

KORN FERRY INTERNATIONAL  
Form DEF 14A  
August 26, 2011  
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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**SCHEDULE 14A**

(Rule 14a-101)

**INFORMATION REQUIRED IN PROXY STATEMENT**

**Proxy Statement Pursuant to Section 14(a) of the**

**Securities Exchange Act of 1934**

(Amendment No. \_\_)

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement

**Confidential, For Use of the Commission Only** (as permitted by Rule 14a-6(e)(2))

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material Pursuant to (§) 240.14a-12

(Name of Registrant As Specified In Its Charter)

**KORN/FERRY INTERNATIONAL**

(Name of Person(s) Filing Proxy Statement, if Other Than the Registrant)

Payment of Filing Fee (Check the appropriate box):

No Fee required

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

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

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

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

(4) Proposed maximum aggregate value of transaction:

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- “ Fee paid previously with preliminary materials:
  
- “ Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount previously paid:

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

(3) Filing Party:

(4) Date Filed:

Notes:

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**1900 Avenue of the Stars, Suite 2600**

**Los Angeles, California 90067**

August 26, 2011

Dear Stockholders:

It is my pleasure to invite you to attend the 2011 Annual Meeting of Stockholders (the Annual Meeting ) of Korn/Ferry International. The Annual Meeting will be held on September 28, 2011 at 8:00 a.m. Pacific time at the Hyatt Regency Century Plaza Hotel in Century City located at 2025 Avenue of the Stars, Los Angeles, California 90067.

At the Annual Meeting we will vote on the items of business discussed in the attached notice and provide a report on our business operations.

We are delighted that you have chosen to invest in Korn/Ferry International and hope that, whether or not you attend the Annual Meeting, you will vote your shares as soon as possible. You may submit a proxy by mail by completing, signing and dating the enclosed proxy card and returning it in the postage prepaid envelope provided. You may also submit a proxy by telephone or via the Internet by following the instructions attached to the proxy card. *Your vote is very important*, and voting by proxy will ensure your representation at the Annual Meeting. You may revoke your proxy in accordance with the procedures described in the Proxy Statement at any time prior to the time it is voted at the Annual Meeting. If you attend the Annual Meeting, you may vote in person even if you previously provided a proxy by mail, telephone or the Internet.

Sincerely,

Kenneth Whipple  
*Chair of the Board*

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**1900 Avenue of the Stars, Suite 2600**

**Los Angeles, California 90067**

**NOTICE OF 2011 ANNUAL MEETING**

**To Be Held On September 28, 2011**

**Important Notice Regarding the Availability of Proxy Materials for the**

**Stockholder Meeting to be Held on September 28, 2011.**

**The Proxy Statement and accompanying Annual Report to Stockholders are available at**

**<http://ir.kornferry.com>**

To the Stockholders:

On September 28, 2011, Korn/Ferry International (the Company, we, its and our) will hold its 2011 Annual Meeting of Stockholders (the Annual Meeting) at the Hyatt Regency Century Plaza Hotel in Century City located at 2025 Avenue of the Stars, Los Angeles, California 90067. The Annual Meeting will begin at 8:00 a.m. Pacific time.

Only stockholders who owned our common stock as of the close of business on August 15, 2011 (the Record Date) can vote at the Annual Meeting or any adjournments or postponements thereof. The purposes of the Annual Meeting are to:

1. Elect the three directors named in the Proxy Statement accompanying this notice to serve on the Board of Directors (the Board) until the 2014 Annual Meeting of Stockholders;
2. Ratify the appointment of Ernst & Young LLP as the Company's independent registered public accounting firm for the Company's 2012 fiscal year;
3. Vote on an advisory resolution regarding executive compensation;
4. Vote on an advisory resolution regarding the frequency of future advisory votes regarding executive compensation;
5. Approve an amendment and restatement of our Employee Stock Purchase Plan (the ESPP) to, among other things, increase the number of shares of common stock that may be purchased under the ESPP by 1.5 million shares; and
6. Transact any other business that may be properly presented at the Annual Meeting.

**The Board unanimously recommends that you vote your shares FOR all of its nominees to the Board, FOR the ratification of the appointment of Ernst & Young LLP as the Company's independent registered public accounting firm for the Company's 2012 fiscal year, FOR the Company's executive compensation, to conduct future advisory votes on executive compensation EVERY YEAR and FOR the amendment and restatement of the ESPP.**

A quorum comprised of the holders of a majority of the outstanding shares of our common stock on the Record Date must be present or represented by proxy for the transaction of business at the Annual Meeting. Accordingly, it is important that your shares be represented. Whether or not you plan to attend the Annual Meeting, please vote promptly by mail, telephone or Internet. You may revoke your proxy at any time before it is voted by (1) sending a written revocation to the Corporate Secretary, (2) submitting a later-dated proxy, or (3) attending the Annual Meeting and voting in person.

