

VARIAN MEDICAL SYSTEMS INC
Form DEF 14A
December 30, 2009
Table of Contents

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 14A

**Proxy Statement Pursuant to Section 14(a) of
the Securities Exchange Act of 1934**

(Amendment No.)

Filed by the Registrant x

Filed by a Party other than the Registrant ..

Check the appropriate box:

- | | |
|---|---|
| <input type="checkbox"/> .. Preliminary Proxy Statement | <input type="checkbox"/> .. Confidential, for Use of the Commission Only |
| <input checked="" type="checkbox"/> x Definitive Proxy Statement | (as permitted by Rule 14a-6(e)(2)) |
| <input type="checkbox"/> .. Definitive Additional Materials | |
| <input type="checkbox"/> .. Soliciting Material Pursuant to §240.14a-12 | |

VARIAN MEDICAL SYSTEMS, INC.

(Name of Registrant as Specified In Its Charter)

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

Payment of Filing Fee (Check the appropriate box):

x No fee required.

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

Table of Contents

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(4) Proposed maximum aggregate value of transaction:

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

(3) Filing Party:

(4) Date Filed:

Table of Contents

Varian Medical Systems, Inc.

3100 Hansen Way

Palo Alto, CA 94304

December 30, 2009

Dear Stockholder:

You are cordially invited to attend Varian Medical Systems, Inc.'s 2010 Annual Meeting of Stockholders to be held on Thursday, February 11, 2010 at 4:30 p.m. Pacific Time at the Crowne Plaza Cabana Hotel, 4290 El Camino Real, Palo Alto, California 94306.

The Secretary's formal notice of the meeting and the Proxy Statement appear on the following pages and describe the matters to be acted upon at the annual meeting. You also will have the opportunity to hear what has happened in our business in the past year.

We hope that you can join us. However, whether or not you plan to be there, please vote your shares as soon as possible so that your vote will be counted.

Sincerely,

Richard M. Levy
Chairman of the Board

Table of Contents

Varian Medical Systems, Inc.

3100 Hansen Way

Palo Alto, CA 94304

December 30, 2009

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

AND PROXY STATEMENT

Varian Medical Systems, Inc. will hold its Annual Meeting of Stockholders on Thursday, February 11, 2010 at 4:30 p.m. Pacific Time at the Crowne Plaza Cabana Hotel, 4290 El Camino Real, Palo Alto, California 94306.

At this annual meeting we will ask you to:

elect three directors to serve until the 2013 Annual Meeting of Stockholders;

approve an amendment to the Varian Medical Systems, Inc. Second Amended and Restated 2005 Omnibus Stock Plan to increase the number of shares available for awards thereunder;

approve the Varian Medical Systems, Inc. 2010 Employee Stock Purchase Plan;

ratify the appointment of PricewaterhouseCoopers LLP as our independent registered public accounting firm for fiscal year 2010; and

transact any other business that properly comes before the annual meeting.

The Board of Directors has selected December 16, 2009 as the record date for determining stockholders entitled to vote at the annual meeting. A list of stockholders as of that date will be available for inspection during ordinary business hours at our principal executive offices at 3100 Hansen Way, Palo Alto, California 94304 for ten days before the annual meeting.

This year we are taking advantage of the new Securities and Exchange Commission rules that allow companies to furnish proxy materials to their stockholders through the Internet. We believe these rules allow us to provide you with the information you need while lowering the costs of delivery and reducing the environmental impact of the annual meeting. On or about December 30, 2009, we mailed to stockholders on the record date a Notice of Internet Availability of Proxy Materials (the "Notice"). If you received a Notice by mail, you will not receive a printed copy of the proxy materials, unless you specifically request one. Instead, the Notice instructs you on how to access and review all of the important information contained in this Proxy Statement and in our Annual Report on Form 10-K for the fiscal year ended October 2, 2009 (which we posted on the same date), as well as how to submit your proxy over the Internet. If you received the Notice and would still like to receive a printed copy of our proxy materials, you may request a printed copy of the proxy materials by any of the following methods: through the Internet at www.proxyvote.com; by telephone at 1-800-579-1639; or by sending an e-mail to sendmaterial@proxyvote.com.

Whether or not you plan to attend the annual meeting, please vote your shares as soon as possible in accordance with the instructions provided to you, to ensure that your vote is counted at the annual meeting.

