including the chief executive officer, is based on both the overall financial performance of our company and the performance of the executive officer with respect to his individual assigned goals. In any given fiscal year, that performance is measured against the specific performance criteria adopted by the compensation committee for use in that particular fiscal year. Performance criteria typically include financial metrics, such as revenue growth, operating profitability and attainment of strategic business development goals. Annual incentive awards may also be adjusted by the board in its discretion based on individual performance factors. For all executive officers, the annual incentive award value is generally targeted at the median of corresponding awards for our peer group.

The fiscal year 2008 base salaries and target incentives for the named executive officers are set forth in the table below.

Named Executive Officer	Base Annual Salary(1)	Target Incentive(2)
Raouf Y. Halim	$500,000	100%
Bret W. Johnsen(3)	300,000	N/A
Gerald J. Hamilton(4)	250,000	55%
Thomas J. Medrek	300,000	55%
Preetinder S. Virk(5)	250,000	55%
Simon Biddiscombe(6)	330,000	55%
Raymond D. Cook(7)	195,000	30%

(1) In cases where a named executive officer did not serve the entire fiscal year in his position, the figure has been annualized regardless of the date of the beginning or termination of his employment. For this reason, for Messrs. Johnsen, Hamilton, Virk and Biddiscombe, the figures in the table may not match the figures in the Summary Compensation Table below.

(2) Target incentive represents a target amount of base annual salary for short-term incentive awards.

(3) Salary effective as of July 7, 2008. As Mr. Johnsen joined us during the fourth quarter of fiscal year 2008, he did not have a target incentive for fiscal year 2008. His target incentive for fiscal year 2009 is 55%.

(4) Salary effective as of January 7, 2008.

(5) Salary effective as of October 27, 2007.

(6) Effective April 21, 2008, Mr. Biddiscombe resigned his position as our senior vice president, chief financial officer, secretary and treasurer.

(7) Salary effective as of January 5, 2008. Mr. Cook s compensation base annual salary and target incentive are consistent with his role as our vice president, finance, and controller. Information about his additional

compensation for his contributions as our interim chief financial officer is discussed below under the caption Executive Officer and Director Compensation Compensation Discussion and Analysis Transition to New Chief Financial Officer.

Role of Executive Officers and Compensation Consultants in Compensation Decisions

The compensation committee solicits compensation recommendations from our chief executive officer on our other executive officers, and then reviews and approves the total compensation for each of our executive officers. The compensation committee may request additional information from the chief executive officer and may also solicit the perspective and input of third-party compensation consultants. In fiscal year 2008, the compensation committee elected to continue its engagement with a third-party compensation consultant, Semler Brossy.

Semler Brossy was specifically engaged to consult on the competitiveness of our equity compensation practices, summaries of our stock plans and the level of overall compensation for our chief executive officer and our chief financial officer. For fiscal year 2008, we provided Semler Brossy with a list of our peer companies and data from the 2008 Radford Executive Survey for U.S. Technology Companies and requested that it report on the practices of each identified peer company, as well as analyze the data from the survey. The report included information on equity practices, such as burn rates, overhang, forms of equity and allocation of equity awards between officers and non-officers. The report also included information on trends, including changes in equity participation eligibility and the mix of cash and equity in total compensation. Following the conclusion of fiscal year 2008, Semler Brossy began advising us regarding the amendment to our 2003 long-term incentives plan described below under the caption Proposal 3 Approval of Amended and Restated 2003 Long-Term Incentives Plan, the amendment to our directors stock plan described below under the caption Proposal 4 Approval of Amended and Restated Directors Stock Plan and the stock option exchange proposal described below under the caption Proposal 5 Approval of Stock Option Exchange Program for Participants in our Equity Compensation Plans (Excluding Named Executive Officers and Directors).

Additional information on the peer companies that Semler Brossy examined is discussed below under the caption Executive Officer and Director Compensation Compensation Discussion and Analysis Objectives of Compensation Programs and Compensation Program Design Peer Group.

Goal Setting and Performance Evaluation

Executive officer performance evaluations, including evaluations of the named executive officers, take place every year and are completed immediately following the conclusion of each fiscal year. To help achieve our strategic goals and annual objectives, we have developed an integrated performance management program, which has an overall purpose of strengthening results at the individual and organizational level. The program is designed to align individual performance with strategic business goals and annual objectives. It is intended to foster two-way communication to provide all employees, including executive officers, with the resources, information and support needed to be successful. The performance management program s primary objectives are to ensure that individual contributions and results are directed toward achieving our business plan based on our strategic and tactical goals. It also links rewards to performance and recognizes outstanding performance with corresponding compensation action. The process begins with establishing overall company and individual performance goals for the chief executive officer and other executive officers at the beginning of the fiscal year. These goals are based on our annual operating plan, which is reviewed by the board.

The chief executive officer s performance evaluation is coordinated by the chairman of the governance committee. The chief executive officer is evaluated on performance against the annual operating plan, which is summarized in an annual scorecard. The scorecard contains a percent achievement reached for each company metric, as well as an overall weighted average achievement percentage on all company performance goals. An annual 360 degree feedback assessment is also conducted for purposes of providing additional developmental feedback to the chief executive officer. The chairman of the governance committee reviews the corporate performance scorecard and the 360 feedback results with the other independent board members, obtains their feedback on the chief executive officer s performance and completes the review. The governance committee then reports its findings to the compensation committee for use in its determination of appropriate compensation actions.

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The board frequently discusses the performance of the executive officers with the chief executive officer. The chief executive officer incorporates this feedback into the evaluations of the other executive officers. The performance evaluations for the named executive officers are the same as those discussed below under the caption Executive Officer and Director Compensation Compensation Discussion and Analysis Elements of Compensation Incentive-Based Compensation.

Peer Group

In setting the base annual salary, individual bonus target amounts and equity grant guidelines for executive officers, the compensation committee, with assistance from our third-party compensation consultant, reviews information relating to the executive compensation of direct competitors, other local semiconductor companies and leading national semiconductor companies. We include our direct competitors and other local semiconductor companies in our emerging peer group because we compete with them for business, as well as talent. We include leading national semiconductor companies in our mature peer group because they have a large influence on industry compensation practices. Our self-selected peer group has remained essentially the same for the past several years. In analyzing the peer group, the compensation committee distinguishes emerging peers from mature peers. The peer group companies for fiscal year 2008 include the following:

Emerging Peers

- Applied Micro Circuits Corporation
- PMC-Sierra, Inc.
- Vitesse Semiconductor Corporation
- Transwitch Corporation
- Conexant Systems, Inc.
- Skyworks Solutions, Inc.
- Microsemi Corporation
- NetLogic Microsystems, Inc.

Mature Peers

- Broadcom Corporation
- Qualcomm, Inc.
- Advanced Micro Devices, Inc.
- Intel Corporation
- Texas Instruments, Inc.
- Maxim Integrated Products, Inc.

The compensation committee reviews the compensation levels of our emerging peers when considering the amount of executive officer base annual salary and total compensation. For fiscal year 2008, the compensation committee believes that the base annual salary and total compensation provided to each executive officer was within the range of total compensation paid to similarly situated executive officers at emerging peer companies. The compensation committee targets our executive officers base salaries and total compensation at the median of our emerging peers.

The compensation committee reviews the data of both our emerging and mature peers in designing our equity-compensation policies. It typically considers our emerging peers run-rate, overhang and form of equity policies. Additionally, it reviews our emerging peers policies regarding allocation of equity awards between executive officers and non-executive officers, percentage of employees receiving grants, vesting practices, hiring grant practices and other trends. It typically considers data from our mature peers with respect to types of equity awards and employee eligibility for such awards.

For fiscal year 2008, the compensation committee also used the Radford survey database, which provides data specific to high technology and semiconductor industry compensation practices. The examination of the survey and peer group compensation practices allows us to accurately follow industry norms in an effort to ensure that our compensation polices are current and competitive.

Elements of Compensation

Executive compensation consists primarily of: (i) a base annual salary; (ii) incentive-based compensation; and (iii) long-term equity awards. This mix of payments allows us to provide compensation that directly addresses our compensation goals of retention, alignment of executive and stockholder interests and linking pay with performance. We also provide our executive officers with other benefits, including perquisites, change of control agreements and a retirement savings plan. During and shortly after fiscal year 2008, the compensation committee also granted special cash bonuses to certain named executive officers to recognize particularly strong achievement or for specific retention purposes. Information on the total compensation awarded to each named executive officer during fiscal year 2008 is set forth in our Summary Compensation Table below.

Base Annual Salary

The base annual salaries we provide to our executive officers are intended as compensation for each executive officer s ongoing contributions to the performance of the operational area(s) for which they are responsible. In keeping with our compensation philosophy to attract and retain individuals of high quality, executive officer base salaries have been targeted to be competitive with base salaries paid to executive officers of our emerging peers, as described above, based on data reviewed by the compensation committee. The compensation committee determines the market median by reviewing information contained in survey data, SEC filings and advice from our third-party compensation consultant. The base salaries for our executive officers also reflect input from our chief executive officer regarding individual performance, company strategy and retention factors.

The base annual salary levels of each of our executive officers are reviewed annually and adjusted from time to time to recognize individual performance, promotions, competitive compensation levels, retention requirements, internal pay equity and other subjective factors. In addition to adjustments made for competitive and retention reasons, the compensation committee has periodically adjusted executive officer base salaries based on its assessment of each executive s performance and history with us and our overall budgetary considerations for salary increases.

The base annual salaries in fiscal year 2008 for all named executive officers are set forth above under the caption Executive Officer and Director Compensation Compensation Discussion and Analysis Objectives of Compensation Programs and Compensation Program Design Total Compensation Program Design.

Incentive-Based Compensation

Cash Incentive Awards

Our incentive awards have been primarily equity-based. The only named executive officer to receive a cash incentive award during fiscal year 2008 was Mr. Hamilton, our senior vice president, worldwide sales. We offered Mr. Hamilton a cash incentive plan for competitive reasons, after determining that sales executives in our industry typically receive cash incentive awards as part of their compensation package.

We awarded a total cash incentive award of $135,369 to Mr. Hamilton pursuant to an individual bonus plan after consideration of his performance during fiscal year 2008. The bonus was based on the following factors: (i) achievement of a company fiscal year revenue target (weighted 40%); (ii) design win execution against the fiscal year plan (weighted 40%); and (iii) a budget reduction for the worldwide sales department (weighted 20%).

In calculating the bonus award, the compensation committee determined that Mr. Hamilton exceeded his fiscal year 2008 revenue target, achieved 92.5% of design win goals and 97.95% of the budget reduction goal, resulting in a 98.45% overall achievement of the goals set forth for the fiscal year. The fiscal year 2008 revenue, design win and budget reduction targets are based on our internal annual operating plan and are confidential, as discussed below under the caption Executive Officer and Director Compensation Compensation Discussion and Analysis Elements of Compensation Incentive-Based Compensation Equity Incentive Awards.

Equity Incentive Awards

In November 2007, we awarded each of our named executive officers shares of performance-based restricted stock pursuant to our Mindspeed Achievement Plan, or MAP, our short-term incentives plan. Following the completion of the fiscal year, these awards vest based on the achievement of the MAP goals of each individual officer, which are comprised of a mix of overall company performance, business unit financial performance and individual organization development goals.

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The determination of whether each named executive officer has met the MAP goals for a given fiscal year rests with the compensation committee. Management reports on the accomplishments of the officers, but the compensation committee has the responsibility of determining to what extent those accomplishments meet the pre-established MAP goals. While the use of the MAP goals is intended to establish a rigorous process for tracking and evaluating performance, the compensation committee s assessment of performance against particular goals often involves some degree of subjective evaluation of non-quantitative measures. The compensation committee does not apply a mechanical formula in determining achievement of the goals but takes into account the level of performance compared to the goal and may take into account other considerations such as improvement or decline compared to prior years, positioning for future success and the need to motivate and retain the current management team.

The pre-established factors for fiscal year 2008 used to determine individual performance and the relative weight given to each factor for each named executive officer who participated in MAP are set forth in the table below. The different factors and relative weights reflect differences in the job responsibilities of our named executive officers.