This Proxy Statement is first being mailed to our stockholders on or about August 26, 2011. Please read the proxy materials carefully. Your vote is important and we appreciate your cooperation in considering and acting on the matters presented.

By Order of the Board of Directors,

Peter L. Dunn  
*Corporate Secretary and  
General Counsel*

August 26, 2011

Los Angeles, California

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**QUESTIONS AND ANSWERS ABOUT THE PROXY MATERIALS AND THE ANNUAL MEETING**

**1. Q: Why am I receiving this Proxy Statement and the other enclosed materials?**

A: The Board is providing these materials to you in connection with, and soliciting proxies for use at, the Annual Meeting, which will take place on September 28, 2011. As a stockholder on the Record Date, you are invited to attend the Annual Meeting and you are requested to vote on each of the proposals described in this Proxy Statement. You do not need to attend the Annual Meeting to vote your shares.

**2. Q: What information is included in this Proxy Statement?**

A: The information included in this Proxy Statement relates to, among other things, the proposals to be voted on at the Annual Meeting, the voting process and the compensation of the Company's directors and executive officers.

**3. Q: What proposals will be voted on at the Annual Meeting?**

A: (1) The election of the three directors named in this Proxy Statement to serve on the Board until the 2014 Annual Meeting of Stockholders;

(2) The ratification of the appointment of Ernst & Young LLP as the Company's independent registered public accounting firm for the Company's 2012 fiscal year;

(3) A non-binding advisory resolution regarding executive compensation;

(4) A non-binding advisory resolution regarding the frequency of future non-binding stockholder votes regarding executive compensation; and

(5) The approval of an amendment and restatement of the ESPP to, among other things, increase the number of shares of common stock that may be purchased under the ESPP by 1.5 million shares.

**4. Q: How does the Board recommend I vote on each of the proposals?**

A: The Board unanimously recommends that you vote your shares FOR all of its nominees to the Board, FOR the ratification of the appointment of Ernst & Young LLP as the Company's independent registered public accounting firm for the Company's 2012 fiscal year, FOR the Company's executive compensation, to conduct future advisory votes on executive compensation on EVERY YEAR and FOR the amendment and restatement of the ESPP.

**5. Q: Who is entitled to vote at the Annual Meeting?**

A: Holders of the Company's common stock as of August 15, 2011 are entitled to vote at the Annual Meeting.

**6. Q: How many votes is each share of common stock entitled to?**

A: Each share of Company common stock outstanding as of the Record Date is entitled to one vote. As of the Record Date, there were 47,720,074 shares of Company common stock issued and outstanding.

**7. Q: How do I vote?**

A: You can vote in person at the Annual Meeting or by proxy. There are three ways to vote by proxy:

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- (1) By Mail you can vote by mail by completing, signing and dating each proxy card you received and returning it in the postage prepaid envelope provided;
- (2) By Telephone you can vote by telephone by calling (866) 540-5760 and following the instructions on the proxy card; or

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(3) By Internet you can vote over the Internet at [www.proxyvoting.com/kfy](http://www.proxyvoting.com/kfy) by following the instructions on the proxy card.

**8. Q: Can I revoke my proxy after I have submitted it?**

A: Yes, once you have submitted your proxy, you have the right to revoke your proxy at any time before it is voted by:

- (1) Sending a written revocation to the Corporate Secretary;
- (2) Submitting a later dated proxy; or
- (3) Attending the Annual Meeting and voting in person.

If your shares are held in the name of a broker, bank or other nominee, you will receive instructions from the holder of record on how to vote your shares. You must follow the instructions of the holder of record in order for your shares to be voted.

**9. Q: Who will count the votes?**

A: Representatives of BNY Mellon Shareholder Services, the Company's transfer agent, will count the votes and act as the inspector of election at the Annual Meeting.

**10. Q: What does it mean if I receive more than one proxy card?**

A: It means that your shares are registered differently and are in more than one account. Sign and return (or vote by telephone or over the Internet) all proxy cards to ensure that all your shares are voted.

**11. Q: What shares are covered by the enclosed proxy card(s)?**

A: The shares on the enclosed proxy card(s) represent all shares owned by you as of the Record Date (if you receive more than one proxy card, however, please see Question 10). These shares include shares (1) held directly in your name as the stockholder of record and (2) held for you as the beneficial owner through a broker, bank or other nominee. If you do not return your proxy card(s) or vote by telephone or over the Internet, your shares may not be voted (see Question 13 below). If you own shares that are held in our 401(k) plan, you will receive a proxy card for those shares also. While the trustees of the 401(k) plan will vote those shares, you are requested to return that proxy card to advise the trustees of your wishes with respect to the matters to be voted on.

