

ADVANCED ENERGY INDUSTRIES INC

Form DEF 14A

March 15, 2010

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**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

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

**ADVANCED ENERGY INDUSTRIES, 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):

- 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:
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(1) Amount Previously Paid:

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(3) Filing Party:

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NOTICE OF ANNUAL MEETING OF STOCKHOLDERS To Be Held May 4, 2010

GENERAL

PROPOSAL NO. 1 ELECTION OF DIRECTORS

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**NOTICE OF ANNUAL MEETING OF STOCKHOLDERS  
To Be Held May 4, 2010**

To Our Stockholders:

The 2010 Annual Meeting of Stockholders of Advanced Energy Industries, Inc. ( Advanced Energy or the Company ) will be held on Tuesday, May 4, 2010, at 10:00 a.m. Mountain Daylight Time, at Advanced Energy s corporate offices, 1625 Sharp Point Drive, Fort Collins, Colorado 80525. At the meeting, you will be asked to vote on the following matters:

1. Election of eight (8) directors.
2. Ratification of the appointment of Grant Thornton LLP as Advanced Energy s independent registered public accounting firm for 2010.
3. Approval of an increase in the number of shares authorized for issuance under the 2008 Omnibus Incentive Plan from 3,500,000 shares to 7,500,000 shares.
4. Approval of an increase in the total number of shares of common stock authorized for issuance under the Employee Stock Purchase Plan from 500,000 shares to 1,000,000 shares.
5. Any other matters of business properly brought before the meeting.

Each of the matters 1 through 4 is described in detail in the accompanying proxy statement, dated March 15, 2010.

If you owned common stock of Advanced Energy at the close of business on March 8, 2010, you are entitled to receive this notice and to vote at the meeting.

All stockholders are cordially invited to attend the meeting in person. If you do not plan to attend the meeting and vote your shares of common stock in person, please authorize a proxy to vote your shares in one of the following ways:

Use the toll-free telephone number shown on your proxy card (this call is toll-free, if made in the United States or Canada);

Go to the website address shown on your proxy card and authorize a proxy via the Internet; or

Mark, sign, date and promptly return the enclosed proxy card in the postage-paid envelope.

Any proxy may be revoked at any time prior to its exercise at the annual meeting.

By Order of the Board of Directors,

Thomas O. McGimpsey  
*Vice President, General Counsel & Corporate Secretary*

Fort Collins, Colorado

March 15, 2010

**YOUR VOTE IS IMPORTANT**

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Date: March 15, 2010  
To: Our Owners  
From: Hans Georg Betz  
Subject: Invitation to Our 2010 Annual Meeting of Stockholders

Please come to our 2010 Annual Meeting of Stockholders to learn about Advanced Energy, what we have accomplished in the last year and our plans for 2010. The meeting will be held:

Tuesday, May 4, 2010  
10:00 a.m. Mountain Daylight Time  
Advanced Energy's Corporate Offices  
1625 Sharp Point Drive  
Fort Collins, Colorado 80525

This proxy statement describes the matters that management of Advanced Energy intends to present to the stockholders for approval at the annual meeting. Accompanying this proxy statement are Advanced Energy's 2009 Annual Report to Stockholders and a form of proxy. All voting on matters presented at the annual meeting will be by proxy or by ballot in person, in accordance with the procedures described in this proxy statement. Instructions for voting are included in the proxy statement. Your proxy may be revoked at any time prior to the meeting in the manner described in this proxy statement.

I look forward to seeing you at the meeting.

Hans Georg Betz  
Chief Executive Officer

This proxy statement and the accompanying proxy card are first being sent to stockholders on or about March 15, 2010.

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**GENERAL**

This proxy statement and the accompanying materials are being sent to stockholders of Advanced Energy as part of a solicitation for proxies for use at the 2010 Annual Meeting of Stockholders. The Board of Directors of Advanced Energy (the Board of Directors or the Board ) is making this solicitation for proxies. By delivering the enclosed proxy card by any of the methods described on the card, you will appoint each of Hans Georg Betz and Lawrence D. Firestone as your agent and proxy to vote your shares of common stock at the meeting. In this proxy statement, proxy holders refers to Dr. Betz and Mr. Firestone in their capacities as your agents and proxies.