Named Executive Officer	Performance Factors (and Weight)
Raouf Y. Halim	Company fiscal year revenue, operating profit and cash generation targets: 50% Design win execution against the fiscal year plan: 20% Engineering execution: 20% Individual organizational development goals: 10%
Gerald J. Hamilton	Company fiscal year revenue target: 40% Design win execution against the fiscal year plan: 40% Budget reduction for the worldwide sales department: 20%
Thomas J. Medrek Preetinder S. Virk	Business unit fiscal year revenue and company operating profit and cash generation targets: 50% Marketing execution: 20% Engineering execution: 20% Individual organizational development: 10%
Raymond D. Cook	Company fiscal year revenue, operating profit and cash generation targets: 50% Integrity of financial reporting: 17.5% Management of interim chief financial officer function: 12.5% Cash and working capital management: 10% Management of controller function: 5% Individual organizational development: 5%

Mr. Halim. Based on the performance evaluation described above under the caption Executive Officer and Director Compensation Compensation Discussion and Analysis Objectives of Compensation Programs and Compensation Program and Design Goal Setting and Performance Evaluation, the compensation committee determined that Mr. Halim earned 100% of the financial performance factors (fiscal year revenue, operating profit and cash generation targets) for fiscal year 2008. We exceeded our revenue and operating profit targets and achieved 93% of our cash generation target. Cash generation and operating profit are non-GAAP measures. Our calculation of operating profit excludes stock-based compensation expense, employer taxes on stock-based compensation, employee separation costs, amortization of intangible assets, the effects of special charges such as asset impairments and restructuring charges and reverse stock split related charges. We calculate cash generation as the net increase or decrease in cash and cash equivalents. We use non-GAAP measures for MAP because these measures help us internally to evaluate our operating performance, while excluding items that are considered by management to be outside of our core operating results.

The specific company and business unit revenue, operating profit, cash generation, design win and budget reduction targets are based on our company s internal annual operating plan and are confidential. The targets correlate with the maximum award levels that the executive officers can achieve and thus require strong performance. An executive officer will not receive more than 100% of his equity incentive award, even if the company and the executive officer exceed their respective performance goals. As an indication of the level of difficulty in achieving the overall performance objectives, in fiscal year 2007, the overall percentage of awards the named executive officers received (including the achievement of non-financial goals) ranged from 72% to 94%. In fiscal year 2006, the percentage of overall awards executive officers received (including the achievement of non-financial goals) ranged from 92% to 100%. For fiscal year 2008, each goal required improved performance over actual fiscal year 2007 performance.

The compensation committee determined that Mr. Halim met 100% of his individual goals. We had a number of key design wins, particularly in the voice-over-Internet Protocol and high-performance analog markets. We also achieved nearly all of our milestones on schedule in fiscal year 2008 for our key product programs. With respect to organization development, a number of key promotions and hires were made in fiscal year 2008, including the successful transition from Mr. Biddiscombe, our former chief financial officer, to Mr. Johnsen, our current chief financial officer. Based on the overall assessment of Mr. Halim s performance against his MAP goals, the compensation committee determined that 100% of the shares of restricted stock comprising his equity incentive award would vest for fiscal year 2008.

Mr. Johnsen. As Mr. Johnsen joined us in the fourth quarter of fiscal year 2008, he did not participate in MAP. He is participating in the program in fiscal year 2009.

Mr. Hamilton. Mr. Hamilton s criteria for earning shares of restricted stock under MAP is the same as his criteria for earning the cash incentive award described above under the caption Executive Officer and Director Compensation Compensation Discussion and Analysis Elements of Compensation Incentive-Based Compensation Cash Incentive Awards. Based on the analysis set forth in that section, the compensation committee determined that 100% of the shares of restricted stock comprising Mr. Hamilton s equity incentive award would vest for fiscal year 2008.

Mr. Medrek. The compensation committee determined that Mr. Medrek earned the following percentages of his goals for fiscal year 2008: (i) 100% business unit and company financial performance (50% weighting of overall award); (ii) marketing execution 100% (20% weighting of overall award); (iii) engineering execution 97.5% (20% weighting of overall award); and (iv) organizational development 100% (10% weighting of overall award). Based on the overall assessment of Mr. Medrek s performance against his MAP goals, the compensation committee determined that 100% of the shares of restricted stock comprising his equity incentive award would vest for fiscal year 2008.

Mr. Virk. The compensation committee determined that Mr. Virk earned the following percentages of his goals for fiscal year 2008: (i) 100% business unit and company financial performance (50% weighting of overall award); (ii) marketing execution 60% (20% weighting of overall award); (iii) engineering execution 90% (20% weighting of overall award); and (iv) organizational development 100% (10% weighting of overall award). Based on the overall assessment of Mr. Virk s performance against his MAP goals, the compensation committee determined that 90% of the shares of restricted stock comprising his equity incentive award would vest for fiscal year 2008.

Mr. Biddiscombe. In connection with his resignation, Mr. Biddiscombe forfeited all of the shares of restricted stock granted to him under MAP for fiscal year 2008.

Mr. Cook. The compensation committee determined that Mr. Cook earned the following percentages of his goals for fiscal year 2008: (i) 100% company financial performance (50% weighting of overall award); (ii) integrity of financial reporting 100% (17.5% weighting of overall award); (iii) management of interim chief financial officer function 100% (12.5% weighting of overall award); (iv) cash and working capital management 100% (10% weighting of overall award); (v) management of controller function 100% (5% weighting of overall award); and (vi) organizational development 100% (5% weighting of overall award). Based on the overall assessment of

Mr. Cook s performance against his MAP goals, the compensation committee determined that 100% of the shares of restricted stock comprising his equity incentive award would vest for fiscal year 2008.

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The table below summarizes the number of shares earned by each named executive officer based on the compensation committee s determinations as described above. To the extent that the named executive officer did not meet all of his performance goals, shares did not vest and were subsequently forfeited. The final two columns of the table present the percentage of performance goals achieved by each named executive officer in previous fiscal years in order to provide greater context regarding performance goals and the level of difficulty for their achievement.

Named Executive Officer	Number of Performance Based Restricted Shares Awarded	Fiscal Year 2008 Performance Achievement	Number of Restricted Shares Vested	Number of Restricted Shares Forfeited	Fiscal Year 2007 Performance Achievement	Fiscal Year 2006 Performance Achievement
Raouf Y. Halim	25,000	100%	25,000		75%	95%
Bret W. Johnsen						
Gerald J. Hamilton	6,250	100%	6,250		93.6%	100%
Thomas J. Medrek	6,250	100%	6,250		72.6%	92%
Preetinder S. Virk	6,250	90%	5,625	625	93.5%	100%
Simon Biddiscombe	10,000			10,000	75%	97%
Raymond D. Cook	1,250	100%	1,250		95.25%	94.5%

Changes in Incentive-Based Compensation for Fiscal Year 2009

Beginning in fiscal year 2009, we intend to change the elements comprising the incentive-based component of our executive compensation. We have previously awarded shares of restricted stock, which vest based on the performance factors set forth under MAP. We intend to begin awarding a mix of stock options and cash in place of the shares of restricted stock. We expect the cash element will comprise approximately 25% of each executive officer s incentive-based compensation; however, we do not expect fiscal year 2009 incentive-based compensation awards to reach the target levels described above under the caption Executive Officer and Director Compensation Compensation Discussion and Analysis Objectives of Compensation Programs and Compensation Program Design Total Compensation Program Design. The MAP goals and the achievement of each individual officers MAP goals will continue to be set and determined in accordance with the procedures described above under the caption Executive Officer and Director Compensation Compensation Discussion and Analysis Elements of Compensation Incentive-Based Compensation Equity Incentive Awards.

We have decided to add a cash element to our incentive-based compensation because we believe that cash offers greater value to our executive officers and it is consistent with competitive practices. We have decided to award stock options in place of restricted stock because we believe that it better aligns the interests of our executive officers with those of our stockholders because any value derived is based on an increase in our stock price.

Long-Term Equity Awards

Our long-term compensation consists of restricted stock and option awards provided under our 2003 long-term incentives plan. In determining the timing and size of our awards, we follow our policy of attempting to provide compensation that is competitive with our peers. Additionally, we consider the number and status of past long-term awards when deciding to make a new grant.

We routinely grant eligible employees equity awards at the time of hire and also provide equity awards covering substantially all employees annually. The vesting periods vary with respect to each individual award, but awards generally vest within four years. The exercise price of all stock options is set at the fair market value of the company s stock on the grant date.

Our long-term compensation awards of stock options and restricted stock are consistent with our goals for compensation, particularly in aligning the interests of our executive officers with our stockholders. The awards provide compensation in addition to salary and retention and special bonuses and assist us in recruiting and retaining executive officers. The awards are useful in retention because of their vesting requirements, which provide that upon termination of employment, only options currently vested may be exercised and unvested stock options and restricted stock are forfeited. Thus, long-term compensation awards give executive officers an incentive to remain with the company through each award s entire vesting period.

In November 2007, in connection with his appointment as an executive officer, we awarded Mr. Virk 8,000 stock options. We routinely grant long-term equity awards upon the initial appointment of our executive officers to recognize the increased responsibility associated with their new roles. Mr. Virk s award vests as to 25% of the underlying award on each anniversary of the grant date for a period of four years.

In March 2008, we granted shares of restricted stock to all of our employees, including our named executive officers. The awards began vesting as to 12.5% of the underlying award in April 2008 and 12.5% of the underlying award quarterly thereafter. The number of shares of restricted stock awarded, as set forth in the Grants of Plan Based Awards table below, varied with respect to each individual due to differences in each individual s compensation targets and role within the company. Mr. Halim received an additional grant of 150,000 stock options in July 2008, which vest as to 25% on the first anniversary of the grant and as to 2.08% of the underlying grant quarterly thereafter. In determining the appropriateness of the grant, the compensation committee considered the value of Mr. Halim s long-term incentives compared to the chief executive officers of our peer companies. The compensation committee also considered internal pay equity in light of the inducement grant awarded to Mr. Johnsen. For more information about Mr. Johnsen s inducement grant, see the discussion below under the caption Executive Officer and Director Compensation Compensation Discussion and Analysis Transition to a New Chief Financial Officer. The Outstanding Equity Awards at Fiscal Year-End table below sets forth long-term incentive awards granted in previous years.

Special Bonuses

Discretionary Cash Bonuses

From time to time, we grant discretionary cash bonuses, though they are not a significant part of our executive compensation. These awards are not tied to any specific performance measure and are made at the discretion of the compensation committee. Shortly after the end of fiscal year 2008, we granted discretionary cash bonuses to Messrs. Johnsen and Medrek to recognize their particularly strong achievements during the recently completed fiscal year.

Mr. Johnsen received a discretionary cash bonus of $50,000 for his contributions to the significant improvement of our balance sheet. Among the highlights of his accomplishments were the $15.0 million exchange of convertible notes, the establishment of a $15.0 million credit line with Silicon Valley Bank and the repurchase of $20.5 million in convertible notes. Mr. Medrek received a cash bonus of $35,000 for his leadership of our multiservice access group, which obtained record revenues in fiscal year 2008.

We decided to grant these awards after a determination that the equity-based framework in place was inadequate to appropriately compensate these executive officers for their strong performances, particularly in light of the decline of our stock price during fiscal year 2008 and early fiscal year 2009 and because Mr. Johnsen did not participate in MAP.

While discretionary cash bonuses will remain an option for us to recognize extraordinary achievement, our planned changes to our incentive-based compensation program will feature a greater cash component and mitigate some of our concerns regarding the use of equity. The planned changes are discussed above under the caption Executive Officer and Director Compensation Compensation Discussion and Analysis Elements of Compensation Incentive-Based Compensation Changes in Incentive-Based Compensation for Fiscal Year 2009.

Retention Bonuses

In addition to our standard components of compensation, we occasionally grant retention bonuses to our executive officers. These bonuses generally take the form of cash and must be repaid in the event that the recipient leaves his employment prior to a specified date. We believe that the use of cash is appropriate because of its effect of promoting retention without the possibility that a decline in our stock price may affect the attractiveness of the grant, as is the case with equity grants. We grant retention bonuses to certain individuals based on a determination that these individuals fill an essential role in our success or failure and the importance of retaining their services.