**12. Q: What is the difference between holding shares as a stockholder of record and as a beneficial owner ?**

A: You are a stockholder of record if your shares are registered directly in your name with the Company's transfer agent. In that case, these proxy materials have been sent directly to you by the Company. As the stockholder of record, you have the right to grant your voting proxy to the Company or to vote in person at the Annual Meeting. We have enclosed a proxy card for you to use.

You are a beneficial owner if your shares are held in a brokerage account, including an Individual Retirement Account, by a bank or other nominee, including our 401(k) plan. If you are considered to be the beneficial owner of shares held in street name, these proxy materials are being forwarded to you by your broker, bank or other nominee, who is considered, with respect to those shares, to be the stockholder of record. As the beneficial owner, you have the right to direct your broker, bank or other nominee on how to vote your shares. However, because you are not the stockholder of record, you may not vote your shares in person at the Annual Meeting. Your broker, bank or other nominee has enclosed a voting instruction card for you to use.

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**13. Q: What if a beneficial owner does not provide the stockholder of record with voting instructions for a particular proposal?**

A: If you are a beneficial owner and you do not provide the stockholder of record with voting instructions for a particular proposal, your shares may constitute broker non-votes with respect to that proposal. Broker non-votes are shares held by a broker, bank or other nominee with respect to which the holder of record does not have discretionary power to vote on a particular proposal and with respect to which instructions were never received from the beneficial owner. Shares that constitute broker non-votes with respect to a particular proposal will not be considered present and entitled to vote on that proposal at the Annual Meeting even though the same shares will be considered present for purposes of establishing a quorum and may be entitled to vote on other proposals. However, in certain circumstances, such as the appointment of the independent registered public accounting firm, the broker, bank or other nominee has discretionary authority and therefore is permitted to vote your shares even if the broker, bank or other nominee does not receive voting instructions from you. Due to recent changes to these rules, however, the election of directors at the Annual Meeting, the advisory votes on the Company's executive compensation, frequency of future advisory votes on the Company's executive compensation, and the approval of the ESPP will not be considered routine matters and as a result, your broker, bank or other nominee will not have discretion to vote on these matters at the Annual Meeting unless you provide applicable instructions to do so. Therefore, we strongly encourage you to follow the voting instructions on the materials you receive.

**14. Q: What is the requirement to conduct business at the Annual Meeting?**

A: In order to conduct business at the Annual Meeting, a quorum must be established. A quorum is a majority in voting power of the outstanding shares of common stock. A quorum must be present in person or represented by proxy at the Annual Meeting for business to be conducted. As discussed below, abstentions and broker non-votes will be counted for purposes of determining the presence of a quorum.

**15. Q: How are votes counted?**

A: Shares of common stock that reflect abstentions are treated as present and entitled to vote for the purposes of establishing a quorum and for purposes of determining the outcome of any matter submitted to the stockholders for a vote. However, abstentions do not constitute a vote for or against any matter and thus will be disregarded in the calculation of a plurality. Shares of common stock that reflect broker non-votes are treated as present and entitled to vote for the purposes of establishing a quorum. However, for the purposes of determining the outcome of any matter as to which the broker or nominee has indicated on the proxy that it does not have discretionary authority to vote, those shares will be treated as not present and not entitled to vote with respect to that matter, even though those shares are considered present and entitled to vote for the purposes of establishing a quorum and may be entitled to vote on other matters.

**16. Q: What is the voting requirement to approve each proposal?**

A: Directors are elected by a plurality. Therefore, the three nominees who receive the most votes will be elected. Abstentions and broker non-votes will not affect the outcome of the election. In respect of Proposals 2-3 and 5, to be approved, the proposal must receive the affirmative vote of a majority of the shares of common stock present or represented by proxy and entitled to vote on the proposal, whereas in the case of Proposal 4, the frequency that receives the affirmative vote of a majority of the shares of common stock present or represented by proxy and entitled to vote on the proposal will constitute the advisory recommendation of the Company's stockholders. In determining the outcome of Proposals 2-5, abstentions have the effect of a negative vote, but broker non-votes will not affect the outcome.

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**17. Q: What happens if additional matters (other than the proposals described in this Proxy Statement) are presented at the Annual Meeting?**

A: The Board is not aware of any additional matters to be presented for a vote at the Annual Meeting; however, if any additional matters are properly presented at the Annual Meeting, your proxy, whether submitted by mail, telephone or over the Internet, gives Gary D. Burnison and Michael A. DiGregorio authority to vote on those matters in their discretion.