Advanced Energy's principal executive offices are located at 1625 Sharp Point Drive, Fort Collins, Colorado 80525. The telephone number is (970) 221-4670.

**Proposals**

We intend to present four proposals to the stockholders at the meeting:

1. Election of eight (8) directors.
2. Ratification of the appointment of Grant Thornton LLP as Advanced Energy's independent registered public accounting firm for 2010.
3. Approval of an increase in the number of shares authorized for issuance under the 2008 Omnibus Incentive Plan from 3,500,000 shares to 7,500,000 shares.
4. Approval of an increase in the total number of shares of common stock authorized for issuance under the Employee Stock Purchase Plan from 500,000 shares to 1,000,000 shares.

We do not know of any other matters to be submitted to the stockholders at the meeting. If any other matters properly come before the meeting, the proxy holders intend to vote the shares they represent as the Board of Directors may recommend.

**Record Date and Share Ownership**

If you owned shares of Advanced Energy common stock in your name as of the close of business on Monday, March 8, 2010, you are entitled to vote on the proposals that are presented at the meeting. On that date, which is referred to as the record date for the meeting, 42,103,081 shares of Advanced Energy common stock were issued and outstanding and were held by approximately 533 stockholders of record, according to the records of American Stock Transfer & Trust Company, Advanced Energy's transfer agent.

**Voting Procedures**

Each share of Advanced Energy common stock that you hold entitles you to one vote on each of the proposals that are presented at the annual meeting. The inspector of the election will determine whether or not a quorum is present at the annual meeting. A quorum will be present at the meeting if a majority of the shares of common stock entitled to vote at the meeting are represented at the meeting, either by proxy or by the person who owns the shares. Advanced Energy's transfer agent will deliver a report to the inspector of election in advance of the annual meeting, tabulating the votes cast by proxies returned to the transfer agent. The inspector of election will tabulate the final vote count, including the votes cast in person and by proxy at the meeting.



If a broker holds your shares, this proxy statement and a proxy card have been sent to the broker. You may have received this proxy statement directly from your broker, together with instructions as to how to direct the broker concerning how to vote your shares. Under the rules for Nasdaq-quoted companies, brokers cannot vote on certain matters without instructions from you. If you do not give your broker instructions or discretionary authority to vote your shares on such matters and your broker returns the proxy card without voting on a proposal, your shares will be recorded as broker non-votes with respect to the proposals on which the broker does not vote.

Broker non-votes and abstentions will be counted as present for purposes of determining whether a quorum is present. If a quorum is present, directors will be elected by a plurality of the votes present and each of the other

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matters described in this proxy statement will be approved by a majority of the votes cast on the proposal. Broker non-votes and abstentions will have no effect on the outcome of any of the matters described in this proxy statement.

The following table reflects the vote required for each proposal and the effect of broker non-votes and abstentions on the vote, assuming a quorum is present at the meeting:

<b>Proposal</b>	<b>Vote Required</b>	<b>Effect of Broker Non-Votes and Abstentions</b>
Election of eight(8) directors	The eight nominees who receive the most votes will be elected	No effect
Ratification of the appointment of Grant Thornton LLP as Advanced Energy's independent registered public accounting firm for 2010	Majority of the shares present at the meeting (by proxy or in person) and voting For or Against the proposal	No effect
Approval of an increase in the number of shares authorized for issuance under the 2008 Omnibus Incentive Plan from 3,500,000 shares to 7,500,000 shares.	Majority of the shares present at the meeting (by proxy or in person) and voting For or Against the proposal	No effect
Approval of an increase in the total number of shares of common stock authorized for issuance under the Employee Stock Purchase Plan from 500,000 shares to 1,000,000 shares.	Majority of the shares present at the meeting (by proxy or in person) and voting For or Against the proposal	No effect

If any other proposals are properly presented to the stockholders at the meeting, the number of votes required for approval will depend on the nature of the proposal. Generally, under Delaware law and the by-laws of Advanced Energy, the number of votes that may be required to approve a proposal is either a majority of the shares of common stock represented at the meeting and entitled to vote, or a majority of the shares of common stock represented at the meeting and casting votes either for or against the matter being considered. The enclosed proxy card gives discretionary authority to the proxy holders to vote on any matter not included in this proxy statement that is properly presented to the stockholders at the annual meeting.