In November 2007, the compensation committee approved special bonuses for retention purposes of $250,000 to Mr. Halim and $100,000 to Mr. Biddiscombe. Each of these special bonuses was subject to a special bonus letter agreement, requiring repayment if the executive officer were to voluntarily leave the company or be terminated for cause prior to the one year anniversary of the special bonus award. The compensation committee determined these payments to be appropriate to help ensure management continuity and to recognize the importance of Mr. Halim and Mr. Biddiscombe in continuing through fiscal year 2008 the progress made in the second half of fiscal year 2007. Upon his resignation effective as of April 21, 2008, Mr. Biddiscombe repaid $50,000 of the $100,000 bonus. We forgave the remaining $50,000 in exchange for Mr. Biddiscombe s agreement to assist with our transition to a new chief financial officer and a promise not to solicit or hire any of our employees for a period of one year.

In April 2008, the compensation committee approved a $75,000 special bonus to Mr. Virk. The special bonus is subject to a letter agreement and vests as to 50% of the award on each anniversary of the grant date for a period of two years. Mr. Virk must repay the unvested portion of the special bonus if he terminates his employment voluntarily or is terminated for cause prior to the second anniversary of the bonus award. The compensation committee determined that the bonus was appropriate because it considered the retention of Mr. Virk to be critical given his role in building and overseeing the customer premise equipment business, which would have been particularly vulnerable if Mr. Virk were to terminate his employment.

Following the conclusion of fiscal year 2008, the compensation committee also approved a special bonus of $600,000 to our chief executive officer, Mr. Halim. The special bonus is subject to a letter agreement and vests on a quarterly basis over a period of one year. The unvested portion of the special bonus must be repaid if Mr. Halim voluntarily terminates his employment or is terminated for cause prior to December 11, 2009, the first anniversary of the special bonus award. In the event of a change of control, the full special bonus will vest. The compensation committee determined the special bonus to be appropriate to ensure management continuity and recognize the importance of Mr. Halim s role as our chief executive officer in continuing progress made in fiscal year 2008, particularly with respect our revenue and our achievement of non-GAAP operating profit, into fiscal year 2009. The compensation committee also considered the high cost of leading a search for a replacement for Mr. Halim if he were to resign as our chief executive officer, both financially and with respect to the focus and morale of our employees.

Transition to New Chief Financial Officer

Effective April 21, 2008, Mr. Biddiscombe resigned his position as our senior vice president, chief financial officer, secretary and treasurer, and Mr. Cook was appointed to serve as our interim chief financial officer and treasurer until we completed our search for a new chief financial officer. In connection with Mr. Biddiscombe s departure, the compensation committee agreed to forgive $50,000 of the $100,000 retention bonus in exchange for his assistance with the transition to a new chief financial officer and a promise not to solicit or hire any of our employees for a period of one year. The compensation committee believes that this agreement was necessary and appropriate to ensure a smooth transition in this important position.

Following the completion of our search for a new chief financial officer, Mr. Johnsen was appointed as our senior vice president, chief financial officer and treasurer on July 7, 2008. Mr. Johnsen s annual salary was set at $300,000 and his incentive target at 55%. The compensation committee also awarded him an inducement grant of 200,000 stock options, which vests as to 25% of the underlying award on the first anniversary of the grant date and as to 2.08% of the underlying award quarterly thereafter. Mr. Johnsen also received a sign-on bonus of $150,000, which vests as to $50,000 per year for a period of three years. In the event that Mr. Johnsen voluntarily terminates his employment or is terminated for cause, the unvested portion of the bonus must be repaid. The compensation committee s intention was to provide Mr. Johnsen with a total compensation featuring a mix of annual salary, incentive target and long-term awards both consistent with other chief financial officers within our peer group and competitive with his compensation at his previous company.

During the interim period, all components of Mr. Cook s compensation remained the same as it had been in his position as our vice president, finance, and controller. Following his service as interim chief financial officer, the compensation committee awarded Mr. Cook a special bonus of $12,000 to recognize his efforts during the interim period. At the conclusion of fiscal year 2008, the compensation committee granted Mr. Cook a retention bonus of $25,000 and 5,000 shares of restricted stock, subject to a letter agreement. The cash portion of the bonus was to vest annually over two years, and the shares of restricted stock were to vest as to 50% of the underlying award on October 31, 2010 and as to the 25% of the underlying award every year thereafter for two years. Upon Mr. Cook s resignation of his employment on November 21, 2008, we entered into a transition agreement with him, under which we forgave repayment of the cash portion of his retention bonus in exchange for his assistance with financial reporting for the first quarter of fiscal year 2009 and our transition to a new controller, as well as his agreement not to solicit or hire any of our employees for a period of one year. Mr. Cook forfeited the restricted stock portion of his retention bonus.

Other Compensation Policies

Perquisites and Personal Benefits

We provide our executive officers, including our chief executive officer, with perquisites, valued at the actual cost to our company, and other personal benefits that we believe are reasonable, competitive and consistent with our peers and our overall executive compensation program. The perquisites and personal benefits that we regularly offer include retirement savings plan matching contributions, deferred compensation plan contributions, life insurance premiums, excess personal liability insurance premiums, an annual physical examination, airline club fees, club dues, health club memberships and financial services. We sometimes also offer certain benefits associated with the hiring of new executive officers, such as transportation, temporary housing and relocation costs.

In determining the appropriate level of perquisites and personal benefits, we periodically review the Ayco Executive Benefits & Perquisite survey, as well as information provided in SEC filings of our peer group. We believe that these benefits help us to hire and retain qualified executive officers and enable them to perform their job responsibilities with fewer distractions. For valuation of perquisites and other benefits provided during fiscal year 2008, see footnote 3 of our Summary Compensation Table below.

Timing of Grants of Equity Awards

We have generally considered grants of stock options and restricted stock to our executive officers on an annual basis at regularly scheduled meetings of the compensation committee. From time to time, we make equity grants to new hires or in specific situations other than on an annual basis, as determined by the compensation committee. The grant date of equity awards is the date we obtain formal approval of the grant. We do not have, and do not intend to have, any program, plan or practice to time the grant of equity awards in coordination with the release of material non-public information. We also do not have, and do not intend to have, any program, plan or practice to time the release of material non-public information for the purpose of affecting the value of executive compensation. The exercise price for stock options we have granted equals the closing price of our common stock on the grant date.

Policy Regarding Deductibility of Compensation

Section 162(m) of the Internal Revenue Code of 1986, as amended, enacted in 1993, generally disallows a tax deduction to public companies for compensation over $1 million paid to the chief executive officer and the three most highly compensated executive officers (not including the chief executive officer and the chief financial officer). However, certain compensation meeting a tax law definition of performance-based is generally exempt from this deduction limit. We do not currently have a policy regarding qualification of cash compensation, such as salary and bonuses, for deductibility under Section 162(m). We have included provisions in our 2003 long-term incentives plan designed to enable grants of stock options to executive officers affected by Section 162(m) to qualify as performance-based compensation. Such grants cannot qualify until they are made by a committee consisting of outside directors under Section 162(m). The compensation committee believes that in certain circumstances factors other than tax deductibility take precedence when determining the forms and levels of executive compensation most appropriate and in the best interests of us and our stockholders. Given our changing industry and business, as well as the competitive market for outstanding executive officers, the compensation committee believes that it is important to retain the flexibility to design compensation programs consistent with its overall executive compensation philosophy even if some executive compensation is not fully deductible. Accordingly, the compensation committee may from time to time deem it appropriate to approve elements of compensation for certain executive officers that are not fully deductible.

The performance factors for equity compensation intended to meet the tax law definition of performance-based compensation must be approved by stockholders every five years. This year we are amending some of these factors and seeking stockholder approval, as set forth below under the caption Proposal 3 Approval of Amended and Restated 2003 Long-Term Incentives Plan.

Change of Control Agreements

Each of the named executive officers has entered into our standard change of control agreement, which provides under certain circumstances for payments upon termination of employment in connection with a change of control of the company. Payments made under the agreement are subject to a double trigger, meaning that both a change of control and a termination are required. We believe that a change of control agreement is necessary to diminish the inevitable distraction of executive officers by virtue of the personal uncertainties and risks created by a pending or threatened change of control. The agreement intends to encourage the executive officer s full attention and dedication and to provide a compensation and benefits arrangement satisfactory to the executive officer and competitive with other companies.

For the purposes of the change of control agreement, a change of control generally means:

the acquisition by any individual, entity or group of beneficial ownership of 35% or more of either the then outstanding shares of our common stock or the combined voting power of the then outstanding voting securities entitled to vote generally in the election of directors;

a change in the composition of a majority of the board, which is not supported by the current board;

a major corporate transaction, such as a reorganization, merger or consolidation or sale or other disposition of all or substantially all of our assets, which results in a change in the majority of the board or of more than 60% of our stockholders; or

approval by our stockholders of the complete liquidation or dissolution of our company.

An executive officer who terminates his own employment for good reason or whose employment is terminated by us for reasons other than for cause, disability or death (qualified terminations) in connection with a change of control is entitled to the following payouts and benefits:

three times the executive officer s base annual salary for the chief executive officer and two times the base annual salary for all other executive officers;

three times the executive officer s bonus under our annual incentive plans for the chief executive officer and two times the bonus for all other executive officers;

accrued vacation pay to the extent that it remains unpaid;

continued coverage under our welfare benefit plans for two years after termination, including, without limitation, medical, prescription, dental, disability, employee life, group life, accidental death and travel accident insurance plans and programs to the extent applicable generally to other peer executive officers of our company and our affiliated companies;

outplacement services, the scope and provider of which shall be selected by the executive officer in his sole discretion;

immediate vesting of all equity securities held by the executive officer;

other benefits including those that the executive officer is eligible to receive under any plan, program, policy or practice or contract or agreement; and

a gross-up payment, defined as the amount equal to the excise tax on any payment by us pursuant to the change of control agreement as imposed by Section 4999 of the Internal Revenue Code and all taxes associated with the payment of that excise tax.

We believe that providing for payment under the change of control agreements upon a double trigger of a change of control and a qualified termination achieves the balanced result of focusing the executive officer and protecting our company s best interests. For more information regarding potential payments under the change of control agreements, see the Potential Payments Upon Termination or Change-in-Control table below.

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Severance Arrangements

It is generally our policy not to enter into severance arrangements with any of our executive officers, except under special and unusual circumstances. Mr. Virk s transfer offer letter, which was entered into prior to his appointment as an executive officer, includes a limited severance arrangement. We deemed this arrangement necessary and appropriate to induce him to relocate his family to Southern California and to assure him of our commitment to pursuing projects in his area of expertise.

Retirement Plans

Executive officers are eligible to participate in our retirement savings plan. Our retirement savings plan operates as a defined contribution tax-qualified plan and is open to all of our domestic salaried employees. A participant may elect to defer compensation within certain contribution limitations. We retain the discretion to contribute to each participant s plan through profit sharing and matching of contributions. Our contributions are paid in the form of cash and are invested in our common stock fund. For fiscal year 2008, we matched participants contributions 100% of the first 4% of the participant s covered compensation. The matching contributions paid to the named executive officers under our retirement savings plan during fiscal year 2008 are listed in footnote 3 of our Summary Compensation Table below.

We have previously also offered our deferred compensation plan to a select group of highly compensated employees and directors of our company. Our deferred compensation plan allowed these individuals to defer compensation subject to a minimum level of contribution without a maximum level of contribution. We matched the participant s contribution under this plan in an amount equal to the match the participant would have received under our retirement savings plan but for his or her participation in our deferred compensation plan and certain limitations imposed by the tax code less the match actually credited to the participant under our retirement savings plan. In November 2008, acting pursuant to the terms of our deferred compensation plan, the compensation committee suspended future deferrals. For more information about our deferred compensation plan and the named executive officers contributions, see our Nonqualified Deferred Compensation table below.

Overall Analysis

During the course of fiscal year 2008, we remained committed to the core executive compensation objectives of attracting and retaining quality executive officers, aligning the interests of our executive officers and our stockholders and paying for performance. We have continued to compensate our executive officers with our core components of a base annual salary, incentive-based awards and long-term equity awards. To achieve certain goals specific to this fiscal year, we also granted discretionary cash bonuses and retention bonuses to certain named executive officers.

Although we believe it was not reflected in the price of our stock, fiscal year 2008 featured considerable improvement in our financial goals, particularly with respect to our success in meeting our revenue and operating profit targets. At the end of fiscal year 2008, we had achieved six consecutive quarters of non-GAAP operating profitability and four consecutive quarters of positive cash flow. The compensation committee s determination that our named executive officers achieved a high degree of their goals under our equity and non-equity incentive programs reflects this success. We also awarded discretionary cash bonuses to Mr. Johnsen, who did not participate in MAP, and Mr. Medrek, to recognize their particularly strong contributions and achievements during the fiscal year.