**18. Q: Who will bear the cost of the proxy solicitation?**

A: The entire cost of the proxy solicitation will be borne by the Company. We hired D.F. King & Co., Inc. to assist in the distribution of proxy materials and solicitation of votes for approximately \$10,000 plus reimbursement of any out of pocket expenses. Upon request, we will also reimburse brokerage houses and other custodians, nominees and fiduciaries for their reasonable out-of-pocket expenses for forwarding proxy and solicitation materials to beneficial owners.

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**PROPOSAL NO. 1 ELECTION OF DIRECTORS**

The Board is divided into three classes, with one class elected at each annual meeting of stockholders. Directors of each class are elected to serve for three year terms. At the Annual Meeting, we will elect the three directors named in this Proxy Statement and the Board for the coming year will be comprised of eight directors. The directors elected at the Annual Meeting will serve as Class 2014 Directors for a term of three years. The nominees for election at the Annual Meeting to serve as Class 2014 Directors are Messrs. Gerhard Schulmeyer and Harry L. You and Ms. Debra J. Perry. Detailed biographical information regarding each of these nominees, as well as the other members of the Board whose service will continue beyond the Annual Meeting, is provided under the heading Board of Directors. We do not expect any of the nominees to become unavailable to stand for election, but should this happen the Board will designate a substitute for each unavailable nominee. Proxies voting for any unavailable nominee will be cast for that nominee's substitute. Each of the nominees has consented to be named as a nominee in this Proxy Statement.

**Required Vote**

Directors are elected by a plurality. Therefore, the three nominees who receive the highest number of votes will be elected as directors.

**Recommendation of the Board**

**The Board unanimously recommends that you vote FOR each of the nominees named above for election as a director.**

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**PROPOSAL NO. 2 RATIFICATION OF THE APPOINTMENT OF ERNST & YOUNG LLP**

**AS INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

The Audit Committee has approved the appointment of Ernst & Young LLP as the Company's independent registered public accounting firm for fiscal 2012. Ernst & Young LLP has served as the Company's independent registered public accounting firm since March 2002. Ernst & Young LLP has unrestricted access to the Audit Committee to discuss audit findings and other financial matters. Neither the Company's certificate of incorporation nor its bylaws requires that the stockholders ratify the selection of Ernst & Young LLP as the Company's independent registered public accounting firm. However, we are requesting ratification because we believe it is a matter of good corporate practice. If the Company's stockholders do not ratify the selection, the Audit Committee will reconsider whether or not to retain Ernst & Young LLP, but may, nonetheless, retain Ernst & Young LLP as the Company's independent registered public accounting firm. Even if the selection is ratified, the Audit Committee in their discretion may change the appointment at any time if they determine that such change would be in the best interests of the Company and its stockholders. Representatives of Ernst & Young LLP will attend the Annual Meeting to answer appropriate questions and may also make a statement if they so desire.

**Required Vote**

Ratification of the appointment of Ernst & Young LLP as the Company's independent registered public accounting firm requires the affirmative vote of a majority of those shares present, either in person or by proxy, and entitled to vote at the Annual Meeting.

**Recommendation of the Board**

**The Board unanimously recommends that you vote FOR the ratification of the appointment of Ernst & Young LLP as the Company's independent registered public accounting firm for fiscal 2012.**

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**PROPOSAL NO. 3 ADVISORY RESOLUTION ON EXECUTIVE COMPENSATION**

In accordance with Securities Exchange Act of 1934, as amended (the Exchange Act ), and more specifically, Section 14A of the Exchange Act which was added under the Dodd-Frank Wall Street Reform and Consumer Protection Act ( Dodd-Frank ), we are asking stockholders to approve an advisory resolution on the Company s executive compensation as reported in this Proxy Statement. Our executive compensation program is designed to support the Company s long-term success. As described below in the Compensation Discussion and Analysis section of this Proxy Statement, the Compensation and Personnel Committee has structured our executive compensation program to achieve the following key objectives:

provide compensation packages to our executives that are competitive with our peer companies;

take individual and corporate performance into account in structuring the Company s annual cash incentive and long-term incentive plans, so that the plans incentivize increases in stockholder value; and

align the interests of management with those of our stockholders through direct management ownership of Company common stock. We urge stockholders to read the Compensation Discussion and Analysis below, which describes in more detail how our executive compensation policies and procedures operate and are designed to achieve our compensation objectives, as well as the Summary Compensation Table and related compensation tables and narrative below which provide detailed information on the compensation of our named executive officers. The Compensation and Personnel Committee and the Board believe that the policies and procedures articulated in the Compensation Discussion and Analysis are effective in achieving our goals and that the compensation of our named executive officers reported in this Proxy Statement has supported and contributed to the Company s success.