**Costs of Solicitation**

Advanced Energy will bear the costs of soliciting proxies in connection with the annual meeting. In addition to soliciting your proxy by this mailing, proxies may be solicited personally or by telephone or facsimile by some of Advanced Energy's directors, officers and employees, without additional compensation. We may reimburse our transfer agent, American Stock Transfer & Trust Company, our proxy agent, Mediant Communications, brokerage firms and other persons representing beneficial owners of Advanced Energy common stock for their expenses in sending proxies to the beneficial owners.

**Delivery and Revocability of Proxies**

You may vote your shares either by (i) marking the enclosed proxy card and mailing it in the enclosed postage prepaid envelope, (ii) voting online at [www.proxypush.com/aeis](http://www.proxypush.com/aeis), or (iii) voting by telephone at (866) 390-9955. If you mail your proxy, please allow sufficient time for it to be received in advance of the annual meeting.

If you deliver your proxy and change your mind before the meeting, you may revoke your proxy by delivering notice to our Corporate Secretary at Advanced Energy Industries, Inc., 1625 Sharp Point Drive, Fort Collins, Colorado 80525, stating that you wish to revoke your proxy or by delivering another proxy with a later date. You may vote your shares by attending the meeting in person but, if you have delivered a proxy before the meeting, you

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must revoke it before the meeting begins. Attending the meeting will not automatically revoke your previously-delivered proxy.

**Delivery of Documents to Stockholders Sharing an Address**

If two or more stockholders share an address, Advanced Energy may send a single copy of this proxy statement and other soliciting materials, as well as the 2009 Annual Report to Stockholders, to the shared address, unless Advanced Energy has received contrary instructions from one or more of the stockholders sharing the address. If a single copy has been sent to multiple stockholders at a shared address, Advanced Energy will deliver a separate proxy card for each stockholder entitled to vote. Additionally, Advanced Energy will send an additional copy of this proxy statement, other soliciting materials and the 2009 Annual Report to Stockholders, promptly upon oral or written request by any stockholder to Investor Relations, Advanced Energy Industries, Inc., 1625 Sharp Point Drive, Fort Collins, Colorado 80525; telephone number (970) 221-4670. If any stockholders sharing an address receive multiple copies of this proxy statement, other soliciting materials and the 2009 Annual Report to Stockholders and would prefer in the future to receive only one copy, such stockholders may make such request to Investor Relations at the same address or telephone number.

**PROPOSAL NO. 1****ELECTION OF DIRECTORS**

A board of eight (8) directors is to be elected at the annual meeting. The Board of Directors has nominated for election the persons listed below. Each of the nominees is currently a director of Advanced Energy, except Terry Hudgens. In the event that any nominee is unable to or declines to serve as a director at the time of the meeting, the proxy holders will vote in favor of a nominee designated by the Board of Directors, on recommendation by the Nominating and Governance Committee to fill the vacancy. We are not aware of any nominee who will be unable or who will decline to serve as a director. The term of office of each person elected as a director at the meeting will continue from the end of the meeting until the next Annual Meeting of Stockholders (expected to be held in the year 2011), or until a successor has been elected and qualified or until such director's earlier resignation or removal.

**NOMINEES**

<b>Name</b>	<b>Age</b>	<b>Director Since</b>	<b>Principal Occupation and Business Experience</b>
Douglas S. Schatz	64	1981	Douglas S. Schatz is a co-founder of Advanced Energy and has been its Chairman since its incorporation in 1981. From 1981 through July 2005, Mr. Schatz also served as our Chief Executive Officer. From 1981 through July 1999 and from March 2001 through July 2005, he also served as our President. Mr. Schatz is chairman of the board of Abound Solar (fka AVA Solar), a thin-film solar panel manufacturer, and served as interim CEO of Abound from June 2009 to January 2010. Mr. Schatz is currently on the boards of several additional private companies and organizations, both for-profit and non-profit.