While retention bonuses increased in fiscal year 2008, we believe that our continued improvement and future success depends on our ability to retain our current leadership, particularly in this challenging economic environment. The concern about losing important executive officers was highlighted and heightened by the departure of Mr. Biddiscombe, who had served as our chief financial officer and had been employed by us since our inception.

During fiscal year 2009, we intend to institute changes in our incentive-based compensation. We will replace our current practice of awarding shares of restricted stock with an award consisting of a mix of cash and stock options to offer greater value to our executive officers and to better align the interests of our executive officers with those of our stockholders. The procedures in place for setting performance goals and evaluating the performance of individual executive officers will remain unchanged; only the form of the award will be different. We also intend to continue monitoring the appropriate level of compensation of our executive officers through the use of our third-party compensation consultant, review of the Radford survey and comparison to the compensation practices of our peer group.

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Summary Compensation Table

The following table sets forth the compensation earned for services performed for our company during fiscal years 2007 and 2008 by:

our chief executive officer;

our chief financial officer;

each of our other three most highly compensated executive officers, employed by us as of the end of fiscal year 2008; and

our former chief financial officer and interim chief financial officer, whom we refer to collectively as our named executive officers.

and Principal Position	Year	Salary ($)	Bonus(1)	Stock Awards ($)(2)	Option Awards ($)(2)	Non-Equity Incentive Plan Compensation ($)	All Other Compensation ($)(3)	Tota ($)
Y. Halim	2008	$ 500,000	$ 250,000	$ 268,878	$ 119,994		$ 54,371	$ 1,19
Executive Officer	2007	500,000		330,953	143,855		56,737	1,03
V. Johnsen	2008	69,231	200,000		17,215		2,144	28
Vice President, Financial Office easurer								
nder S. Virk	2008	248,846	75,000	144,653	45,781		133,787	64
Vice President and al Manager, rise and Customer se Equipment								
J. Hamilton	2008	247,308		90,917	46,550	$135,369	34,315	55
Vice President, wide Sales	2007	270,164		88,628	44,638	122,826	100,197	62
as J. Medrek	2008	300,000	35,000	73,705	35,541		35,514	47
Vice President eneral Manager, ervice Access	2007	300,000		85,107	69,221		80,598	53
Biddiscombe	2008	185,308	100,000(4)	35,964	(45,084)		28,473(4)	30
r Senior Vice ent, Chief ial Officer, rer and Secretary	2007	293,750		176,060	91,873		35,659	59
ond D. Cook	2008	192,038	12,000	38,330	12,161		12,705	26

r Interim Chief Financial
r and Treasurer, Vice
ent, Finance, and
oller

(1) The amounts disclosed in this column for Messrs. Halim, Virk and Biddiscombe represent retention bonuses, each of which is subject to certain forfeiture conditions as discussed above under the caption Executive Officer and Director Compensation Compensation Discussion and Analysis Special Bonuses Retention Bonuses. The amount disclosed for Mr. Medrek and $50,000 of the amount disclosed for Mr. Johnsen represent discretionary cash bonuses and are discussed above under the caption Executive Officer and Director Compensation Compensation Discussion and Analysis Special Bonuses Discretionary Cash Bonuses. The remaining amount disclosed for Mr. Johnsen represents a sign-on bonus of $150,000, subject to certain forfeiture conditions, and the amount disclosed for Mr. Cook represents a special bonus for his role as our interim chief financial officer. These bonuses are discussed above under the caption Executive Officer and Director Compensation Compensation Discussion and Analysis Transition to New Chief Financial Officer.

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(2) These amounts reflect the dollar amount recognized for financial statement reporting purposes for the fiscal year ended October 3, 2008, in accordance with FAS 123R, of awards pursuant to our 2003 long-term incentives plan and prior stock incentive plans no longer in effect and thus may include amounts from awards granted both in and prior to fiscal year 2008. Assumptions used in the calculation of these amounts are included in Note 10, *Stock-Based Compensation,* to our audited financial statements for the fiscal year ended October 3, 2008, included in our annual report on Form 10-K filed with the SEC on December 16, 2008. However, as required, the amounts shown exclude the impact of estimated forfeitures related to service-based vesting conditions.

(3) The amount shown as All Other Compensation includes the following perquisites and personal benefits:

	Retirement Savings Plan Contributions (A)	**Deferred Compensation Plan Contributions (B)**	**Life Insurance Premiums**	**Liability Insurance Premiums (C)**	**Airline Club Fees**	**Club Dues**	**Financial Services (D)**	**Property Management (E)**	**Loan Forgiveness (F)**	**Health Club**
Ialim	$ 9,154		$1,479	$3,414	$ 1,036	$ 20,050	$12,835			$ 3,857
hnsen	1,385		93		666					
S. Virk	9,954		679	373	444		19,526		$100,888	1,923
Iamilton	9,892		2,005	1,138			19,201			
Medrek	10,154		1,519	1,138	444		13,728	$8,247		284
discombe	5,937	$617	367	765			6,417			1,295
D. Cook	7,682		567		743		1,239			2,474

(A) Represents amounts we contributed pursuant to our retirement savings plan.

(B) Represents amounts we contributed pursuant to our deferred compensation plan.

(C) Represents amounts we paid for excess personal liability insurance coverage.

(D) Represents fees we paid on behalf of the executive for financial services provided by a third party, including financial counseling, tax return preparation and estate planning.

(E) Represents amount for property management fees we pay for Mr. Medrek s former residence in connection with his relocation to Southern California.

(F) Represents forgiveness of a loan made and forgiven prior to Mr. Virk s appointment as an executive officer.

For more information about perquisites, see the discussion above under the caption Executive Officer and Director Compensation Compensation Discussion and Analysis Other Compensation Policies Perquisites and Personal Benefits.

(4) Upon Mr. Biddiscombe s resignation of his employment, he was obligated to repay the $100,000 retention bonus that he received in November 2007. We agreed to forgive repayment of $50,000 in exchange for Mr. Biddiscombe s agreement to assist with our transition to a new chief financial officer and a promise not to

solicit or hire any of our employees for a period of one year. We also paid Mr. Biddiscombe $13,075 in accrued vacation in connection with his resignation.

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Grants of Plan-Based Awards

The following table presents information on equity awards granted to our named executive officers during fiscal year 2008.

		Estimated Possible Payouts Under Non-Equity Incentive Plan Awards			Estimated Possible Payouts Under Equity Incentive Plan Awards(1)			All Other Stock Awards: Number of Shares of Stock or Units	All Other Option Awards: Number of Securities Underlying Options	Exercise or Base Price of Option Awards	V
	Grant Date	**Threshold ($)**	**Target ($)**	**Maximum ($)**	**Threshold (#)**	**Target (#)**	**Maximum (#)**	**(#)**	**(#)**	**($/Sh)**	**A**
Halim	11/15/2007				12,500	25,000	25,000				$
	3/7/2008							35,000(3)			
	7/24/2008								150,000(3)	$ 3.87	
ohnsen	7/24/2008								200,000(4)	3.87	
S. Virk	11/15/2007				3,125	6,250	6,250				
	3/7/2008							10,000(3)			
	11/15/2007								8,000(3)	7.00	
Hamilton	11/15/2007				3,125	6,250	6,250				
	3/7/2008							10,000(3)			
			137,500(5)								
Medrek	11/15/2007				3,125	6,250	6,250				
	3/7/2008							7,200(3)			
ddiscombe	11/15/2007				5,000	10,000	10,000				
	3/7/2008							15,000(3)			
D. Cook	11/28/2007							266(6)			
	12/20/2007				625	1,250	1,250				
	3/7/2008							2,000(3)			
	7/25/2008							5,000(4)			

(1) These shares of restricted stock were awarded to all of our named executive officers pursuant to our 2003 long-term incentives plan on November 15, 2007 (except for Mr. Cook) and are earned based on fiscal year 2008 performance. Earned shares vested on November 21, 2008. Mr. Cook s shares of restricted stock were awarded on December 20, 2007. The material terms of these awards are discussed above under the caption Executive Officer and Director Compensation Compensation Discussion and Analysis Elements of Compensation Incentive-Based Compensation Equity Incentive Awards.

(2) The grant date fair value for equity awards has been calculated in accordance with FAS 123R. In contrast to how we present amounts in the Summary Compensation Table above, we report the amounts in this column without apportioning the amount over the applicable service or vesting period.

(3) The material terms of this award are discussed above under the caption Executive Officer and Director Compensation Compensation Discussion and Analysis Elements of Compensation Long-Term Equity Awards.

(4) The material terms of this award are discussed above under the caption Executive Officer and Director Compensation Compensation Discussion and Analysis Transition to New Chief Financial Officer.

(5) The non-equity incentive award for Mr. Hamilton was made pursuant to the senior vice president of worldwide sales bonus plan, which does not provide for a threshold or maximum payout. The target payout represents 55% of Mr. Hamilton s base annual salary. For more information about the material terms of this award, see the discussion above under the caption Executive Officer and Director Compensation Compensation Discussion and Analysis Elements of Compensation Incentive-Based Compensation Cash Incentive Awards.

(6) These shares of restricted stock vested as to the entire grant on December 5, 2007.

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Outstanding Equity Awards at Fiscal Year-End

The following table summarizes the equity awards we have made to our named executive officers which were outstanding as of the end of fiscal year 2008.

		Option Awards				Stock Awards	
Name	Grant Date	Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable	Option Exercise Price ($)	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested (#)(1)	Market Value of Shares or Units of Stock That Have Not Vested ($)(2)
Raouf Y. Halim	10/27/2000	1,715		$ 22.0295	10/27/2010		
	3/30/2001	191,185		9.001	3/30/2011		
	4/3/2002	64		11.793	4/2/2012		
	4/3/2002	32,121		11.793	4/3/2012		
	8/15/2003	60,000		13.25	8/15/2011		
	7/30/2004	30,000		17.765	7/30/2012		
	1/28/2005	36,000		11.40	1/28/2013		
	2/2/2007	12,500	37,500	10.95	2/2/2015		
	7/24/2008		150,000	3.87	7/24/2016		
	1/31/2006					8,501	$17,682
	11/15/2007					25,000	52,000
	3/7/2008					26,250	54,600
Bret W. Johnsen	7/24/2008		200,000	3.87	7/24/2016		
Preetinder S. Virk	1/18/1999	882		6.714	1/18/2009		
	10/27/2000	178		22.0295	10/27/2008		
	3/30/2001	3,956		9.001	3/30/2009		
	4/3/2002	2,216		11.793	4/3/2010		
	11/5/2002	857		5.015	11/5/2010		
	7/30/2004	1,500		16.15	7/30/2012		
	1/28/2005	2,500		11.40	1/28/2013		
	3/23/2005	3,750	1,250	11.95	3/23/2013		
	3/10/2006	5,000	5,000	17.70	3/10/2014		
	2/2/2007	1,500	4,500	10.95	2/2/2015		
	11/15/2007		8,000	7.00	11/15/2015		
	1/31/2006					750	1,560

	3/10/2006					2,500	5,200
	11/17/2006					2,250	4,680
	12/1/2006					750	1,560
	7/27/2007					4,000	8,320
	11/15/2007					6,250	13,000
	3/7/2008					7,500	15,600
Gerald J. Hamilton	3/30/2001	1,531		9.001	3/30/2009		
	4/3/2002	774		11.793	4/3/2010		
	11/5/2002	2,146		5.015	11/5/2010		
	8/15/2003	6,667		13.25	8/15/2011		
	7/30/2004	3,500		16.15	7/30/2012		
	1/28/2005	4,860		11.40	1/28/2013		
	8/4/2006	10,000	10,000	7.45	8/4/2014		
	2/2/2007	3,124	9,376	10.95	2/2/2015		
	1/31/2006					1,125	2,340
	8/4/2006					6,000	12,480
	11/15/2007					6,250	13,000
	3/7/2008					7,500	15,600