We are asking stockholders to approve the following advisory resolution at the 2011 Annual Meeting of Stockholders:

RESOLVED, that the stockholders of Korn/Ferry International (the Company ) approve, on an advisory basis, the compensation of the Company s named executive officers set forth in the Compensation Discussion and Analysis, the Summary Compensation Table and the related compensation tables and narrative in the Proxy Statement for the Company s 2011 Annual Meeting of Stockholders.

This advisory resolution, commonly referred to as a say-on-pay resolution, is non-binding on the Board. Although non-binding, the Board and the Compensation and Personnel Committee will carefully review and consider the voting results when evaluating our executive compensation program.

**Recommendation of the Board**

**The Board unanimously recommends that you vote FOR the Company s executive compensation.**



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**PROPOSAL NO. 4 ADVISORY VOTE ON THE FREQUENCY OF FUTURE ADVISORY VOTES  
ON EXECUTIVE COMPENSATION**

We will provide an advisory vote on executive compensation at least once every three years. Pursuant to recently adopted Section 14A of the Exchange Act, in this Proposal 4 we are asking stockholders to vote on whether future advisory votes on executive compensation should occur every year, every two years or every three years.

After careful consideration, the Board recommends that future advisory votes on executive compensation occur every year. An annual advisory vote on executive compensation will allow our stockholders to provide us with their direct input on our compensation philosophy, policies and practices as disclosed in the proxy statement every year and will be most useful to the Board and the Compensation and Personnel Committee. Accordingly, the Board recommends that you vote to conduct future advisory votes on executive compensation every year.

Stockholders will be able to specify one of four choices for this proposal on the proxy card: three years, two years, one year or abstain. Stockholders are not voting to approve or disapprove the Board's recommendation. This advisory vote on the frequency of future advisory votes on executive compensation is non-binding on the Board. Notwithstanding the Board's recommendation and the outcome of the stockholder vote, the Board may in the future decide to conduct advisory votes on executive compensation on a more or less frequent basis and may vary its practice based on factors such as discussions with stockholders and the adoption of material changes to compensation programs.

**Recommendation of the Board**

**The Board unanimously recommends that you vote to conduct future advisory votes on executive compensation EVERY YEAR.**

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**PROPOSAL NO. 5 APPROVAL OF AMENDED AND RESTATED EMPLOYEE STOCK**

**PURCHASE PLAN**

On June 3, 2003, the Board adopted the 2003 Employee Stock Purchase Plan (the ESPP), and the Company's stockholders subsequently approved the ESPP on September 10, 2003.

On August 15, 2011, the Board approved, subject to stockholder approval, the Amended and Restated Employee Stock Purchase Plan (the A&R ESPP) to increase the number of shares of common stock that may be purchased under the A&R ESPP by 1.5 million shares for a total of 3 million shares authorized under the A&R ESPP. Other than the increase in the number of shares authorized for issuance, and certain administrative changes, the ESPP and the A&R ESPP are identical.

As of August 15, 2011, 121,346 shares of common stock remained available for issuance under the ESPP. The proposed increase in the number of shares authorized for issuance under the A&R ESPP represents approximately 3% of the Company's outstanding common stock as of the Record Date.

**Reasons for the Proposed Amendment**

The Board approved the A&R ESPP so that the Company can continue to grant its employees the ability to purchase shares thereunder at levels determined appropriate by the Board. The A&R ESPP helps to attract and retain employees because it provides eligible employees with the opportunity to become Company stockholders at favorable prices and participate in the Company's success, aligning the interests of participating employees with those of stockholders.

**Summary of the A&R ESPP**

The principal provisions of the A&R ESPP are summarized below. This summary is not a complete description of all of the A&R ESPP's provisions, and is qualified in its entirety by reference to the complete text of the A&R ESPP attached to this Proxy Statement as Appendix A. Capitalized terms not otherwise defined in this summary have the meaning set forth in the A&R ESPP.

***Purpose***

The purpose of the A&R ESPP is to assist eligible employees in acquiring a stock ownership interest in the Company, at favorable prices and upon favorable terms, pursuant to a plan which is intended to qualify as an employee stock purchase plan under Section 423 of the Internal Revenue Code of 1986, as amended (Internal Revenue Code).