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<b>Name</b>	<b>Age</b>	<b>Director Since</b>	<b>Principal Occupation and Business Experience</b>
Frederick A. Ball(1)	47	2008	Frederick A. Ball is the Chief Financial Officer of Webroot Software, a leading provider of software security solutions, a position he has held since June 2008. From August 2004 to November 2007, Mr. Ball was the Senior Vice President and Chief Financial Officer of BigBand Networks, a provider of digital video networking platforms. From September 2003 until May 2004, Mr. Ball served as Chief Operating Officer of CallTrex Corporation, a provider of customer service solutions. Prior to his employment with CallTrex, he was employed with Borland Software Corporation, a provider of enterprise software development solutions, from September 1999 until July 2003. Prior to his employment with Borland, Mr. Ball served as Vice President, Mergers and Acquisitions for KLA-Tencor, a supplier of process control and yield management solutions for the semiconductor and related microelectronics industries, and prior to that as its Vice President of Finance. Mr. Ball was an accountant with PriceWaterhouseCoopers for over 10 years. Mr. Ball has been a director of Electro Scientific Industries, Inc. since 2003 and is a member of its audit committee.
Richard P. Beck (1,2)	76	1995	Richard P. Beck joined Advanced Energy in March 1992 as Vice President and Chief Financial Officer and became Senior Vice President in February 1998. In October 2001, Mr. Beck retired from the position of Chief Financial Officer, but remained as a Senior Vice President of the Company until May 2002. Mr. Beck was chairman of the board of Applied Films Corporation, a publicly held manufacturer of flat panel display equipment, until August 2006 when it was acquired by Applied Materials, and he had served on Applied Films' audit and nominating and governance committees. He has been a director of TTM Technologies, Inc., a publicly held manufacturer of printed circuit boards, since 2001. He serves as a member of TTM Technologies' nominating and governance committee and is chairman of its audit committee. Mr. Beck was a director of Photon Dynamics, Inc., a publicly held manufacturer of semiconductor test equipment, from September 2000 to October 2004 and was chairman of its audit committee.

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<b>Name</b>	<b>Age</b>	<b>Director Since</b>	<b>Principal Occupation and Business Experience</b>
Hans Georg Betz	63	2004	Hans Georg Betz has served as our Chief Executive Officer since August 2005. From August 2005 through December 2009, he also served as our President. From August 2001 until August 2005, Dr. Betz served as chief executive officer of West Steag Partners GmbH, a German-based venture capital company focused on the high-technology industry. In his over 30-year career in the electronics industry, Dr. Betz also served as chief executive officer of STEAG Electronic Systems AG and a managing director at Leybold AG. Dr. Betz has served as a director of Mattson Technology, Inc., a publicly held supplier of advanced process equipment used to manufacture semiconductors since 2001, and serves as chairman of its compensation committee.
Trung T. Doan (1,3)	51	2005	Trung T. Doan re-joined the Board of Directors of Advanced Energy in November 2005. He had previously served on the Board from July 2000 to January 2004. Mr. Doan is the chairman and chief executive officer of SemiLEDs Corporation, a manufacturer of high-brightness light emitting diodes. Prior to founding SemiLEDs in 2005, Mr. Doan was the corporate vice president of the Applied Global Services product group at Applied Materials, a semiconductor equipment company. Prior to Applied Materials, Mr. Doan held various management and executive positions at a number of technology companies, including Intel Corp., Honeywell International, Micron Technology, Inc. where he had worked from 1988 to 2003 and last held the position of Vice President of Process Development, and Jusung Engineering, Inc., a semiconductor and LCD equipment company based in Korea.

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<b>Name</b>	<b>Age</b>	<b>Director Since</b>	<b>Principal Occupation and Business Experience</b>
Edward C. Grady (2,3)	62	2008	Edward C. Grady retired in October 2007, from his position as President and Chief Executive Officer of Brooks Automation, a provider of automation solutions to the global semiconductor and other complex manufacturing industries, including clean tech and data storage. Prior to joining Brooks Automation in February 2003, he ran multiple divisions at KLA-Tencor and had served as Chief Executive Officer of Hoya Micro Mask Inc., a supplier of photo masks and services to the semiconductor industry. Mr. Grady began his career as an engineer for Monsanto/MEMC and, during his 14 years with the company, rose to the position of Vice President of Worldwide Sales for EPI, a division of MEMC. Mr. Grady currently serves on the boards of directors of the following publicly held companies: Evergreen Solar, Inc., a developer and manufacturer of solar panels and other solar energy products; Verigy Ltd., a provider of automated test systems for the semiconductor industry; and Electro Scientific Industries, Inc., a supplier of production equipment for micro-engineering applications. Mr. Grady also served on the board of directors of Brooks Automation from February 2003 to March 2008.
Terry Hudgens	55	NA	Terry Hudgens has been a special advisor to Iberdrola Renewables, Inc., a leading provider of renewable energy, since November 2008. From April 2007 until his retirement in November 2008, Mr. Hudgens served as president and chief executive officer of Iberdrola Renewables U.S. and Canadian energy businesses. Mr. Hudgens joined Iberdrola in connection with Iberdrola's acquisition of PPM Energy, the U.S. subsidiary of Scottish Power plc, an electricity distributor and wind power producer, where he had served as President and Chief Executive Officer since May 2001. Prior to joining PPM Energy, Mr. Hudgens served in various management and operations positions with a number of utilities and energy companies, including PacifiCorp and Texaco Inc.