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		Option Awards				Stock Awards	
Name	**Grant Date**	**Number of Securities Underlying Unexercised Options (#) Exercisable**	**Number of Securities Underlying Unexercised Options (#) Unexercisable**	**Option Exercise Price ($)**	**Option Expiration Date**	**Number of Shares or Units of Stock That Have Not Vested (#)(1)**	**Market Value of Shares or Units of Stock That Have Not Vested ($)(2)**
Thomas J. Medrek	10/27/2000	416		22.0295	10/27/2010		
	3/30/2001	4,302		9.001	3/29/2011		
	3/30/2001	25,370		9.001	3/30/2009		
	4/3/2002	7,240		11.793	4/3/2010		
	4/26/2002	5,362		10.2115	4/26/2010		
	11/5/2002	6,149		5.015	11/5/2010		
	8/15/2003	20,000		13.25	8/15/2011		
	7/16/2004	15,000		15.50	7/16/2012		
	7/30/2004	10,999		17.765	7/30/2012		
	1/28/2005	12,000		11.40	1/28/2013		
	2/2/2007	3,124	9,376	10.95	2/2/2015		
	1/31/2006					3,000	6,240
	11/15/2007					6,250	13,000
	3/7/2008					5,400	11,232
Simon Biddiscombe(3)							
Raymond D. Cook(4)	10/27/2000	274		22.0295	10/27/2008		
	3/30/2001	395		9.001	2/21/2009		
	4/3/2002	1,644		11.793	2/21/2009		
	11/5/2002	500		5.015	2/21/2009		
	8/15/2003	3,200		13.25	2/21/2009		
	7/30/2004	2,500		16.15	2/21/2009		
	1/28/2005	3,600		11.40	2/21/2009		
	1/31/2006	1,874	1,126	15.85	2/21/2009		
	2/2/2007	624	1,876	10.95	2/21/2009		
	1/31/2006					1,125	2,340
	11/16/2006					1,500	3,120
	12/20/2007					1,250	2,600
	3/7/2008					1,500	3,120
	7/25/2008					5,000	10,400

(1) Restricted stock awards granted November 15, 2007 in this column were granted pursuant to our 2003 long-term incentives plan and were earned and vested in proportion to the accomplishment of each executive officer s goals

during fiscal year 2008. The figure shown in this column represents the number of shares deemed earned for fiscal year 2008 performance, as determined by the compensation committee on November 13, 2008. All shares deemed unearned were forfeited. The earned shares are included in this table because as of the end of fiscal year 2007, the relevant performance condition had been satisfied, but the shares remained unvested until November 21, 2008.

(2) The market value noted in this column was determined by multiplying the number of unvested shares by $2.08, the closing price of our common stock on the last business day of fiscal year 2008.

(3) In connection with the resignation of his employment effective April 21, 2008, Mr. Biddiscombe immediately forfeited the non-vested portion of his equity awards and forfeited the remaining awards on July 21, 2008.

(4) In connection with the resignation of his employment effective November 21, 2008, Mr. Cook immediately forfeited the non-vested portion of his equity awards and will forfeit any remaining vested, but unexercised equity awards on February 21, 2009.

Stock Option Award Vesting Schedule

The vesting schedule for stock option awards is set forth below.

Grant Date	Vesting
1/18/1999 8/4/2006	Options vested as to 25% of the underlying award on the first anniversary of the grant date and as to 6.25% of the underlying award each quarter for three years thereafter.
10/27/2000	Options vested as to 50% of the underlying award on each anniversary of the grant date for two years.
3/30/2001	Options vested as to 50% of the underlying award on the first anniversary of the grant date and as to 25% of the underlying award on each anniversary of the grant date for two years thereafter.
4/3/2002	The options listed under this grant date were repriced options from earlier grants. Each repriced grant retained its original vesting schedule, but we note the original grant date below. Mr. Halim received a grant of 16,092 options on February 10, 2000, and a grant of 16,093 options on July 24, 2000. Mr. Virk received a grant of 715 options on March 13, 2000 and July 24, 2000, and a grant of 786 options on October 1, 2001. Mr. Hamilton received a grant of 715 options on July 24, 2000, and a grant of 1,251 options on September 26, 2001. Mr. Medrek received a grant of 1,520 options on October 19, 1999, a grant of 2,860 options on March 13, 2000, and a grant of 2,860 options on July 24, 2000. Mr. Cook received a grant of 1,072 options on January 1, 2000, and a grant of 572 options on July 24, 2000. The vesting schedule for each of these grants provided for 25% of the underlying award to vest on each anniversary of the grant date for four years, except the vesting schedule for Mr. Medrek s award granted on October 19, 1999. This award was made under a plan of a company that we acquired, and we have no detailed information about its original vesting schedule. This award was fully vested as of December 31, 2004.
4/26/2002 11/5/2002 8/15/2003 7/16/2004 11/15/2007	Options vested as to 25% of the underlying award on each anniversary of the grant date for four years.
7/30/2004	Options vested as to 25% of the underlying award on the first anniversary of the grant date and as to 2.083% of the underlying award each month for three years thereafter.
1/28/2005	Options vested as to 50% of the underlying award on the six month anniversary of the grant date and as to 50% of the underlying award on the one year anniversary of the grant date.
3/23/2005	Options vested as to 25% of the underlying award on January 3, 2006 and will continue to vest as to 25% of the underlying award on each anniversary of that date for three years thereafter.
3/10/2006	Options vested as to 25% of the underlying award on August 1, 2007 and will continue to vest as to 25% of the underlying award on each anniversary of that date for three years thereafter. The vesting of the options was conditioned on Mr. Virk s relocation to Southern California.

2/2/2007	Options vested as to 12.5% of the underlying award on the 15 month anniversary of the grant date and will continue to vest as to 12.5% of the underlying award each quarter for seven quarters thereafter.
7/24/2008	Options will vest as to 25% of the underlying award on the first anniversary of the grant date and as to 2.083% of the underlying award each month for three years thereafter.

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Restricted Stock Award Vesting Schedule

The vesting schedule for restricted stock awards is set forth below.

Grant Date	Vesting
1/31/2006 8/4/2006	The shares of restricted stock vested as to 25% of the underlying award on the first anniversary of the grant date and will continue to vest as to 6.25% of the underlying award each quarter for three years thereafter.
3/10/2006	The shares of restricted stock vested as to 25% of the underlying award on August 1, 2007 and will continue to vest as to 25% of the underlying award on each anniversary of that date for three years thereafter. The vesting of the shares of restricted stock was conditioned on Mr. Virk s relocation to Southern California.
11/16/2006 11/17/2006 12/1/2006 7/27/2007	The shares of restricted stock vested as to 50% of the underlying award on the first anniversary of the grant date and will vest as to 50% of the underlying award on the second anniversary of the grant date.
11/15/2007 12/20/2007	The shares of restricted stock were earned and fully vested on November 21, 2008. Shares subject to this grant were earned based on achievement of overall company and individual performance goals. Shares that remained unearned based on these goals were forfeited on November 21, 2008. For a discussion of the vesting provisions of these awards, see Executive Officer and Director Compensation Compensation Discussion and Analysis Elements of Compensation Incentive-Based Compensation Equity Incentive Awards above.
3/7/2008	The shares of restricted stock vested as to 12.5% of the underlying award April 30, 2008 and will continue to vest as to 12.5% of the underlying award each quarter for seven quarters thereafter.
7/25/2008	The shares of restricted stock would have vested as to 25% of the underlying award on July 31, 2009 and as to 25% of the underlying award on each anniversary thereafter. These shares were forfeited in connection with Mr. Cook s resignation of his employment, effective November 21, 2008.

Option Exercises and Stock Vested

The following table sets forth information regarding the vesting of restricted stock awards for each of our named executive officers during fiscal year 2008. There were no options exercised by our named executive officers during fiscal year 2008.

	Stock Awards	
Name	Number of Shares Acquired on Vesting (#)	Value Realized on Vesting ($)(1)
Raouf Y. Halim	33,167	$196,880

Bret W. Johnsen		
Preetinder S. Virk	13,120	66,506
Gerald J. Hamilton	12,101	70,319
Thomas J. Medrek	8,337	49,646
Simon Biddiscombe	15,166	80,764
Raymond D. Cook	4,207	24,240

(1) We computed the dollar amount realized upon vesting by multiplying the number of shares by the market price of the underlying securities on the vesting date.

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Nonqualified Deferred Compensation

Our deferred compensation plan provides for the deferral of compensation on a basis that is not tax-qualified for a select group of highly compensated employees and directors. A participant may defer up to 100% of base annual salary, annual bonus and director fees. If a participant elects to defer from any of these three sources, he or she must defer at least $2,000 from the source from which he or she deferred. A participant may also elect to defer 100% of restricted stock grants and qualifying gains with respect to the exercise of eligible stock options.

We provide a matching amount to each participant equal to the match the participant would have received under our retirement savings plan but for his or her participation in our deferred compensation plan and the limitations of certain provisions of the Internal Revenue Code, less the match actually credited to the participant s retirement savings plan account. We may also, in our discretion, credit any amount we desire to any participant s account under the terms of our deferred compensation plan.

A participant may allocate and apportion his or her account funds (other than deferred restricted stock grants and stock option grants) in 5% increments into personally selected measurement funds. He or she may choose these funds from a pre-selected list, previously determined by our company, consisting of mutual funds, insurance company separate accounts, indexed rates or other investment vehicles. Interest and other plan earnings of individual accounts are determined by the performance of these measurement funds on a daily basis. These funds are used solely for measurement purposes, and participants hold no actual investment in them.

A participant or the beneficiary may pre-elect to receive benefits under the plan pursuant to an annual installment method of 2, 5, 10, 15 or 20 years or in a lump sum after retirement. Benefits from death or other termination will be payable in a single lump sum.

In November 2008, acting pursuant to the terms of our deferred compensation plan, the compensation committee suspended future deferrals to the plan.

The following table sets forth amounts deferred by the named executive officers under our deferred compensation plan during fiscal year 2008.

Name	**Executive Contributions in Last Fiscal Year ($)(1)**	**Company Contributions in Last Fiscal Year ($)(2)**	**Aggregate Earnings in Last Fiscal Year ($)(3)**	**Aggregate Withdrawals/ Distributions ($)**	**Aggregate Balance at Last Fiscal Year End ($)**
Raouf Y. Halim					
Bret W. Johnsen					
Preetinder S. Virk					
Gerald J. Hamilton					
Thomas J. Medrek			$ (34,369)		$ 108,626
Simon Biddiscombe	$ 3,046	$ 617	739		37,810
Raymond D. Cook					

(1) These amounts are included in the Summary Compensation Table above in the Salary column.

(2) These amounts are included in the Summary Compensation Table above in the All Other Compensation column.

(3) These amounts are not included in the Summary Compensation Table above because the earnings are not preferential or above-market.

Potential Payments upon Termination or Change-in-Control

Under the terms of our standard change of control agreement, deferred compensation plan and 2003 long-term incentives plan, our named executive officers may be entitled to certain payments upon termination of their employment. The following description of the agreement and plans is qualified by reference to the complete text of the agreement and plans, which have been filed with the SEC.

The following table sets forth estimated payments that would be made to each of our named executive officers upon termination of employment under various circumstances, including: (i) death; (ii) in connection with a change of control; (iii) other than for personal performance; and (iv) for any other reason. The information set forth in the table assumes:

- the termination event occurred on the last day of fiscal year 2008;
- all payments are made in a lump sum on the date of termination;
- we are current on all obligations owed the executive through the date of termination (including salary and bonus, but excluding accrued vacation); and
- the executive does not find new employment with another employer within two years.

The actual amounts to be paid can only be determined at the time of the executive s termination of employment and may differ materially from the amounts set forth in the table below. The amounts set forth in the table below do not reflect the withholding of applicable state and federal taxes. Following the table is a description of the plans and agreements that affect potential payments upon death, termination or change of control.