***Administration***

The A&R ESPP will be administered by the Board or a committee consisting of at least two members of the Board. The committee is authorized to decide questions of eligibility and to make rules and regulations for the administration and interpretation of the A&R ESPP. All determinations of the committee with respect to the A&R ESPP are final.

***Eligibility***

All employees who work 20 hours or more per week and who have been continuously employed by the Company or a participating subsidiary for at least six months are eligible to participate in the A&R ESPP. However, any employee who would own more than 5% of the voting power of the Company's stock immediately after a grant under the A&R ESPP is not eligible to participate and no participant may purchase more than \$25,000 of the Company's stock in any one calendar year.

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### ***Shares Available under the A&R ESPP***

The maximum number of shares of the Company's common stock that may be purchased under the A&R ESPP is 3 million shares. Those shares of common stock may be either the Company's authorized but unissued common stock or any of its shares of common stock held as treasury shares. The maximum number of shares of the Company's common stock that any one individual may acquire in any offering period is 12,500. The Company may repurchase shares of common stock in the market in an amount equal to or less than the shares issued pursuant to the A&R ESPP, but is not required to do so. The maximum number of shares issuable under the A&R ESPP will be subject to adjustment for any dividend, stock split or other relevant change in the Company's capitalization. On August 15, 2011, the closing price on the New York Stock Exchange of a share of the Company's common stock was \$16.48.

### ***Operation of the A&R ESPP***

The A&R ESPP operates in successive offering periods. Offering periods are typically six months in duration and, unless otherwise specified by the committee, will commence each January 1 and July 1, and end the following June 30 or December 31, respectively. Each employee who is eligible to participate in the A&R ESPP must file an election to have a portion of his or her compensation contributed to the A&R ESPP on an after-tax basis during each offering period in which he or she participates. On the first day of each offering period, each participant is deemed to have been granted an option to acquire shares of common stock of the Company. The option exercise price for each share is 85% of the fair market value of a share of common stock on the last day of the offering period. At the end of the offering period, each participant's option is automatically exercised and the maximum possible number of whole shares of common stock are purchased using the amounts credited to the participant's account to pay the exercise price of the option.

### ***A&R ESPP Amendment and Termination***

The Board may amend or terminate the A&R ESPP at any time. A&R ESPP amendments are not subject to stockholder approval unless required by law, the Internal Revenue Code or as deemed necessary or advisable by the Board. The A&R ESPP will automatically terminate ten years after the date of stockholder approval or, if earlier, when no shares remain available under the A&R ESPP or if and when the Board elects to terminate the A&R ESPP. The A&R ESPP and any outstanding options to purchase shares will terminate upon certain corporate events (such as dissolution of the Company or a merger in which the Company does not survive) and A&R ESPP contributions that have not been used to purchase stock will be refunded to participants.

### ***New A&R ESPP Benefits***

The actual number of shares that may be purchased by any individual under the A&R ESPP is not determinable in advance because the number is determined, in part, on the participant elections, contributed amount and the purchase price.

### **U.S. Federal Income Tax Consequences**

The following is a brief description of the federal income tax treatment that will generally apply to the grant and exercise of rights under the A&R ESPP, based on federal income tax laws currently in effect. The exact federal income tax treatment of options will depend on the specific nature of any such option and the individual tax attributes of the participant. This summary is not intended to be a complete analysis and discussion of the federal income tax treatment of the A&R ESPP, and does not discuss gift or estate taxes or the income tax laws of any municipality, state or foreign country.

The A&R ESPP is intended to qualify as an employee stock purchase plan under Section 423 of the Internal Revenue Code and, as a result, employees who participate in the A&R ESPP will be afforded favorable tax treatment subject to meeting certain requirements specified by the Internal Revenue Code. In general, there

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are no federal income tax consequences to a participant upon the grant of the option to purchase shares under the A&R ESPP at the beginning of an offering period or upon its exercise at the end of an offering period. Upon the disposition of shares of common stock acquired upon exercise of an option, the participant will generally be subject to tax and the nature and amount of the tax will depend on whether the employee has satisfied the statutory holding period.

If the employee holds shares acquired under the A&R ESPP for at least two years from the grant date of his or her option and at least one year from the date he or she acquired the shares, any gain on the sale of the shares will be taxed as ordinary income to the extent of the lesser of (i) the amount by which the fair market value of the shares on the grant date (i.e., the first day of the offering period) exceeded the exercise price for the option, or (ii) the amount by which the fair market value of the shares on the date of sale exceeds the exercise price of the option. Any additional gain or loss will be taxed as long-term capital gain or loss.