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<b>Name</b>	<b>Age</b>	<b>Director Since</b>	<b>Principal Occupation and Business Experience</b>
Thomas M. Rohrs (1,3)	59	2006	<p>Thomas M. Rohrs has been an advisor and consultant to a number of companies, both public and private, including renewable energy companies since February 2009. From April 2006 to February 2009, Mr. Rohrs served as Chief Executive Officer and Chairman of the Board of Electroglas, Inc., a supplier of wafer probers and software solutions for the semiconductor industry. In July 2009, Electroglas filed a voluntary petition under Chapter 11 of the U.S. Bankruptcy Code, citing the dramatic decline in semiconductor manufacturing equipment resulting from the global economic recession. In August 2009, Mr. Rohrs began serving as Interim Chief Executive Officer of Electroglas, which subsequently has sold substantially all of its assets. From 1997 to 2002, Mr. Rohrs was with Applied Materials, Inc., a semiconductor equipment company, most recently as Senior Vice President of Global Operations, and served as a member of Applied's executive committee. In addition to Electroglas, Mr. Rohrs serves on the board of directors of Magma Design Automation, Inc., an electronic design automation software and design services company. Mr. Rohrs served on the board of directors of Ultra Clean Holdings, Inc. from 2003 to 2008 and was a member of its compensation and nominating committees.</p>

- (1) Member of the Audit and Finance Committee.
- (2) Member of the Nominating and Governance Committee.
- (3) Member of the Compensation Committee.

The Board of Directors has determined that each of the nominees, other than Douglas S. Schatz and Hans Georg Betz, is an independent director within the meaning of the Nasdaq Stock Market rules. To be considered independent, the Board must affirmatively determine, among other things, that neither the director nor any immediate family member of the director has had any direct or indirect material relationship with the Company within the last three years. The Board of Directors has made an affirmative determination that none of the independent directors has had any relationship with Advanced Energy or with another director that would interfere with the exercise of his independent judgment in carrying out his responsibilities as a director. In making this independence determination, the Board considered the potential effects of two of our directors concurrently providing management and consulting services to a company other than Advanced Energy, two of our directors concurrently serving on the board of directors of a company other than Advanced Energy and a proposed joint research effort between a company affiliated with one of our directors and Advanced Energy. The independent directors, if all of them are elected at the annual meeting, will constitute a majority of the Board of Directors. There is no family relationship amongst any of the directors and

executive officers of the Company. The Company's executive officers serve at the discretion of the Board.

**Qualifications**

The Board respects its responsibility to provide oversight, counseling and direction to the management of the company in the interest and for the benefit of the stockholders. Accordingly, it seeks to be comprised of directors with diverse skills, experience, qualifications and characteristics. It is critical that directors understand the markets in which the company operates, particularly in the semiconductor capital equipment and solar equipment industries. It is equally important that, collectively, the directors have successful experience in each of the primary aspects of

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our business, including engineering, research and development, finance and audit, product strategy and development, customer relations, supply chain management and sales and marketing.

Douglas S. Schatz, our chairman, co-founder and former chief executive officer, brings to the Board significant experience in and a deep understanding of the thin-film equipment markets and of the Company itself. Additionally, his more recent involvement in the solar equipment industry provides the Board with insight to this market and the technologies being developed. The Board and senior management also benefit from Mr. Schatz's technological and engineering perspective and understanding.

Hans Betz, our chief executive officer, brings to the Board an extensive technical background, as well as broad experience in senior management and as a venture capitalist in the electronics and other technology industries. Dr. Betz also has particular skills and experience in engineering, research and development, product strategy and development, customer relations and doing business in Europe.