By Order of the Board of Directors,

John W. Kuo
Secretary

Table of Contents**TABLE OF CONTENTS**

	Page
<u>GENERAL INFORMATION</u>	1
<u>PROPOSAL ONE Election of Directors</u>	6
<u>Nominees for Election for a Three-Year Term Ending with the 2013 Annual Meeting</u>	6
<u>Directors Continuing in Office Until the 2012 Annual Meeting</u>	6
<u>Directors Continuing in Office Until the 2011 Annual Meeting</u>	7
<u>Corporate Governance: the Board and Committees of the Board: and Board and Committee Meetings</u>	7
<u>Recommendation of the Board</u>	11
<u>PROPOSAL TWO Approval of an Amendment to the Varian Medical Systems, Inc. Second Amended and Restated 2005 Omnibus Stock Plan</u>	12
<u>General</u>	12
<u>Description of the Second Amended Stock Plan</u>	13
<u>U.S. Federal Tax Aspects</u>	16
<u>Awards Under the Second Amended Stock Plan</u>	17
<u>Equity Compensation Plan Information</u>	18
<u>Recommendation of the Board</u>	19
<u>PROPOSAL THREE Approval of the Varian Medical Systems, Inc. 2010 Employee Stock Purchase Plan</u>	20
<u>General</u>	20
<u>Description of the 2010 Employee Stock Purchase Plan</u>	20
<u>U.S. Federal Tax Aspects</u>	21
<u>New Plan Benefits</u>	22
<u>Recommendation of the Board</u>	22
<u>PROPOSAL FOUR Ratification of the Appointment of Our Independent Registered Public Accounting Firm</u>	23
<u>Policy on Audit Committee Pre-Approval of Audit and Permissible Non-Audit Services of Independent Registered Public Accounting Firm</u>	23
<u>Principal Accountant Fees and Services</u>	23
<u>Recommendation of the Board</u>	24
<u>AUDIT COMMITTEE REPORT</u>	25
<u>STOCK OWNERSHIP</u>	26
<u>Beneficial Ownership of Certain Stockholders, Directors and Executive Officers</u>	26
<u>Section 16(a) Beneficial Ownership Reporting Compliance</u>	27
<u>COMPENSATION OF THE NAMED EXECUTIVE OFFICERS AND DIRECTORS</u>	28
<u>Compensation Discussion and Analysis</u>	28
<u>Compensation and Management Development Committee Report</u>	45
<u>Summary Compensation Table</u>	46
<u>Grants of Plan-Based Awards for 2009</u>	48
<u>Outstanding Equity Awards at Fiscal Year End</u>	50
<u>Option Exercises and Stock Vested</u>	52
<u>Nonqualified Deferred Compensation</u>	52
<u>Potential Payments Upon Termination or Change in Control</u>	53
<u>Compensation of Directors</u>	56
<u>Compensation Committee Interlocks and Insider Participation</u>	58
<u>CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS</u>	59
<u>Review, Approval or Ratification of Related Person Transactions</u>	59
<u>Transactions with Related Persons</u>	59
<u>APPENDIX A</u>	A-i
<u>APPENDIX B</u>	B-1

Table of Contents

GENERAL INFORMATION

Q: Who is soliciting my proxy?

A: The Board of Directors (the Board) of Varian Medical Systems, Inc. (we, us or the Company) is sending you this Proxy Statement in connection with the Board's solicitation of proxies for use at the 2010 Annual Meeting of Stockholders or any adjournment or postponement thereof (the Annual Meeting). Certain of our directors, officers and employees also may solicit proxies on the Board's behalf by mail, telephone, email, fax or in person. We have hired Georgeson Inc., 199 Water Street, New York, New York 10038, to assist in soliciting proxies from brokers, bank nominees and other stockholders.

Q: Who is paying for this solicitation?

A: We will pay for the solicitation of proxies. Our directors, officers and employees will not receive additional remuneration. We expect that we will pay Georgeson Inc. not more than \$10,000, plus reasonable out-of-pocket expenses, and also will reimburse banks, brokers, custodians, nominees and fiduciaries for their reasonable charges and expenses to forward our proxy materials to the beneficial owners of our common stock.

Q: What am I voting on?

A: You will be voting on four proposals. Proposal One is for the election of John Seely Brown, R. Andrew Eckert and Mark R. Laret to the Board for three-year terms ending at the 2013 Annual Meeting of Stockholders.

Proposal Two is for the approval of an amendment to the Varian Medical Systems, Inc. Second Amended and Restated 2005 Omnibus Stock Plan (the Second Amended Stock Plan) to increase the number of shares available for awards thereunder.

Proposal Three is for the approval of the Varian Medical Systems, Inc. 2010 Employee Stock Purchase Plan (the 2010 ESPP).

Proposal Four is for the ratification of the appointment of PricewaterhouseCoopers LLP as our independent registered public accounting firm for fiscal year 2010.

Q: Who can vote?

A: Only our stockholders of record at the close of business on December 16, 2009 may vote. Each share of common stock outstanding on that date is entitled to one vote on all matters to come before the meeting, except that cumulative voting will apply in the election of directors. Under the cumulative voting method of election, the stockholder computes the number of votes available to the stockholder by multiplying the number of shares the stockholder owned on the record date by the number of directors to be elected, and may cast the votes all for a single nominee or may distribute them in any manner among the nominees.

Q: Why did I receive a one-page notice in the mail regarding the Internet availability of proxy materials this year instead of a full set of proxy materials?