If the participant sells or otherwise disposes of the shares before the expiration of the statutory holding period, then in the year of such disqualifying disposition, the participant will be required to recognize ordinary income equal to the difference between the fair market value of the shares on the date of the exercise of the option and the exercise price of the option. Any additional gain or loss will be short-term or long-term gain or loss depending on the length of time the employee has held the shares.

The Company is not entitled to any deduction with respect to the difference between the fair market value of the common stock and the option exercise price if the participant satisfies the statutory holding period described above. If shares are sold before the statutory holding period is satisfied, the Company receives a tax deduction for any ordinary income recognized by the participant in such event.

## **Required Vote**

Approval of the A&R ESPP requires the affirmative vote of a majority of those shares present, either in person or by proxy, and entitled to vote at the Annual Meeting.

## **Recommendation of the Board**

**The Board unanimously recommends that you vote FOR the approval of the Company's A&R ESPP.**

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### **THE BOARD OF DIRECTORS**

The Board is divided into three classes: (1) Class 2012 Directors, who will serve until the 2012 Annual Meeting of Stockholders; (2) Class 2013 Directors, who will serve until the 2013 Annual Meeting of Stockholders; and (3) Class 2014 Directors, who will serve until the 2014 Annual Meeting of Stockholders. Following the Annual Meeting there will be three Class 2012 Directors, two Class 2013 Directors, and three Class 2014 Directors.

#### **Director Qualifications**

The Board believes that the Board, as a whole, should possess a combination of skills, professional experience and diversity of backgrounds necessary to oversee the Company's business. In addition, the Board believes there are certain attributes every director should possess, as reflected in the Board's membership criteria discussed below. Accordingly, the Board and the Nominating and Corporate Governance Committee consider the qualifications of directors and director candidates individually and in the broader context of the Board's overall composition and the Company's current and future needs.

The Nominating and Corporate Governance Committee is responsible for developing and recommending Board membership criteria to the full Board for approval. The criteria, which are set forth in the Company's Corporate Governance Guidelines, include a reputation for integrity, honesty and adherence to high ethical standards, strong management experience, current knowledge and contact in the Company's industry or other industries relevant to the Company's business, and the ability to commit sufficient time and attention to Board and committee activities. The Nominating and Corporate Governance Committee seeks a variety of occupational, educational, and personal backgrounds on the Board in order to obtain a range of viewpoints and perspectives and to enhance the diversity of the Board in such areas as professional experience, geography, race, gender, ethnicity and age. While the Nominating and Corporate Governance Committee does not have a formal policy with respect to diversity, the Nominating and Corporate Governance Committee does believe it is essential that Board members represent diverse viewpoints and backgrounds. The Nominating and Corporate Governance Committee periodically evaluates the composition of the Board to assess the skills and experience that are currently represented on the Board, as well as the skills and experience that the Board will find valuable in the future, given the Company's current situation and strategic plans. This periodic assessment enables the Board to update the skills and experience it seeks in the Board as a whole, and in individual directors, as the Company's needs evolve and change over time and to assess effectiveness of efforts at pursuing diversity. In identifying director candidates from time to time, the Nominating and Corporate Governance Committee may establish specific skills and experience that it believes the Company should seek in order to constitute a balanced and effective board.

In evaluating director candidates, and considering incumbent directors for renomination to the Board, the Nominating and Corporate Governance Committee takes into account a variety of factors. These include each nominee's independence, financial literacy, personal and professional accomplishments, and experience, each in light of the composition of the Board as a whole and the needs of the Company in general, and for incumbent directors, past performance on the Board. The table below sets forth information about the three nominees for Class 2014 Directors and the directors whose terms of office continue beyond the Annual Meeting, including each such person's specific experience, qualifications, attributes and skills that led our Board to conclude that such nominee/director should serve on our Board. The process undertaken by the Nominating and Corporate Governance Committee in recommending qualified director candidates is described below under Corporate Governance Board Committees Nominating and Corporate Governance Committee.

**Table of Contents****Nominees for Class 2014 Directors**

The following table sets forth certain information regarding the nominees for Class 2014 Directors.