Fred Ball brings to the board his extensive experience in senior management, operations, finance and auditing. He also serves on another public company board and its audit committee. Mr. Ball's balance of experience enables him to work very productively with both the board and senior management, particularly on strategic, finance and audit and executive compensation matters.

Richard Beck has been with the Company for 18 years, serving initially as our chief financial officer and remaining as a director following his retirement. Mr. Beck also has significant experience serving on other public company boards, as chairman of one as well as audit committee chair and nominations and corporate governance committees. Within the past several years, Mr. Beck has attended a number of corporate governance conferences and other educational programs. He has led the Board in establishing policies and procedures that have greatly improved the organization and functioning of the committees and the Board.

Trung Doan brings to the Board managerial experience in both start-up companies and leading, established technology companies. He shares with the Board and senior management his deep understanding of technology and engineering and how they relate to product strategy and development. Mr. Doan also has extensive experience doing business in Asia, which has been and continues to be important to the Company's transition of high volume manufacturing to, and increasing supply chain and customer base in, Asia.

Edward Grady brings to the Board his knowledge and experience in both the semiconductor capital equipment and solar equipment industries. He shares with the Board and senior management the insight and understanding he has developed from his leadership at several companies, including in the areas of product strategy and development, service and organizational development. Mr. Grady also has significant experience serving on other public company boards.

Thomas Rohrs brings to the Board executive management and operations experience in the semiconductor capital equipment industry, particularly in the areas of research and development, supply chain management and product development. The Board and senior management benefit from his strategic thinking and continued involvement in the semiconductor capital equipment and solar equipment industries. Mr. Rohrs also has significant experience serving on other public company boards.

Terry Hudgens, if elected, will bring to the Board a wealth of experience in the renewable energy and utility industries. He will be able to provide the Board and senior management with insight in respect of these industries, including doing business with regulated entities in the U.S. and Europe. Mr. Hudgens also brings executive experience.

**Required Vote**

The eight (8) nominees will be elected to the Board upon receipt of a favorable vote (**FOR**) of a plurality of the votes cast at the meeting. Stockholders do not have the right to cumulate their votes for the election of directors. Unless otherwise instructed, the proxy holders will vote the proxies received by them FOR each of the eight (8) nominees. Votes withheld from a nominee will be counted for purposes of determining whether a quorum is present, but will not be counted as an affirmative vote for such nominee.

**The Board of Directors recommends a vote FOR the election of each of the nominees named above.**

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Director compensation for the fiscal year ended December 31, 2009 was as follows:

\$20,000 annual retainer paid in equal quarterly installments in July, October, February and April;

An additional \$50,000 annual retainer for the Chair of the Board, paid in equal quarterly installments in July, October, February and April;

\$3,000 per day for each full Board meeting, whether such meeting is held in person or telephonically;

\$4,000 per Audit and Finance Committee meeting for such committee's Chair and \$1,750 per meeting for each other committee member, whether such meeting is held in person or telephonically;

\$2,000 per Compensation Committee or Nominating and Governance Committee meeting for such committee's Chair and \$750 for each other committee member, whether such meeting is held in person or telephonically;

15,000 restricted stock units to each non-employee director upon initial election or appointment to the Board; and

6,000 restricted stock units annually to each non-employee director on the date of his re-election at the annual meeting.

Restricted stock units awarded to non-employee directors will vest as to 25% of the underlying shares on each annual anniversary of the grant date until fully vested on the fourth anniversary of the grant date.

In December 2008, the Company approved a 10% reduction in Board of Director fees which extended throughout 2009. This reduction was reversed effective January 1, 2010. The following table shows director compensation information for 2009:

***2009 Director Compensation***

Name	Fees Earned or Paid in Cash (\$)	Stock Awards (\$)(2)	Option Awards (\$)	Change in Pension Value and Nonqualified Non-Equity Deferred Incentive Plan Compensation			All Other Compensation (\$)	Total (\$)
				Compensation (\$)	Earnings (\$)	Compensation (\$)		
Douglas S. Schatz	80,100							80,100
Frederick A. Ball	56,700	53,820(3)						110,520
Richard P. Beck	64,125	53,820(3)						117,945

Hans Georg Betz(1)			
Trung T. Doan	55,000	53,820(3)	108,820
Edward C. Grady	45,750	53,820(3)	99,570
Thomas M. Rohrs	56,325	53,820(3)	110,145
Elwood Spedden	51,275	53,820(3)	105,095

- (1) Dr. Betz serves as the Company's Chief Executive Officer and, as an employee of the Company, is not eligible for compensation as a director.
- (2) The amounts in this column reflect the grant date fair value of awards granted in 2009. Mr. Schatz does not receive compensation as a director.
- (3) Reflects compensation expense related to the stock award of 6,000 shares of common stock, vesting over four years, made on May 6, 2009 at \$8.97 per share.