A:

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Pursuant to rules adopted by the Securities and Exchange Commission (the SEC), we have elected to provide access to our proxy materials (consisting of this Proxy Statement and our Annual Report on Form 10-K for the fiscal year ended October 2, 2009, as filed with the SEC on November 25, 2009) over the Internet. Therefore, we are sending a Notice of Internet Availability of Proxy Materials (the Notice) to our stockholders of record. Starting on the date of distribution of the Notice, all stockholders will have the ability to access the proxy materials on the website referred to in the Notice or request to receive a printed set of the materials. If you request printed versions of the proxy materials by mail, the materials will also include a proxy card. Instructions on how to access the proxy materials over the Internet or to request printed copies may be found in the Notice.

Table of Contents

Q: Can I receive proxy materials for future annual meetings by email rather than receiving a paper copy of the Notice?

A: If you are a holder of record, you may elect to receive the Notice or other future proxy materials by email by logging into www.proxyvote.com and entering your email address before you vote if you are voting by Internet or any time at www.computershare.com/us/ecomms or <http://enroll.icsdelivery.com/var>. If your shares are registered in street name, please check with your broker, bank, or other nominee about how to receive future proxy materials by email, or enroll at <http://enroll.icsdelivery.com/var>. If you choose to receive proxy materials by email, next year you will receive an email with instructions on how to view those materials and vote before the next annual meeting. Your choice to obtain documents by email will remain in effect until you notify us otherwise. Delivering future notices by email will help us reduce the cost and environmental impact of our stockholder meetings.

Q: What is the difference between a stockholder of record and a street name holder?

A: If your shares are registered directly in your name with Computershare Trust Company, N.A., our stock transfer agent, you are considered the stockholder of record for those shares. If your shares are held in a stock brokerage account or by a bank or other nominee, you are considered the beneficial owner of the shares, and your shares are said to be held in street name. Street name holders generally cannot vote their shares directly and must instead instruct the broker, bank or other nominee how to vote their shares using the method described under How do I vote and how do I revoke my proxy? below.

Q: How do I vote and how do I revoke my proxy?

A: If you hold your shares in your own name as a stockholder of record, you may vote your shares either in person at the meeting or by proxy. To vote in person, please bring a form of identification, such as a valid driver's license or passport, and proof that you are a stockholder as of December 16, 2009, and we will give you a ballot when you arrive. To vote by proxy, please vote in one of the following ways:

Via the Internet. You may vote through the Internet at www.proxyvote.com by following the instructions provided in the Notice.

By Telephone. If you received your proxy materials or request printed copies by mail, stockholders located in the United States may vote by calling the toll-free number found on the proxy card.

By Mail. If you received your proxy materials or request printed copies by mail, you may vote by mail by marking, dating, signing and mailing the proxy card in the envelope provided.

Voting by proxy will not affect your right to vote your shares if you attend the Annual Meeting and want to vote in person by voting in person you automatically revoke your proxy. You also may revoke your proxy at any time before the applicable voting deadline by giving our Secretary written notice of your revocation, by submitting a later-dated proxy card or by voting again using the telephone or Internet (your latest telephone or Internet proxy is the one that will be counted).

If you vote by proxy, the individuals named as proxyholders will vote your shares as you instruct, including with respect to cumulative voting for directors. If you vote your shares over the telephone, you must select a voting option (For or Withhold (for directors) or For, Against or Abstain (for Proposals Two, Three and Four)) in order for your proxy to be counted on that matter. If you validly vote your shares over the Internet or by mail but do not provide any voting instructions, the individuals named as proxyholders will vote your shares **FOR** the election of the nominees for director, **FOR** the approval of the amendment to the Second Amended Stock Plan, **FOR** the approval of the 2010 ESPP and **FOR** the ratification of the appointment of PricewaterhouseCoopers LLP as our independent registered public accounting firm for fiscal year 2010. In that case, the proxyholders will have full discretion and authority to vote cumulatively in the election of directors and to allocate votes among any or all of the nominees for director in any order they determine.

Table of Contents

If your shares are registered in street name, you must vote your shares in the manner prescribed by your broker, bank, or other nominee. In most instances, you can do this over the telephone or Internet, or if you have received or request a hard copy of the proxy statement and accompanying voting instruction form, you may mark, sign, date and mail your voting instruction form in the envelope your bank or broker provides. The Notice that was mailed to you has specific instructions for how to submit your vote. If you would like to revoke your proxy, you must follow the bank, broker, or other nominee's instructions on how to do so. If you wish to vote in person at the Annual Meeting, you must obtain a legal proxy from the bank, broker or other nominee holding your shares.

Q: What is the deadline for submitting a proxy?

A: Telephone and Internet voting facilities for stockholders of record will be available 24 hours a day. In order to be counted, proxies submitted by telephone or the Internet must be received by 11:59 p.m. Eastern Time on February 10, 2010. Proxies submitted by mail must be received prior to the start of the Annual Meeting.

Q: What constitutes a quorum?

A: On the record date, we had 124,319,871 shares of common stock, \$1.00 par value, outstanding. Voting can take place at the Annual Meeting only if stockholders owning a majority of the issued and outstanding stock entitled to vote at the Annual Meeting are present in person or represented by proxy.