Name	Death	Qualified Termination in Connection with a Change of Control	Termination for Reason Other than Personal Performance	Termination for Any Other Reason
Raouf Y. Halim				
Accrued Vacation	$ 57,988	$ 57,988	$ 57,988	$ 57,988
Deferred Compensation Plan				
2003 Long-Term Incentives Plan	124,282			
Change of Control Agreement				
Multiplied Salary(1)		1,500,000		
Multiplied Annual Bonus(2)		1,500,000		
Welfare Benefits(3)		36,600		
Outplacement Services(4)		12,000		
Acceleration of Equity Awards(5)		124,282		
Gross-up Payment				
Total	$182,270	$3,230,870	$ 57,988	$ 57,988

Bret W. Johnsen				
Accrued Vacation	$ 1,734	$ 1,734	$ 1,734	$ 1,734
Deferred Compensation Plan				
2003 Long-Term Incentives Plan				
Change of Control Agreement				
Multiplied Salary(1)		600,000		
Multiplied Annual Bonus(2)		330,000		
Welfare Benefits(3)		36,600		
Outplacement Services(4)		12,000		
Acceleration of Equity Awards(5)				
Gross-up Payment				
Total	$ 1,734	$ 980,334	$ 1,734	$ 1,734

Name	Death	Qualified Termination in Connection with a Change of Control	Termination for Reason Other than Personal Performance	Termination for Any Other Reason
Preetinder S. Virk				
Accrued Vacation	$ 18,535	$ 18,535	$ 18,535	$ 18,535
Deferred Compensation Plan				
2003 Long-Term Incentives Plan	49,920			
Severance Arrangement		110,577	110,577	
Change of Control Agreement				
Multiplied Salary(1)		500,000		
Multiplied Annual Bonus(2)		275,000		
Welfare Benefits(3)		36,600		
Outplacement Services(4)		12,000		
Acceleration of Equity Awards(5)		49,920		
Gross-up Payment				
Total	$ 68,455	$1,002,632	$129,112	$ 18,535
Gerald J. Hamilton				
Accrued Vacation	$ 5,575	$ 5,575	$ 5,575	$ 5,575
Deferred Compensation Plan				
2003 Long-Term Incentives Plan	43,420			
Change of Control Agreement				
Multiplied Salary(1)		500,000		
Multiplied Annual Bonus(2)		275,000		
Welfare Benefits(3)		36,600		
Outplacement Services(4)		12,000		
Acceleration of Equity Awards(5)		43,420		
Gross-up Payment				
Total	$ 48,995	$ 872,595	$ 5,575	$ 5,574
Thomas J. Medrek				
Accrued Vacation	$ 20,912	$ 20,912	$ 20,912	$ 20,912
Deferred Compensation Plan	108,626	108,626	108,626	108,626
2003 Long-Term Incentives Plan	30,472			
Change of Control Agreement				
Multiplied Salary(1)		600,000		
Multiplied Annual Bonus(2)		330,000		
Welfare Benefits(3)		36,600		
Outplacement Services(4)		12,000		
Acceleration of Equity Awards(5)		30,472		
Gross-up Payment				
Total	$160,010	$1,138,610	$129,538	$129,538

(1) The multiple used for the multiplied salary for Mr. Halim as our chief executive officer is three. The multiple used for all other named executive officers is two. The multiplied salary amount is based on the named executive officer s base annual salary as of the end of fiscal year 2008.

(2) The multiple used for the multiplied bonus for Mr. Halim as our chief executive officer is three. The multiple used for each other named executive officers is two. The annual bonus amount used is based on individual target

incentive amounts for each named executive officer as established by the compensation committee for fiscal year 2008.

(3) Welfare benefits include the following benefits:

Benefits (Insurance Premiums)	Annual Value
Medical	$ 15,200
Dental	1,875
Vision	325
Basic Life and Accidental Death and Disability	750
Long-Term Disability	450

(4) The value of outplacement services is estimated based on industry standards.

(5) The value of accelerated option awards is calculated by multiplying the number of outstanding but unvested options by the difference between the exercise price of the option and $2.08, the price of our common stock on the last business day of fiscal year 2008. The value of accelerated restricted stock awards is calculated by multiplying the number of outstanding but unvested shares of restricted stock by $2.08, the price of our common stock on the last business day of fiscal year 2008.

Departures

Effective April 21, 2008, Mr. Biddiscombe resigned from his position as our senior vice president, chief financial officer, secretary and treasurer. In connection with Mr. Biddiscombe s departure, we agreed to forgive repayment of $50,000 of the remaining balance of his $100,000 retention bonus in exchange for his assistance with the transition to a new chief financial officer and a promise not to solicit or hire any of our employees for a period of one year. We also paid Mr. Biddiscombe $13,075 in accrued vacation in connection with his resignation. Pursuant to his election under our deferred compensation plan, we paid Mr. Biddiscombe $37,746 in November 2008, and any remaining amounts due to Mr. Biddiscombe as a participant in such plan will be paid to him in February 2009.

Effective November 21, 2008, Mr. Cook resigned from his position as vice president, finance, and controller. In connection with Mr. Cook s departure, we entered into a transition agreement with him, under which we agreed to forgive repayment of the $25,000 cash portion of his retention bonus in exchange for his agreement not to solicit or hire any of our employees for a period of one year and his assistance with financial reporting for the first quarter of fiscal year 2009 and our transition to a new controller. We also paid Mr. Cook $15,858 in accrued vacation in connection with his resignation.

Plans and Agreements Affecting Potential Payments upon Termination or Change-in-Control

Deferred Compensation Plan

Under the terms of our deferred compensation plan, a participating executive is entitled to receive the balance of his account upon termination of his employment. A participant or the beneficiary may pre-elect to receive benefits under the plan pursuant to an annual installment method of 2, 5, 10, 15 or 20 years or in a lump sum after retirement. Benefits from death or other termination will be payable in a single lump sum.

Participants in our deferred compensation plan are entitled to this benefit regardless of the reason for the termination. Of the named executive officers employed as of the end of fiscal year 2008, only Mr. Medrek had outstanding balances under our deferred compensation plan.

Accrued Vacation

Our named executive officers are entitled to payments for their accrued vacation time regardless of the reason for the termination of their employment. The amounts of these payments vary with respect to each individual officer.

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2003 Long-Term Incentives Plan

Under the terms of our 2003 long-term incentives plan, the estate or beneficiaries of a deceased employee are entitled to exercise all outstanding options for up to three years following the employee s death. The estate or beneficiaries may exercise these options regardless of whether the options had vested prior to the employee s death. Any unvested shares of restricted stock held by a deceased employee are deemed to have been earned upon death. The table accounts for this benefit by multiplying the number of outstanding but unvested options by the difference between the exercise price of the option and $2.08, the price of our common stock on the last business day of fiscal year 2008. An employee terminated for reasons other than cause or his death may exercise only the options vested and exercisable as of the termination date for a period of three months following termination. An employee terminated for cause forfeits all options. No other financial benefit from restricted stock awards is derived upon termination of employment for reasons other than cause or death.

Because of the spread between the exercise prices of the options held by our named executive officers and the closing price of our common stock on the last business day of the fiscal year, none of our named executive officers would have derived financial benefit from the acceleration of options for the purposes of this table.

The acceleration of outstanding but unvested equity awards in the event of a change of control is discussed above under the caption Executive Officer and Director Compensation Compensation Discussion and Analysis Other Compensation Policies Change of Control Agreements.

Change of Control Agreements

Each of the named executive officers has entered into our standard change of control agreement, which provides under certain circumstances for payments upon termination of employment in connection with a change of control of our company. Additional information regarding the change of control agreements is discussed above under the caption Executive Officer and Director Compensation Compensation Discussion and Analysis Other Compensation Policies Change of Control Agreements.

Severance Arrangements

Pursuant to an offer letter entered into in connection with his transfer to a position in Southern California, Mr. Virk has a limited severance arrangement. If Mr. Virk s position is eliminated due to a change of control or a business performance reduction in workforce not related to his personal job performance, subject to a full release of claims, he is entitled to 23 weeks of salary continuation. The severance arrangement contained in this offer letter expires on September 30, 2009.

Director Compensation

The following table sets forth the compensation earned for services performed for us as a director by each member of the board, other than any director who is also a named executive officer, during fiscal year 2008.

Name(1)	Fees Earned or Paid in Cash ($)(2)	Stock Awards ($)(3)	Option Awards ($)(4)	Total ($)
Donald R. Beall(5)	$12,500		$ 5,480	$ 17,980
Dwight W. Decker	96,875	$ 9,150	22,179	128,204
Donald H. Gips(6)	71,875	9,150	23,718	104,743
Michael T. Hayashi	63,750	9,150	20,666	93,566
Ming Louie	63,750	9,150	22,179	95,079
Thomas A. Madden	80,000	9,150	22,179	111,329
Jerre L. Stead	55,000	9,150	22,179	86,329

(1) Mr. Halim serves as a member of the board and also as one of our executive officers. Mr. Halim did not receive any compensation for serving as a member of the board, but is compensated for serving as our chief executive officer.

(2) Represents the amount of cash compensation earned during fiscal year 2008 for service on the board and committees of the board, as applicable. For more information on how the directors were compensated, please see the explanation set forth below.

(3) These amounts reflect the dollar amount recognized for financial statement reporting purposes for the fiscal year ended October 3, 2008, in accordance with FAS 123R, of awards pursuant to our directors stock plan. Assumptions used in the calculation of these amounts are included in Note 10, *Stock-Based Compensation,* to our audited financial statements for the fiscal year ended October 3, 2008 included in our annual report on Form 10-K filed with the SEC on December 16, 2008. However, as required, the amounts shown exclude the impact of estimated forfeitures related to service-based vesting conditions. On April 7, 2008, we awarded each non-employee director 3,000 restricted stock units. These awards were granted pursuant to our directors stock plan. The grant date fair value of each stock award, as computed in accordance with FAS 123R, is $9,150 for each director.

As of the end of fiscal year 2008, each of the following directors held awards of restricted stock in the aggregate amounts set forth in the table below, subject to the terms of their award agreements:

Name	Aggregate Number of Shares of Restricted Stock (#)

Donald R. Beall	
Dwight W. Decker	5,000
Donald H. Gips	5,000
Michael T. Hayashi	5,000
Ming Louie	5,000
Thomas A. Madden	5,000
Jerre L. Stead	5,000

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As of the end of fiscal year 2008, each of the following directors held awards of restricted stock units in the aggregate amounts set forth in the table below, subject to the terms of their award agreements:

Name	Aggregate Number of Restricted Stock Units (#)
Donald R. Beall	
Dwight W. Decker	3,000
Donald H. Gips	3,000
Michael T. Hayashi	3,000
Ming Louie	3,000
Thomas A. Madden	3,000
Jerre L. Stead	3,000

(4) These amounts reflect the dollar amount recognized for financial statement reporting purposes for the fiscal year ended October 3, 2008, in accordance with FAS 123R, of awards pursuant to our directors stock plan. Assumptions used in the calculation of these amounts are included in Note 10, *Stock-Based Compensation,* to our audited financial statements for the fiscal year ended October 3, 2008 included in our annual report on Form 10-K filed with the SEC on December 16, 2008. However, as required, the amounts shown exclude the impact of estimated forfeitures related to service-based vesting conditions. On April 7, 2008, we awarded each non-employee director 4,000 stock options. These awards were granted pursuant to our directors stock plan. The grant date fair value of each option award, as computed in accordance with FAS 123R, is $5,840 for each director.

As of the end of fiscal year 2008, each of the following directors held awards of stock options to purchase shares of our common stock in the aggregate amounts set forth in the table below, subject to the terms of their award agreements:

Name	Aggregate Number of Stock Options (#)
Donald R. Beall	30,435
Dwight W. Decker	250,902
Donald H. Gips	24,000
Michael T. Hayashi	20,000
Ming Louie	28,000
Thomas A. Madden	28,000
Jerre L. Stead	43,729

(5) Mr. Beall retired from the board effective November 15, 2007. In connection with Mr. Beall s retirement, the board and the compensation committee approved the acceleration of all unvested stock options and other equity awards held by Mr. Beall in accordance with our directors stock plan and our 2003 stock option plan. All unexercised stock options held by Mr. Beall as of November 15, 2007 became fully vested and exercisable; provided that each such option will expire upon the earlier to occur of: (i) November 15, 2012; or (ii) the expiration date specified in such option. In addition, all shares of restricted stock held by Mr. Beall vested ten days after his retirement in accordance with the terms of our directors stock plan.

(6) Mr. Gips director fees have been deferred pursuant to our deferred compensation plan. Mr. Gips resigned from the board effective January 15, 2009.

How are directors compensated?