<b>Name</b>	<b>Age</b>	<b>Business Experience</b>	<b>Director Since</b>
Gerhard Schulmeyer	72	Mr. Schulmeyer is owner of Gerhard LLC, a management consulting company. From January 2002 to July 2006, Mr. Schulmeyer was Professor of Practice at the MIT Sloan School of Management. Mr. Schulmeyer also served as President and Chief Executive Officer of Siemens Corporation, the holding company for the U.S. business of Siemens AG (Munich, Germany), a world leader in electrical engineering and electronics in the information and communications, automation and control, power, transportation, medical and lighting fields, from 1999 until 2001. From 1994 through 1998, Mr. Schulmeyer was President and Chief Executive Officer of Siemens Nixdorf, Munich/Paderborn. Mr. Schulmeyer previously served on the board of directors of Alcan Inc. from July 1996 to October 2007, Zurich Financial Services from July 1998 to April 2007, and Ingram Micro, Inc. from July 1999 to June 2010. Mr. Schulmeyer's senior executive management positions in large multi-national corporations, and his international operational experience, business acumen, academic credentials, and board and committee experience allow him to bring valuable insight and knowledge to the Board.	1999
Harry L. You	52	Mr. You has served as Executive Vice President, Office of the Chairman, of EMC Corporation, an information infrastructure solutions company, since February 2008. Mr. You was the Chief Executive Officer of BearingPoint, Inc., a management and technology consulting company, from March 2005 until November 2007. Mr. You was the Chief Financial Officer and Executive Vice President of Oracle Corporation from July 2004 through March 2005. From July 2001 through July 2004, Mr. You was the Chief Financial Officer of Accenture Ltd. Prior to that, he was a managing director with Morgan Stanley, a subsidiary of Morgan Stanley & Co., Inc., and Senior Vice President of the General Industrial Group at Lehman Brothers Inc. Mr. You's executive management, financial accounting expertise and technology sector experience allow him to bring valuable insight and knowledge to the Board.	2004
Debra J. Perry	60	Ms. Perry currently serves on the boards of directors of two mutual funds, BofA Funds Series Trust (elected June 2011) and the Sanford C. Bernstein Fund, Inc. (elected July 2011). From 2004 to 2008, Ms. Perry served on the board of directors of MBIA Inc. and from 2004 to 2011 she was a member of the board of directors and chair of the human resources and compensation committee of CNO Financial Group, Inc. (formerly Consec). She worked at Moody's Corporation from 1992 to 2004. From 2001 to 2004, Ms. Perry was a senior managing director in the Global Ratings and Research Unit of Moody's Investors Service, Inc. where she oversaw the Americas Corporate Finance, Leverage Finance and Public Finance departments. From 1999 to 2001, Ms. Perry served as Chief Administrative Officer and Chief Credit Officer, and from 1996 to	2008

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<b>Name</b>	<b>Age</b>	<b>Business Experience</b>	<b>Director Since</b>
		1999, she was a group managing director for the Finance, Securities and Insurance Rating Groups of Moody's Corporation. Ms. Perry has also been a managing member of Perry Consulting LLC, an advisory firm specializing in credit risk management and governance within the financial industry since 2008. Ms. Perry's executive management, corporate governance, finance and analytical expertise and her board and committee experiences allow her to bring valuable insight and knowledge to the Board.	

**Class 2012 Directors**

The following table sets forth certain information regarding the Class 2012 Directors.

<b>Name</b>	<b>Age</b>	<b>Business Experience</b>	<b>Director Since</b>
Kenneth Whipple	76	Mr. Whipple is currently non-executive Chair of the Board of the Company. He recently retired as Chairman and a director of CMS Energy Corporation, which through its subsidiaries operates an energy company in Michigan. Mr. Whipple served as Chairman of CMS Energy Corporation from May 2002 until his retirement in May 2010 and as a director from 1993 until his retirement in May 2010. Mr. Whipple also previously served as Chief Executive Officer of CMS Energy Corporation from May 2002 through September 2004. Mr. Whipple served as Executive Vice President of Ford Motor Company from 1988 to 1999. He served as Chairman and Chief Executive Officer of Ford Motor Credit Company from 1997 to 1999. He previously served as Chairman and Chief Executive Officer of Ford of Europe, Inc. from 1986 to 1988. He is a member of the Advisory Board of Miller Buckfire & Co., LLC. Mr. Whipple's chairman, executive management, and board experiences allow him to bring valuable insight and knowledge to the Board.	2004
Denise Kingsmill	64	Baroness Kingsmill was appointed to Great Britain's House of Lords in 2006. She was invested as Commander, Order of the British Empire (C.B.E) in 2000, and currently sits on the House of Lords Economic Affairs Committee. From 1997 to 2003, Baroness Kingsmill was Deputy Chairman of the Competition Commission and also chaired the United Kingdom's Department of Trade and Industry's accounting for people task force. She also served as a senior advisor to the Royal Bank of Scotland from 2005 until 2008. In February 2011, Baroness Kingsmill was elected to the board of directors of Betfair Group, PLC, an online sports betting provider. She also serves on the Audit Committee of Betfair Group PLC. In May 2011, Baroness Kingsmill also joined the supervisory board of E.ON AG, an investor owned public utility company. In addition, Baroness Kingsmill is a me	