Q: What are abstentions and broker non-votes and how do they affect voting?

A: *Abstentions* If you specify that you wish to abstain from voting on an item, your shares will not be voted on that particular item. Abstentions are counted toward establishing a quorum and included in the shares entitled to vote on Proposal Two, Proposal Three and Proposal Four and therefore have the effect of a vote against the proposals.

Broker Non-Votes Under the New York Stock Exchange (NYSE) rules, if your broker holds your shares in its name and does not receive voting instructions from you, your broker has discretion to vote these shares on certain routine matters, including the ratification of the appointment of the independent registered public accounting firm. However, on non-routine matters such as the election of directors, the approval of the 2010 ESPP and the amendment of the Second Amended Plan, your broker must receive voting instructions from you, as it does not have discretionary voting power for that particular item. So long as the broker has discretion to vote on at least one proposal, these broker non-votes are counted toward establishing a quorum. When voted on routine matters, broker non-votes are counted toward determining the outcome of that routine matter.

Q: What vote is needed?

A: For Proposal One, the election of directors, the three nominees receiving the highest number of votes of the shares present in person or represented by proxy at the Annual Meeting and entitled to vote on the election of directors will be elected as directors. As a result, if you withhold your authority to vote for any nominee, your vote will not affect the outcome of the election.

For Proposals Two, Three and Four, an affirmative vote of the majority of shares present in person or represented by proxy at the Annual Meeting and entitled to vote on the Proposal is required in order to approve each such Proposal.

Table of Contents

Q: What happens if a director receives a plurality, but not a majority, of votes cast at the Annual Meeting?

A: In an uncontested election, if a nominee for director who is an incumbent director is elected by a plurality of the votes cast but does not receive the vote of at least the majority of the votes cast (*i.e.*, the number of shares voted for a director's election does not exceed 50% of the total number of votes cast with respect to that director's election, including votes to withhold authority), the director is deemed elected but is obligated to offer his or her resignation to the Board. Following submission of the offer of resignation, the Board, after considering relevant factors, including the recommendation of the Nominating and Corporate Governance Committee (the Nominating Committee), will decide whether or not to accept the offer of resignation, and thereafter publicly disclose its decision. If a director's offer of resignation is not accepted by the Board, the director will continue to serve until his or her successor is duly elected, or his or her earlier resignation or removal. If a director's offer of resignation is accepted by the Board, then the Board, in its sole discretion, may fill any resulting vacancy or decrease the size of the Board pursuant to the provisions of our By-Laws.

Q: Can I vote on other matters?

A: You are entitled to vote on any other matters that are properly brought before the Annual Meeting. Our By-Laws limit the business conducted at any annual meeting to (1) business in the notice of the annual meeting, (2) business directed by the Board and (3) business brought by a stockholder of record entitled to vote at the meeting so long as the stockholder has notified our Secretary in writing (at our Palo Alto, California headquarters) not less than 60 days nor more than 90 days before the anniversary of the mailing of the proxy statement for the prior year's annual meeting, which for the 2011 Annual Meeting of Stockholders will be no earlier than September 30, 2010 and no later than October 30, 2010 and must contain the information referenced below.

To have your stockholder proposal be considered for presentation in the proxy statement and proxy card for our 2011 Annual Meeting of Stockholders, rather than just voted upon at the meeting without inclusion in the proxy statement and proxy card, a stockholder must submit to our Secretary (at our Palo Alto, California headquarters) a written proposal no later than August 31, 2010. The notice or proposal must briefly describe the business to be brought and the reasons; give the name, address and number of shares owned by the stockholder of record and any beneficial holder for which the proposal is made; and identify any material interest the stockholder of record or any beneficial owner has in the business.

We do not expect any matters other than those listed in this Proxy Statement to come before the Annual Meeting. If any other matter is presented, your proxy gives the individuals named as proxyholders the authority to vote your shares to the extent authorized by Rule 14a-4(c) under the Securities Exchange Act of 1934 (the Exchange Act), which includes matters that the proxyholders did not know were to be presented at least 60 days before the anniversary of the mailing of last year's proxy statement.

Q: How do I nominate someone to be a director?

A: A stockholder may nominate one or more persons for election as one of our directors at an annual meeting of stockholders by notifying our Secretary in writing (at our Palo Alto, California headquarters) not less than 60 days nor more than 90 days before the anniversary of the mailing of the proxy statement for the prior year's annual meeting, which for the 2011 Annual Meeting of Stockholders will be no earlier than September 30, 2010 and no later than October 30, 2010. The notice must include the full name, age, business and residence addresses, principal occupation or employment of the potential candidate, the number of shares of our common stock the nominee beneficially owns, any other information about the nominee that must be disclosed in proxy solicitations under Rule 14(a) of the Exchange Act and the nominee's written consent to the nomination and to serve, if elected.

Table of Contents

Q: How does the Board select nominees for the Board?