For board participation during fiscal year 2008, we paid each of our non-employee directors an annual base compensation of $30,000 and our non-employee chairman of the board an annual base compensation of $50,000. They each also received committee participation compensation equal to $2,500 annually for service on the compensation committee and/or the governance committee ($7,500 if serving as chairman of such committee) and

$5,000 annually for service on the audit committee ($10,000 if serving as chairman of such committee). Each non-employee director received $1,250 per meeting for each board and committee meeting attended in person or by telephone. Directors who are our employees are not paid any additional compensation for their service on the board. The board may from time to time appoint additional standing or ad hoc committees, and may compensate directors who serve on them differently than we currently compensate members of our standing committees. During fiscal year 2008, we paid members of the financing committee $1,250 per committee meeting. We reimburse each of our directors for reasonable out-of-pocket expenses that they incur in connection with their service on the board.

Beginning on January 1, 2009, annual compensation for service on the compensation committee and the governance committee will be increased from $2,500 to $5,000, and annual compensation for service as chairman of those committees will be increased from $7,500 to $10,000. Annual compensation for service on the audit committee will be increased from $5,000 to $7,500, and annual compensation for service as chairman of the audit committee will be increased from $10,000 to $15,000.

Our non-employee directors are eligible to participate in our directors stock plan, which is administered by the compensation committee under authority delegated by the board. The directors stock plan provides that upon initial election to the board, each non-employee director is granted an option to purchase 8,000 shares of our common stock at an exercise price per share equal to its fair market value on the date of grant. The options become exercisable in four equal installments on each of the first, second, third and fourth anniversaries of the date the options are granted. In addition, each non-employee director is granted an option to purchase 4,000 shares of our common stock following each annual meeting of stockholders.

Our directors stock plan also provides that, following each annual meeting of stockholders, each non-employee director is granted restricted stock units in an amount equal to the lesser of: (i) 3,000 restricted stock units; or (ii) the number of restricted stock units (rounded to nearest whole unit) equal to $45,000 divided by the closing price of our common stock on the date of grant. One share of our common stock is issuable upon settlement for each restricted stock unit awarded. Other than the right to receive dividends, the recipients of restricted stock units will not have the rights of a stockholder, such as the right to vote, until the restricted stock units are settled by the issuance of shares of our common stock. The restricted stock units will not be settled for shares of our common stock until ten days after: (i) the recipient retires from the board after attaining age 55 and completing at least five years of service as a director; or (ii) the recipient resigns from the board or ceases to be a director by reason of antitrust laws, compliance with our conflict of interest policies, death, disability or other circumstances, and the board has not determined (prior to the expiration of such ten day period) that such resignation or cessation of service as a director is adverse to the best interests of our company.

Subject to stockholder approval, the directors stock plan will be amended to increase the number of stock options and restricted stock units granted to new and continuing non-employee directors. If passed, the amendment would increase the number of options to purchase our common stock granted to non-employee directors upon initial election to the board to 10,000 stock options and add a grant of 10,000 restricted stock units to non-employee directors upon initial election to the board. The amendment would also increase the number of stock options and restricted stock units granted to our continuing non-employee directors following the 2009 annual meeting and every annual meeting thereafter to 5,000 stock options and restricted stock units in the amount equal to the lesser of: (i) 5,000 restricted stock units; and (ii) the number of restricted stock units (rounded to the nearest whole unit) equaling $45,000 divided by the closing price of our common stock on the date of the grant. For more information about the proposed amendment to the directors stock plan, see below under the caption Proposal 4 Approval of Amended and Restated Directors Stock Plan.

Under the terms of our deferred compensation plan, a director previously could elect to defer all or part of his cash compensation and certain equity awards as described under the caption Executive Officer and Director Compensation

Nonqualified Deferred Compensation above. In November 2008, acting pursuant to the terms of our deferred compensation plan, the compensation committee suspended future deferrals to the plan. Each director also has the option each year to receive all or a portion of cash compensation due via shares of our common stock or restricted stock units valued at the closing price of our common stock on the date each payment would otherwise be made.

EQUITY COMPENSATION PLAN INFORMATION

The following table provides information as of the end of fiscal year 2008 about shares of our common stock that may be issued upon the exercise of options, warrants and rights granted under all of our existing equity compensation plans, including our 2003 long-term incentives plan, 2003 stock option plan and directors stock plan.

	Number of Securities to be Issued upon Exercise of Outstanding Options, Warrants and Rights (a)	Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights (b)	Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected in Column (a)) (c)
Equity compensation plans approved by stockholders			
2003 long-term incentives plan(1)	1,527,387	$11.35	290,236
2003 stock option plan(2)	1,621,107	9.91	
Directors stock plan(3)	180,000	15.85	48,371
Equity compensation plans not approved by stockholders(4)	200,000	3.87	
Total(5)	3,528,494	10.50	338,607

(1) As of November 30, 2008, under our 2003 long-term incentives plan, there were: (i) 1,526,380 securities to be issued upon exercise of outstanding options, warrants and rights, having a weighted-average exercise price of $11.25 and a weighted-average term to expiration of 4.83 years; (ii) 352,984 shares of restricted stock outstanding; and (iii) 279,028 securities remaining available for future issuance.

(2) As of November 30, 2008, under our 2003 stock option plan, there were: (i) 1,420,168 securities to be issued upon exercise of outstanding options, warrants and rights, having a weighted-average exercise price of $9.67 and a weighted-average term to expiration of 1.57 years; and (ii) zero securities remaining available for future issuance.

(3) As of November 30, 2008, under our directors stock plan, there were: (i) 180,000 securities to be issued upon exercise of outstanding options, warrants and rights, having a weighted-average exercise price of $15.85 and a weighted-average term to expiration of 6.36 years; (ii) 30,000 shares of restricted stock outstanding; (iii) 18,000 shares of restricted stock units outstanding; and (iv) 48,371 securities remaining available for future issuance.

(4) As of November 30, 2008, there were 200,000 securities to be issued upon exercise of outstanding options, warrants and rights, having a weighted-average exercise price of $3.87 and a weighted-average term to expiration of 7.7 years. These securities relate to an inducement grant to Mr. Johnsen, the material terms of which are discussed above under the caption Executive Officer and Director Compensation Compensation Discussion and Analysis Transition to a New Chief Financial Officer.

(5) As of November 30, 2008, under all plans combined, there were: (i) 3,326,548 securities to be issued upon exercise of outstanding options, warrants and rights, having a weighted-average exercise price of $10.38 and a weighted-average term to expiration of 3.69 years; (ii) 382,984 shares of restricted stock outstanding; (iii) 18,000 restricted stock units outstanding; and (iv) 327,399 securities remaining available for future issuance.

CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Change of Control Agreements

We have entered into change of control agreements with each of our current executive officers. The change of control agreements provide for certain payments upon a qualified termination in connection with a change of control. Additional information regarding the change of control agreements is discussed above under the caption Executive Officer and Director Compensation Compensation Discussion and Analysis Other Compensation Policies Change of Control Agreements.

Indemnification Agreements

We have entered into indemnification agreements with each of our directors and Mr. Johnsen. Each indemnification agreement provides that we will indemnify the director or executive officer from and against any expenses incurred by them as provided in Article III, Section 14 of our bylaws (subject to the procedural provisions specified in our bylaws) and, to the extent the laws of Delaware are amended to increase the scope of permissible indemnification, to the fullest extent of Delaware law.

Severance Agreements

On October 10, 2008, we entered into a severance and general release agreement with Thomas A. Stites in connection with his resignation as our senior vice president, communications. The material terms of the agreement provide that we will: (i) pay Mr. Stites at a rate of $2,403.85 (equal to half of his then existing salary rate) per week for the period beginning October 11, 2008 through November 14, 2008 in exchange for his assistance in the transition; (ii) pay Mr. Stites severance at a rate of $4,807.69 (equal to his then existing salary rate) beginning November 15, 2008 and ending November 13, 2009; (iii) continue paying Mr. Stites medical, dental, vision, life insurance, executive physical, health club and financial counseling benefits until February 12, 2010; and (iv) provide Mr. Stites with outplacement assistance. The agreement also provides that Mr. Stites will be placed on unpaid leave from November 13, 2009 through February 12, 2010, during which time all unvested stock options and restricted stock awards will continue to vest and after which time all unvested stock options and restricted stock awards will expire. Any vested stock options as of February 12, 2010, will be exercisable for a period of three months thereafter. The agreement also contains: (i) Mr. Stites release of all claims against us; and (ii) a promise not to solicit our employees for a period ending February 12, 2011. The total approximate dollar value of Mr. Stites interest in the agreement is $272,089.

On November 19, 2007, we entered into a severance and general release agreement with Jay E. Cormier in connection with his resignation as our senior vice president and general manager, high-performance analog. The material terms of the agreement provided that we would: (i) pay Mr. Cormier severance at a rate equal to his then existing salary rate of $5,000 per week beginning December 1, 2007 and ending August 29, 2008; (ii) continue paying Mr. Cormier s medical, dental, vision, life insurance, executive physical, health club and financial counseling benefits until November 28, 2008; and (iii) provide Mr. Cormier with outplacement assistance. The agreement also provided that Mr. Cormier would be placed on unpaid leave from August 30, 2008 through November 28, 2008, during which time all unvested stock options and restricted stock awards would continue to vest and after which time all unvested stock options and restricted stock awards would expire. Any vested stock options as of November 28, 2008, became exercisable for a period of three months thereafter. The agreement also contained: (i) a limited non-competition provision (through the period of unpaid leave); (ii) Mr. Cormier s release of all claims against us; and (iii) a promise not to solicit our employees for a period ending November 28, 2009. The total approximate dollar value of Mr. Cormier s interest in the agreement was $358,000.

On July 19, 2007, we entered into an agreement with Bradley W. Yates in connection with his resignation as our senior vice president and chief administrative officer. The material terms of the agreement provided that we would continue to pay Mr. Yates health benefits and financial counseling through December 31, 2007, including tax preparation and filing in early 2008 for the 2007 tax year. The agreement further provided that Mr. Yates would be placed on unpaid leave through June 30, 2008, during which time all unvested stock options and restricted stock awards would continue to vest and after which time all unvested stock options and restricted stock awards would expire. Any vested stock options as of June 30, 2008, became exercisable for a period of three months thereafter. Mr. Yates also remained eligible for his award under the fiscal year 2007 MAP which vested in November 2007 and was prorated to reflect the length of his employment during fiscal year 2007. The terms of the agreement provided that Mr. Yates was to : (i) repay a portion of the cash bonus awarded to him in January 2007 in accordance with the terms of the cash bonus award; (ii) provide us with up to eight hours per week of consulting services; (iii) forfeit his

February 2007 grant of restricted stock; (iv) not solicit or hire our employees for a period of one year; and (v) release all claims against us. The total approximate dollar value of Mr. Yates interest in the agreement was $142,000.

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Spin-off from Conexant

Warrant

In June 2003, Conexant completed the distribution to Conexant stockholders of all outstanding shares of our common stock. In connection with the spin-off, we issued to Conexant a warrant to purchase 6 million shares of our common stock at a price of $17.04 per share, exercisable for a period beginning one year and ending 10 years after the spin-off. Pursuant to a registration rights agreement between us and Conexant, we have registered with the SEC the sale or resale of the warrants and the underlying shares of our common stock.

Common Directors

Mr. Decker and Mr. Stead are directors of Conexant.

Sublease

In connection with the spin-off, we entered into a sublease with Conexant for our headquarters. In March 2005, we entered into an amended and restated sublease with Conexant. Rent payable under the amended and restated sublease is approximately $3.9 million annually, subject to annual increases of 3%, plus a prorated portion of operating expenses associated with the leased property. In addition, each year we may elect to purchase certain services from Conexant based on a prorated portion of Conexant s actual costs. We paid Conexant $6.5 million in rent and related operating expenses during fiscal year 2008.

Other Agreements

In connection with the spin-off, we entered into the following additional agreements with Conexant: (i) a transition services agreement relating to services to be provided by Conexant to us and by us to Conexant following the spin-off; (ii) a patent license agreement relating to the allocation of certain rights relating to certain patents distributed to us in connection with the spin-off; (iii) a distribution agreement regarding the transfer from Conexant to us of the assets and liabilities of Conexant s Internet infrastructure business; (iv) a tax allocation agreement regarding the allocation of liabilities and obligations with respect to taxes; and (v) an employee matters agreement regarding employee benefit plans and compensation arrangements. During fiscal year 2008, no payments were made pursuant to these agreements.