### **Board of Directors Meetings**

The Board of Directors held 8 meetings in 2009. In 2009, the Board of Directors had an Audit and Finance Committee, a Nominating and Governance Committee and a Compensation Committee. In 2009, each incumbent

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director attended at least 75% of the aggregate number of meetings of the Board of Directors (held during the period for which he was a director) and the committees (held during the period for which he served on such committees) on which he served.

Members of the Board of Directors are welcomed and encouraged, but not required, to attend the Company's annual stockholder meetings. The annual meeting of the Company's stockholders held on May 6, 2009 was attended by 3 members of the Board, Messrs. Betz, Doan and Grady.

## **Audit and Finance Committee**

### ***Composition and Meetings***

The Company has a separately-designated standing audit committee established in accordance with section 3(a)(58)(A) of the Securities Exchange Act of 1934. In 2009, the Audit and Finance Committee consisted of Messrs. Ball (Chairman), Beck, Doan and Rohrs. On February 19, 2009, Mr. Ball was added as a member of the Audit and Finance Committee by appointment of the Board of Directors and he became Chairman of the Audit and Finance Committee on July 21, 2009, replacing Mr. Beck as Chairman. The Board determined that each of the members of the Audit and Finance Committee is independent in accordance with the Nasdaq Stock Market rules and the Securities Exchange Act of 1934. The Board of Directors has evaluated the credentials of Messrs. Beck and Ball and determined that they are audit committee financial experts as defined under the SEC rules.. The Audit and Finance Committee met 7 times in 2009.

### ***Policy on Audit and Finance Committee Approval of Audit and Permissible Non-Audit Services of the Independent Registered Public Accounting Firm***

The Audit and Finance Committee approves all audit and permissible non-audit services provided by the independent registered public accounting firm. These services may include audit services, audit related services, tax services and other services. Approval is provided on a service-by-service basis. In 2009, the Audit and Finance Committee approved all of the audit and non-audit services provided by Advanced Energy's independent registered public accounting firm.

### ***Audit and Finance Committee Charter and Responsibilities***

The Audit and Finance Committee is governed by a written charter, which is available on our website at [www.advancedenergy.com](http://www.advancedenergy.com). The Audit and Finance Committee is responsible for, among other things:

selecting Advanced Energy's independent registered public accounting firm;

approving the scope, fees and results of the audit engagement;

determining the independence and evaluating the performance of Advanced Energy's independent registered public accounting firm and internal auditors;

approving in advance any audit and non-audit services and fees charged by the independent registered public accounting firm;

evaluating comments made by the independent registered public accounting firm with respect to accounting procedures and internal controls and determining whether to bring such comments to the attention of Advanced Energy's management;

reviewing the internal accounting procedures and controls with Advanced Energy's financial and accounting staff and approving any significant changes;

reviewing and approving related party transactions; and

establishing and maintaining procedures for, and a policy of, open access to the members of the Audit and Finance Committee by the employees of and consultants to Advanced Energy to enable the employees and consultants to report to the Audit and Finance Committee concerns held by such employees and consultants regarding the financial reporting of the corporation and potential misconduct.



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The Audit and Finance Committee also conducts financial reviews with Advanced Energy's independent registered public accounting firm prior to the release of financial information in the Company's Forms 10-K and 10-Q.

Management has primary responsibility for Advanced Energy's financial statements and the overall reporting process, including systems of internal controls. The independent registered public accounting firm audits the annual financial statements prepared by management, expresses an opinion as to whether those financial statements fairly present the financial position, results of operations and cash flows of Advanced Energy in conformity with accounting principles generally accepted in the United States and discusses with the Audit and Finance Committee any issues they believe should be raised.