A: The Nominating Committee will consider potential candidates for directors submitted by stockholders, in addition to those suggested by other Board members and members of our management, and does not evaluate candidates differently based upon the source of the nominee. The Nominating Committee considers and evaluates each properly submitted potential candidate for director in an effort to achieve a balance of knowledge, experience and capability on the Board, as well as to ensure that the composition of the Board at all times adheres to the independence requirements applicable to NYSE-listed companies and other regulatory requirements applicable to us. A stockholder may recommend potential candidates for director by notifying our Secretary in writing (at our Palo Alto, California headquarters).

Q: Are there any minimum qualifications required for a director nominee?

A: As set forth in its charter and in our Corporate Governance Guidelines, the Nominating Committee's criteria for selecting director nominees include: knowledge, skills and experience in business, finance, administration and relevant technical disciplines; business management experience; international business experience and experience in industries beyond healthcare; knowledge about our industry and technology or other areas of knowledge useful to our business and product lines; gender and racial diversity; and other attributes that the Nominating Committee determines will contribute to our success and achievement of our business and social goals. The Nominating Committee will also consider the candidate's ability to serve the long-term interests of our stockholders and availability to devote time to our affairs. Please refer to our Corporate Governance Guidelines for additional details on our policy, process and membership criteria.

Q: How may I communicate with the Board of Directors?

A: Stockholders and other interested parties may communicate directly with the Board, the Board's lead non-employee director or any other director or with the independent directors as a group or any other group of directors through the Board's lead director by sending an e-mail to lead.director@varian.com. Messages received will be forwarded to the appropriate director or directors.

Q: When and where is the Annual Meeting being held?

A: The Annual Meeting will be held on Thursday, February 11, 2010 at 4:30 p.m. Pacific Time at the Crowne Plaza Cabana Hotel, 4290 El Camino Real, Palo Alto, California 94306. If you need directions to the Annual Meeting so that you may attend or vote in person, please contact our Investor Relations department at investors@varian.com.

Table of Contents

PROPOSAL ONE

ELECTION OF DIRECTORS

Our Board is divided into three classes serving staggered three-year terms. At the Annual Meeting, you and the other stockholders will elect three individuals to serve as directors for three-year terms that end at the 2013 Annual Meeting of Stockholders. All nominees, John Seely Brown, R. Andrew Eckert and Mark R. Laret, are now members of the Board. Kent J. Thiry was a member of the Board until February 2009, when he resigned from the Board. In connection with Mr. Thiry's resignation, the Board reduced the size of the Board from ten to nine, with the reduction occurring in the class of directors whose terms end at the Annual Meeting.

The individuals named as proxyholders will vote your proxy for the election of the three nominees unless you direct them to withhold your vote. If any nominee becomes unable to serve as a director before the Annual Meeting (or decides not to serve), the individuals named as proxyholders may vote for a substitute.

Below are the names and ages of these nominees and the other continuing directors, the years they became directors, their principal occupations or employment for at least the past five years and directorships they hold in other public companies.

Nominees for Election for a Three-Year Term Ending with the 2013 Annual Meeting

John Seely Brown	Age 69, a director since 1998. Retired; visiting scholar at the University of Southern California. Vice President of Xerox Corporation (a document technology company) from 1986 to 2002 and Chief Scientist from 1992 to 2002. Director of the Xerox Palo Alto Research Center from 1990 to 2000. Also a director of Corning Incorporated (a diversified technology company) and Amazon.com, Inc. (an on-line retailer).
R. Andrew Eckert	Age 48, a director since 2004. Managing Director and General Partner of Symphony Technology Group (a private equity firm) since October 2009. Previously Chief Executive Officer and President of Eclipsys Corporation (a healthcare information management software provider) from October 2005 to May 2009. From 2004 to 2005, Chief Executive Officer of SumTotal Systems, Inc. (an enterprise software provider). From 2002 to 2004, Chief Executive Officer of Docent Inc. (an enterprise software provider). Previously, Chairman and Chief Executive Officer of ADAC Laboratories (a medical imaging company) from 1997 to 2000.
Mark R. Laret	Age 55, a director since February 2007. Chief Executive Officer of University of California, San Francisco Medical Center since April 2000. Chief Executive Officer of University of California, Irvine Medical Center from 1995 to March 2000.