Review, Approval or Ratification of Transactions with Related Persons

Pursuant to the audit committee charter, which can be found at *www.mindspeed.com*, the audit committee is responsible for the review and approval of related person transactions, unless the transaction is approved by another independent body of the board. A related person is a director, executive officer, nominee for director or certain stockholders of our company since the beginning of the last fiscal year and their respective immediate family members. A related person transaction is a transaction involving: (i) our company and any related person when the amount involved exceeds the lesser of (A) $120,000 and (B) one percent of the average of our total assets at year end for the last two completed fiscal years; and (ii) the related person has a material direct or indirect interest. For fiscal years 2007 and 2008, the average of one percent of our total assets at year end was approximately $913,415.

We identify transactions for review and approval through our code of business conduct and ethics which can be found at *www.mindspeed.com*. This code requires our employees to disclose any potential or actual conflicts of interest to our legal department or our human resources department. Directors must disclose potential or actual conflicts of interests to the chairman of the board, audit committee or compensation committee. This disclosure also applies to potential conflicts involving immediate family members of the employees and directors. Each year we require our directors and executive officers to complete a questionnaire intended to identify any transactions or potential transactions that must be reported according to SEC rules and regulations. This questionnaire also requires our directors and executive officers to promptly notify us of any changes during the course of the year.

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Notwithstanding anything to the contrary set forth in any of our filings under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, that might incorporate future filings, including this proxy statement, in whole or in part, the Compensation Committee Report and the Audit Committee Report which follow do not constitute soliciting material and shall not be deemed filed or incorporated by reference into any such filings, except to the extent that we specifically incorporate any such information into any such future filings.

COMPENSATION COMMITTEE REPORT

The compensation committee has reviewed and discussed the Compensation Discussion and Analysis with management and has recommended to the board of directors that it be included in the company s annual report on Form 10-K for the fiscal year ended October 3, 2008 and in this proxy statement.

Compensation and Management Development Committee

Jerre L. Stead, *Chairman*
Michael T. Hayashi
Thomas A. Madden

AUDIT COMMITTEE REPORT

The audit committee has furnished the following report on audit committee matters:

The audit committee assists the board in overseeing the accounting and financial reporting processes of the company and the audits of the financial statements of the company. The audit committee operates in accordance with a written charter which was adopted by the board; a copy of which is available on the company s website at *www.mindspeed.com*. Management is responsible for the preparation, presentation and integrity of the company s financial statements. Management is also responsible for establishing and maintaining adequate internal control over financial reporting and evaluating the effectiveness of the company s internal control over financial reporting. The independent registered public accounting firm, Deloitte & Touche LLP, is responsible for performing an independent audit of the company s financial statements and expressing an opinion on the conformity of those financial statements with accounting principles generally accepted in the United States. Deloitte & Touche is also responsible for expressing opinions on management s assessment of the effectiveness of the company s internal control over financial reporting and on the effectiveness of the company s internal control over financial reporting.

In this context, we met and held discussions throughout the year with management and Deloitte & Touche regarding the company s financial statements, including its audited financial statements, management s assessment of the effectiveness of the company s internal control over financial reporting and Deloitte & Touche s evaluation of the company s internal control over financial reporting. Management and Deloitte & Touche represented to us that the company s consolidated financial statements were prepared in accordance with generally accepted accounting principles applied on a consistent basis. We also discussed with Deloitte & Touche matters required to be discussed by Statement on Auditing Standards No. 61 (Communication with Audit Committees), as amended.

We discussed with Deloitte & Touche such firm s independence from the company and its management, including the matters, if any, in the written disclosures and the letter required by applicable requirements of the Public Company Accounting Oversight Board regarding the independent accountant s communications with the Audit Committee concerning independence. We also considered whether Deloitte & Touche s provision of audit and non-audit services to the company is compatible with maintaining independence.

We discussed with the company s internal auditors and Deloitte & Touche the overall scope and plans for their respective audits. We met with the internal auditors and Deloitte & Touche to discuss the results of their examinations, the evaluations of the company s internal controls, disclosure controls and procedures and the overall quality and integrity of the company s financial reporting.

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Based on the reviews and discussions referred to above, we have recommended to the board that the audited financial statements be included in the company s annual report on Form 10-K for the fiscal year ended October 3, 2008, and retained Deloitte & Touche as the independent registered public accounting firm for the fiscal year ending October 2, 2009.

Audit Committee

Thomas A. Madden, *Chairman*
Michael T. Hayashi
Ming Louie
Jerre L. Stead

PRINCIPAL ACCOUNTING FEES AND SERVICES

The table below sets forth the aggregate fees billed by Deloitte & Touche for professional services for fiscal year 2008 and fiscal year 2007.

Type of Fees	**2008**	**2007**
Audit fees(1)	$ 927,336	$ 861,975
Audit-related fees(2)	9,200	
Tax fees(3)	13,114	13,873
All other fees		
Total	$ 949,650	$ 875,848

(1) Audit fees consisted of fees for professional services rendered for the audit of our annual financial statements, review of our quarterly financial statements, services normally provided in connection with statutory and regulatory filings and audit of our internal control over financial reporting and attestation of management s report on the effectiveness of internal control over financial reporting.

(2) Audit related fees consisted of fees for professional services rendered in connection with business development-related activities.

(3) Tax fees consisted of fees for professional services rendered for tax compliance, tax advice and tax planning.

Audit Committee Pre-Approval of Audit and Non-Audit Services

The audit committee s audit and non-audit services pre-approval policy provides for pre-approval of audit, audit-related, tax and all other services specifically described by the committee and individual engagements anticipated to exceed pre-established thresholds must be separately approved. The policy delegates to the chairman of the audit committee the authority to pre-approve non-audit services permitted by the Sarbanes-Oxley Act of 2002 up to a maximum for any one non-audit service of $50,000, provided that the chairman shall report any decisions to pre-approve such non-audit services to the full audit committee at its next regular meeting.

OTHER MATTERS

Section 16(a) Beneficial Ownership Reporting Compliance

Did all directors and executive officers comply with Section 16(a) reporting requirements?

Based upon a review of filings with the SEC and written representations that no other reports were required, we believe that all of our directors and executive officers complied during fiscal year 2008 with the reporting requirements of Section 16(a) of the Securities Exchange Act of 1934, as amended, except for one occasion in which one of our executive officers failed to file a complete Form 3 on a timely basis, which was subsequently corrected, and Forms 4 for our executive officers that received restricted stock grants in March 2008, which were inadvertently filed two days after the filing deadline.

Stockholder Proposals

How may stockholders make proposals or director nominations for the 2010 annual meeting?

Stockholders interested in submitting a proposal for inclusion in the proxy statement for the 2010 annual meeting may do so by submitting the proposal in writing to Mindspeed Technologies, Inc., 4000 MacArthur Boulevard, East Tower, Newport Beach, California 92660, Attention: Secretary. To be eligible for inclusion in our proxy statement, stockholder proposals must be received no later than October 1, 2009 and must comply with all applicable SEC requirements. The submission of a stockholder proposal does not guarantee that it will be included in the proxy statement.

Our bylaws also establish an advance notice procedure with regard to nominations of persons for election to the board and stockholder proposals to be brought before an annual meeting. Stockholder proposals and nominations may not be brought before the 2010 annual meeting unless, among other things, the stockholder s submission contains certain information concerning the proposal or the nominee, as the case may be, and other information specified in our bylaws, and the stockholder s submission is received by us no earlier than the close of business on November 10, 2009, and no later than December 10, 2009. However, if the date of our 2010 annual meeting is more than 30 days before or more than 60 days after the anniversary of our 2009 annual meeting, this information must be delivered not earlier than the close of business on the 120th day prior to the 2010 annual meeting and not later than the close of business on the later of the 90th day prior to such annual meeting or the 10th day following the day on which we first publicly announce the date of the 2010 annual meeting. Proposals or nominations not meeting these requirements will not be entertained at the 2010 annual meeting. Stockholders recommending candidates for consideration by the governance committee must provide the candidate s name, biographical data and qualifications. Any such recommendation should be accompanied by a written statement from the individual of his or her consent to be named as a candidate and, if nominated and elected, to serve as a director. These requirements are separate from, and in addition to, the SEC s requirements that a stockholder must meet in order to have a stockholder proposal included in the proxy statement. A copy of the full text of these bylaw provisions may be obtained on our website at *www.mindspeed.com* or by writing to our secretary at the address above.

Proxy Solicitation Costs and Potential Savings

Who pays for the proxy solicitation costs?

We will bear the entire cost of proxy solicitation, including preparation, assembly, printing and mailing of this proxy statement, the proxy card and any additional materials furnished to stockholders. Copies of proxy solicitation material will be furnished to brokerage houses, fiduciaries and custodians holding shares in their names, which are beneficially owned by others to forward to such beneficial owners. In addition, we may reimburse such persons for their cost of forwarding the solicitation material to such beneficial owners. One or more of telephone, email, facsimile or personal solicitation by our directors, officers or regular employees may supplement solicitation of proxies by mail. No additional compensation will be paid for such services. We may engage the services of a professional proxy solicitation firm to aid in the solicitation of proxies from certain brokers, bank nominees and other institutional owners. Our costs for such services, if retained, will not be material.

What is householding of proxy materials and can it save the company money?

The SEC has adopted rules that permit companies and intermediaries such as brokers to satisfy delivery requirements for proxy statements with respect to two or more stockholders sharing the same address by delivering a single proxy statement addressed to those stockholders. This process, which is commonly referred to as householding, potentially provides extra convenience for stockholders and cost savings for companies. We and some brokers household proxy materials, delivering a single proxy statement to multiple stockholders sharing an address unless contrary instructions have been received from the affected stockholders. Once you have received notice from your broker or us that they or we will be householding materials to your address, householding will continue until you are notified otherwise or until you revoke your consent. If, at any time, you no longer wish to participate in householding and would prefer to receive a separate proxy statement, or if you are receiving multiple copies of the proxy statement and wish to receive only one, please notify your broker if your shares are held in a brokerage account or us if you hold registered shares. You can notify us by sending a written request to our secretary at the address above or by calling (949) 579-6283.

Annual Report on Form 10-K and Financial Statements

How will I receive the annual report?

The SEC has adopted rules permitting companies to provide its stockholders with proxy materials electronically by posting the proxy materials on the Internet and providing its stockholders with a notice of availability. Pursuant to these rules, we are mailing a notice of Internet availability of proxy materials to stockholders of record and beneficial owners of our common stock as of the record date. The notice contains instructions on how to access and view the notice of the annual meeting, the chief executive officer s letter to stockholders, this proxy statement and our 2008 annual report on Form 10-K electronically via the Internet. Unless we mailed you this proxy statement, you will not receive a printed copy of these materials unless you request a printed copy by following the instructions contained in the notice. The notice also instructs you on how you may submit your vote by telephone or via the Internet.

We will furnish our 2008 annual report on Form 10-K, including the financial statements and financial schedules, free of charge upon written request. The exhibits to the 2008 annual report on Form 10-K not included in the proxy materials are available electronically at *www.sec.gov*. We will furnish desired exhibits upon written request and payment of a fee of 10 cents per page covering our duplication costs. Written requests should be directed to our secretary at the address above. This proxy statement and our 2008 annual report to stockholders are available at *http://investors.mindspeed.com/proxy.* Our 2008 annual report on Form 10-K (including exhibits thereto) is also available on our website at *www.mindspeed.com*.

Code of Ethics

Does the company have a code of ethics and how may I obtain a copy?

We have adopted a code of ethics entitled Code of Business Conduct and Ethics, that applies to all employees, including our executive officers and directors. A copy of the code of ethics is posted on our website at *www.mindspeed.com*. In addition, we will provide to any person without charge a copy of the code upon written request to our secretary at the address above. We intend to disclose future amendments to certain provisions of the code, or waivers of such provisions granted to executive officers and directors, on our website within four business days following the date of such amendment or waivers.

Other Business

Will there be any other business conducted at the annual meeting?

As of the date of this proxy statement, we know of no business that will be presented for consideration at the annual meeting other than the items referred to in this proxy statement. If any other matter is properly brought before the meeting for action by stockholders, proxies will be voted in accordance with the recommendation of the board or, in the absence of such a recommendation, in accordance with the judgment of the proxy holder.

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PROPOSAL 1 ELECTION OF DIRECTORS

As discussed above under the caption Board of Directors Election of Directors, the board has nominated Messrs. Decker and Halim for election to the board, each for a three year term expiring at our annual meeting in 2012. Unless marked otherwise, proxies received will be voted **FOR** the election of these two nomi