Directors Continuing in Office Until the 2012 Annual Meeting

Timothy E. Guertin	Age 60, a director since 2005. Our Chief Executive Officer since February 2006 and President since August 2005. Our Chief Operating Officer from October 2004 to February 2006. Our Corporate Executive Vice President from October 2002 to August 2005 and President of our Oncology Systems business unit from 1992 to January 2005. Our Corporate Vice President from 1992 to 2002.
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Table of Contents

David W. Martin, Jr., M.D.	Age 68, a director since 1994. Chairman and Chief Executive Officer of AvidBiotics, Inc. (a biotechnology company) since 2004. Previously, Chairman and Chief Executive Officer of GangaGen, Inc. (a biotechnology company) from 2003 to 2004. From 1997 to 2003, President and Chief Executive Officer of Eos Biotechnology, Inc. (a biotechnology company). Also a director of Cubist Pharmaceuticals, Inc. (a biopharmaceutical company).
Ruediger Naumann-Etienne	Age 63, a director since 2003. Owner and Managing Director of Intertec Group (an investment company specializing in the medical technology field) since 1989. Also, Chairman of the Board of Directors of Cardiac Science Corporation (a provider of cardiology products) since 2006, having previously been Vice-Chairman from 2005 to 2006 and Chairman of Quinton Cardiology Systems, one of its predecessor companies, from 2000 to 2005. From 1993 to 1999, Chairman of the Board of Directors of OEC Medical Systems (a provider of interoperative imaging solutions, acquired by General Electric Company). Also a director of BioRad Laboratories, Inc. (a provider of research and clinical diagnostic products) and Encision Inc. (a provider of laparoscopic surgery instruments).

Directors Continuing in Office Until the 2011 Annual Meeting

Susan L. Bostrom	Age 49, a director since 2004. Executive Vice President, Chief Marketing Officer, Worldwide Government Affairs of Cisco Systems, Inc. (a networking equipment provider) since January 2006. From February 2000 to January 2006, Senior Vice President of Cisco Systems, taking on responsibility for Worldwide Government Affairs in October 2002 and becoming Chief Marketing Officer in January 2006. From 1998 to February 2000, Vice President of the Internet Business Solutions Group at Cisco Systems.
Richard M. Levy	Age 71, a director since 1999. Our Chairman of the Board since February 2003 and Chief Executive Officer from April 1999 to February 2006. Our President from April 1999 to August 2005. Previously, our Executive Vice President responsible for our medical systems business from 1990 to April 1999.
Venkatraman Thyagarajan	Age 63, a director since November 2008. Retired; former Senior Vice President and Area Director for GlaxoSmithKline Asia Pacific (a global pharmaceutical company) from January 2003 to April 2008. From January 2001 to December 2002, Vice President for South Asia for GlaxoSmithKline Asia Pacific and Managing Director of GlaxoSmithKline Pharmaceuticals Ltd. (an Indian pharmaceutical company). Also Vice Chairman of the Board of Directors of GlaxoSmithKline Pharmaceuticals Ltd. and a director of Tata Consultancy Services Ltd. (an Indian software company).

Corporate Governance; the Board and Committees of the Board; and Board and Committee Meetings

We are committed to strong corporate governance, and have adopted policies and practices that comply with or exceed the NYSE listing requirements and the Exchange Act. These policies and practices include:

The Board has adopted clear corporate governance policies articulated in our Corporate Governance Guidelines, which includes basic director duties and responsibilities.

A majority of the Board members are independent of the Company and our management.

Table of Contents

All members of our key Board committees – the Audit Committee, the Compensation and Management Development Committee (the Compensation Committee) and the Nominating Committee – are independent.

The Board has appointed a lead non-employee director who presides at all meetings of independent directors. Dr. Martin has served in this capacity of lead director since August 2004.

The Board has adopted a policy under which an incumbent director in an uncontested election who is elected by a plurality but does not receive the majority of the votes cast is obligated to offer his or her resignation to the Board.

The Board has also adopted a Code of Business Ethics applicable to all of our employees, including the executive officers, and to our directors.

We have hotlines for employees to report concerns regarding ethics and financial matters, including accounting, internal controls and audit concerns, and the Audit Committee has established procedures for anonymous submission of these matters.

The Board has adopted a policy regarding conflicts of interest and related-person transactions under which all potential conflicts of interest and related-person transactions must be reviewed and pre-approved by the Nominating Committee. The Nominating Committee has determined that certain categories of transactions are pre-approved under this policy. Please refer to the discussion under Certain Relationships and Related Transactions for more information on this policy and the related procedures.

The Board conducts an annual self-assessment on its effectiveness and the effectiveness of each of its committees.

Directors are expected to attend all stockholder meetings, and all current directors attended our 2009 Annual Meeting of Stockholders except Mr. Brown.

The Board has adopted a guideline for director retirement that provides that no director may serve on the Board for more than four consecutive three-year terms (starting with terms commencing in the year 2000) or 12 years, whichever is longer. This limitation may be extended for one term upon approval by the Board. The Board may nominate for election to the Board a person who previously served on the Board, provided that the individual has not served as a director in the two years prior to his or her nomination for election.

Our Corporate Governance Guidelines state that the Nominating Committee should consider recommending a new member to each committee every three years, and recommend a director as Chairman of a committee for no more than five consecutive years.

The Board has adopted a recoupment policy to recover certain incentive payments made to executives in the event of a restatement of our financial statements.

We did not renew our stockholders' rights plan when it expired in December 2008.

The Board encourages director continuing education through a mix of in-house and third-party presentations and programs, including programs that are certified by RiskMetrics Group's ISS Governance Services. The Nominating Committee is charged with tracking director continuing education. We pay or reimburse directors for expenses associated with attending these continuing education events.

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A majority of our directors participated in in-house continuing director education in fiscal year 2009.

The annual cycle of agenda items for Board meetings reflects Board requests and changing business and legal issues. The Board receives regularly scheduled presentations from our finance department and major business units and operations. The Board's annual agenda includes, among other items, our long-term strategic plans, periodic reports on progress against long-term strategic plans, emerging and disruptive technologies, potential acquisition or investment targets, review of risks relevant to our business, capital projects and evaluation of the Chief Executive Officer and management succession.

Table of Contents

The Board has determined that Ms. Bostrom, Mr. Brown, Mr. Eckert, Mr. Laret, Dr. Martin, Mr. Naumann-Etienne and Mr. Thyagarajan are independent for purposes of the NYSE listing requirements and under our Corporate Governance Guidelines and that Mr. Thiry was independent during the time he served. Mr. Levy, our Chairman of the Board, and Mr. Guertin, our President and Chief Executive Officer, are employees and therefore not independent. The Board considered transactions and relationships, both direct and indirect, between each director (and his or her immediate family) and the Company and its subsidiaries and affirmatively determined that none of Ms. Bostrom, Mr. Brown, Mr. Eckert, Mr. Laret, Dr. Martin, Mr. Naumann-Etienne, Mr. Thiry or Mr. Thyagarajan has any material relationship, either direct or indirect, with us other than as a director and stockholder.

Mr. Laret is employed as Chief Executive Officer of and has a relative that is also employed by UCSF Medical Center. In connection with a research agreement, the Company paid the University of California, San Francisco approximately \$176,000 in fiscal year 2009. Nonetheless, the Board therefore determined that Mr. Laret does not have any relationship that is inconsistent with a determination that he was independent, and was therefore independent for purposes of the NYSE listing requirements and under our Corporate Governance Guidelines.

Additionally, Ms. Bostrom serves as an outside director of a hospital, and Mr. Brown is a visiting scholar at a university, that are customers or suppliers of ours. The Board has determined that these relationships are immaterial and are not inconsistent with a determination that these directors are independent for purposes of the NYSE listing requirements and under our Corporate Governance Guidelines.

The Board met five times in fiscal year 2009. Four of these Board meetings included executive sessions of the independent directors. We have four standing committees of the Board: the Audit Committee, the Compensation Committee, the Nominating Committee and the Executive Committee. The Stock Grant Committee was disbanded in February 2009. Each current director attended at least 75% of the total Board and applicable committee meetings that were held while he or she was a director in fiscal year 2009. Directors are encouraged to attend meetings of committees on which they do not serve as members.

Each of our standing committees has a written charter approved by the Board that clearly establishes the committee's roles and responsibilities. Copies of the charters for the Audit Committee, the Compensation and Management Development Committee, the Executive Committee and the Nominating Committee, as well as our Corporate Governance Guidelines and Code of Business Ethics, can be found through the Corporate Governance link on the Investors page on our website at www.varian.com. Please note that information on, or that can be accessed through, our website is not part of the proxy soliciting materials, is not deemed filed with the SEC and is not to be incorporated by reference into any of our filings under the Securities Act of 1933, as amended, or the Exchange Act, and, except for information filed by the Company under the cover of Schedule 14A, is not deemed to be proxy soliciting materials.

Audit Committee

The Audit Committee performs the following principal functions:

Oversees our accounting and financial reporting process and audits of financial statements.

Assists the Board in oversight and monitoring of (i) the integrity of our financial statements, (ii) our compliance with legal and regulatory requirements, (iii) the independent registered public accounting firm's qualifications and independence and (iv) the performance of our internal audit function and of the independent registered public accounting firm.

Reports to the Board the results of its monitoring and recommendations.

Provides to the Board any additional information and materials as the committee may determine is necessary to make the Board aware of significant financial matters requiring the Board's attention.

Table of Contents

The members of the Audit Committee are Mr. Naumann-Etienne (Chairman), Mr. Eckert, Mr. Laret and Mr. Thyagarajan. Mr. Thiry served on the Audit Committee until February 2009 when he resigned from the Board. The Audit Committee met 12 times in fiscal year 2009. Five of these meetings included executive sessions of only the committee members and four of these meetings included executive sessions with PricewaterhouseCoopers LLP, our independent registered public accounting firm. Each member of the Audit Committee meets the additional requirements regarding independence for Audit Committee members under the NYSE listing requirements. The Board has determined that Mr. Naumann-Etienne is an audit committee financial expert as defined in Item 407(d)(5) of Regulation S-K under the Exchange Act based upon his experience as the chief financial officer and principal accounting officer of Disonics, Inc. between 1984 and 1987 and as group controller for Texas Instruments between 1982 and 1984, and his formal education represented by his doctorate degree in international finance from the University of Michigan. The Board has determined that Mr. Eckert is an audit committee financial expert based upon his experience as the chief executive officer of Eclipsys Corporation from 2005 to 2009, of SumTotal Systems Inc. from 2004 to 2005, of Docent, Inc. from 2002 to 2004, and of ADAC Laboratories from 1997 to 2001, as well as other business experience, and his formal education represented by his Masters in Business Administration from the Stanford Graduate School of Business. The Board has also determined that Mr. Laret and Mr. Thyagarajan are financially literate based upon each of their familiarity with financial statements and, for Mr. Laret, his experience as chief executive officer of UCSF.

Compensation and Management Development Committee

The Compensation Committee performs the following principal functions:

Discharges the Board's responsibilities relating to compensation of our executive officers.

Evaluates our compensation plans, policies and programs for executive officers and recommends the establishment of policies dealing with various compensation and employee benefit plans.

Administers our stock and cash incentive plans.

Provides advice on management development matters that have major implications for the growth, development and depth of our management team, including reviewing succession plans.

The Compensation Committee determines all compensation for our executive group. Before making decisions on compensation for each of the executives other than the CEO, the Compensation Committee reviews with our CEO each individual's performance and accomplishments over the prior year. Except for his own position, Mr. Guertin makes recommendations to the Compensation Committee about base salary increases, any changes to the incentive plan target awards and the amount of equity awards for each executive. The Compensation Committee meets alone with its independent advisors to develop and establish a proposal for CEO pay. This proposal is also reviewed with the independent members of the Board.

To independently assist and advise the Compensation Committee in reviewing executive compensation, including gathering competitive information from peer companies, analyzing and making recommendations on competitive market trends and assisting in designing executive compensation and equity plans, the Compensation Committee has, for a number of years, retained Frederic W. Cook, & Co., Inc. (FWC). Additionally, beginning in February 2006, the Compensation Committee retained the services of Wilson Sonsini Goodrich & Rosati to provide independent legal guidance on executive compensation matters. The Compensation Committee has sole authority to retain and terminate any compensation consultant or other advisor to the Compensation Committee which it uses to assist in evaluating CEO and other executive compensation.

FWC annually reviews and analyzes our executive compensation programs, compensation strategy and effectiveness of pay delivery. FWC provides market information on compensation trends and practices and makes recommendations to the Compensation Committee based on competitive data. FWC advises the Compensation Committee chairman on agenda items for Compensation Committee meetings, reviews management proposals, and is available to perform special projects at the Compensation Committee chairman's

Table of Contents

request. FWC provides analyses and recommendations that inform the Compensation Committee's decisions, but FWC does not decide or approve any compensation actions. As needed, the Compensation Committee also consults with FWC on program design changes.

The members of the Compensation Committee are Mr. Eckert (Chairman), Ms. Bostrom, Dr. Martin and Mr. Naumann-Etienne. The Compensation Committee met four times in fiscal year 2009. Three of these meetings included executive sessions of only the committee members. In addition to being independent, each member of the Compensation Committee is a non-employee director for purposes of the Exchange Act and is an outside director for purposes of Section 162(m) of the Internal Revenue Code of 1986, as amended (the Internal Revenue Code).

Nominating and Corporate Governance Committee

The Nominating Committee performs the following principal functions:

Develops and recommends to the Board corporate governance principles.

Identifies and recommends to the Board potential nominees to the Board, including stockholder suggestions.

Recommends to the Board the director nominees for committee assignments.

Oversees the annual evaluation of the Board's performance.

The members of the Nominating Committee are Mr. Laret (Chairman), Mr. Brown and Mr. Thyagarajan. Mr. Thiry served as Chairman of the Nominating Committee until February 2009 when he resigned from the Board. The Nominating Committee met four times in fiscal year 2009. All of these meetings included executive sessions of only the committee members.

Executive Committee

The Executive Committee performs the following principal functions:

Acts on matters when a meeting of the full Board is impracticable.

Has all the powers of the Board except those powers reserved by law to the full Board.

The members of the Executive Committee are Mr. Levy (Chairman), Dr. Martin and Mr. Naumann-Etienne. The Executive Committee did not meet or act by written consent in fiscal year 2009.

Director Stock Ownership Guidelines

To align the Board's interests with the interests of our stockholders, the Board has adopted stock ownership guidelines for its members. The guidelines state that each director should own shares of common stock (including Deferred Stock Units) with a value at least equal to five times his or her applicable annual retainer fee. Directors who were first appointed or elected to the Board after February 2004 must achieve the guideline within five years after such appointment or election. For purposes of the guidelines, a director's holdings of phantom shares of our common stock through the Deferred Compensation Plan are also included as ownership. At the end of fiscal year 2009, all directors met the guidelines or were within the allowed time frame for meeting the guidelines. Under our insider trading policy, purchases on margin and the buying and selling of puts and calls of Company securities, while not legally prohibited, are discouraged and require advance consultation with our legal department.

Recommendation of the Board

THE BOARD RECOMMENDS THAT YOU VOTE FOR EACH OF THE ABOVE NOMINEES.

Table of Contents