

Ultra Clean Holdings, Inc.  
Form DEF 14A  
April 24, 2019  
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**SCHEDULE 14A**

**(Rule 14A-101)**

**INFORMATION REQUIRED IN PROXY STATEMENT**

**SCHEDULE 14A INFORMATION**

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

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 under §240.14a-12

**ULTRA CLEAN HOLDINGS, 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):

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No fee required.

Fee computed on table below per Exchange Act Rules 14a-6(i)(4) and 0-11.

1. Title of each class of securities to which transaction applies:
  
  
  
  
  
  
  
  
  
  
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:
  
  
  
  
  
  
  
  
  
  
5. Total fee paid:

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:



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**ULTRA CLEAN HOLDINGS, INC.**

**26462 Corporate Avenue**

**Hayward, CA 94545**

**NOTICE OF 2019 ANNUAL MEETING OF STOCKHOLDERS OF**

**ULTRA CLEAN HOLDINGS, INC.**

Date: May 23, 2019

Time: Doors open at 12:00 p.m. Pacific time;

Meeting begins at 12:30 p.m. Pacific time

Place: Davis Polk & Wardwell LLP

1600 El Camino Real

Menlo Park, CA 94025

Purposes: Elect our directors

Approval of an amendment and restatement of our stock incentive plan

Ratify the appointment of Moss Adams LLP as our independent registered public accounting firm for fiscal 2019

Hold an advisory vote on executive compensation

Conduct other business that may properly come before the annual meeting or any adjournment or postponement thereof

Who Can Vote: March 29, 2019 is the record date for voting. Only stockholders of record at the close of business on that date may vote at the annual meeting or any adjournment thereof.



## Edgar Filing: Ultra Clean Holdings, Inc. - Form DEF 14A

All stockholders are cordially invited to attend the meeting. At the meeting, you will hear a report on our business and have a chance to meet some of our directors and executive officers.

**Important Notice Regarding The Availability Of Proxy Materials For The Stockholder Meeting To Be Held On May 23, 2019: This Proxy Statement, along with our 2018 Annual Report to Stockholders, is available on the following website: <http://materials.proxyvote.com/90385V>. Whether you expect to attend the meeting or not, please vote electronically via the Internet or by telephone or by completing, signing and promptly returning the enclosed proxy card in the enclosed postage-prepaid envelope. You may change your vote and revoke your proxy at any time before the polls close at the meeting by following the procedures described in the accompanying proxy statement.**

Sincerely,

/s/ James P. Scholhamer

James P. Scholhamer

*Chief Executive Officer*

April 24, 2019



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**ULTRA CLEAN HOLDINGS, INC.**

**2019 ANNUAL MEETING OF STOCKHOLDERS**

**NOTICE OF ANNUAL MEETING AND PROXY STATEMENT**

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**ULTRA CLEAN HOLDINGS, INC.**

**26462 Corporate Avenue**

**Hayward, CA 94545**

**PROXY STATEMENT FOR 2019 ANNUAL MEETING OF STOCKHOLDERS**

**May 23, 2019**

**INFORMATION CONCERNING SOLICITATION AND VOTING**

Your vote is very important. For this reason our Board of Directors is requesting that you permit your shares of common stock to be represented at our 2019 Annual Meeting of Stockholders by the proxies named on the enclosed proxy card. This proxy statement contains important information for you to consider in deciding how to vote on the matters brought before the meeting. The date of this proxy statement is April 24, 2019. The proxy statement and form of proxy are first being mailed to our stockholders on or about April 25, 2019.

**Important Notice Regarding The Availability Of Proxy Materials For The Stockholder Meeting To Be Held On May 23, 2019: This Proxy Statement, along with our 2018 Annual Report to Stockholders, is available on the following website:**  
**<http://materials.proxyvote.com/90385V>.**

**General Information**

Ultra Clean Holdings, Inc., referred to in this proxy statement as Ultra Clean, the Company or we, is soliciting the enclosed proxy for use at our Annual Meeting of Stockholders to be held on May 23, 2019 at 12:30 p.m., Pacific time or at any adjournment thereof for the purposes set forth in this proxy statement. Our annual meeting will be held at the offices of Davis Polk & Wardwell LLP, 1600 El Camino Real, Menlo Park, California 94025.

**Who May Attend and Vote at Our Annual Meeting**

All holders of our common stock, as reflected in our records at the close of business on March 29, 2019, the record date for voting, may attend and vote at the meeting. To attend the annual meeting, you must present photo identification for admittance. If you are not a stockholder of record but hold shares as a beneficial owner in street name, you must also provide proof of beneficial ownership as of the record date, such as your most recent account statement prior to the record date, a copy of the voting instruction card provided by your broker, bank, trustee, or nominee, or other similar evidence of ownership.

Each share of common stock that you owned on the record date entitles you to one vote on each matter properly brought before the meeting. As of the record date, there were issued and outstanding 39,288,237 shares of our common stock, \$0.001 par value.

**Holding Shares as a Beneficial Owner (or in Street Name )**

Most stockholders are considered the beneficial owners of their shares, that is, they hold their shares through a broker, bank or nominee rather than directly in their own names. As summarized below, there are some distinctions between shares held of record and those owned beneficially or in street name.

*Stockholder of Record.* If your shares are registered directly in your name with our transfer agent, you are considered the stockholder of record with respect to those shares. If you are a stockholder of record, we are



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sending paper copies of the proxy materials directly to you. As our stockholder of record, you have the right to grant your voting proxy directly to us by signing and mailing the enclosed proxy card or by voting on the Internet, telephone, or in person at the annual meeting.

*Beneficial Owner.* If your shares are held in a stock brokerage account or by a bank or nominee, you are considered the beneficial owner of shares held in street name, and the proxy statement is being forwarded to you by or on behalf of your broker, bank or nominee (who is considered the stockholder of record with respect to those shares). As the beneficial owner, you have the right to direct your broker, bank, or nominee how to vote by following the instructions you receive from your broker, bank or nominee. You are also invited to attend the annual meeting. However, since you are not the stockholder of record, you may not vote these shares in person at the annual meeting unless you request, complete and deliver a proxy from your broker, bank or nominee.

## **How to Vote**

You may vote in person at the meeting or by proxy.

*Voting by Proxy.* If you are a stockholder of record, you may vote by proxy over the Internet, by telephone or by mail if you complete and return the enclosed proxy card by following the instructions on the proxy card. If your shares are held in street name, you have the right to direct your broker, bank, or nominee how to vote by following the instructions you receive from your broker, bank or nominee. The shares voted electronically, telephonically, or represented by the proxy cards received, properly marked, dated, signed and not revoked, will be voted at the annual meeting. We recommend that you vote by proxy even if you plan to attend the meeting. You may change your vote at the meeting even if you have previously submitted a proxy.

*Voting at the Annual Meeting.* The method or timing of your vote will not limit your right to vote at the annual meeting if you attend the annual meeting and vote in person. However, if your shares are held in the name of a bank, broker or other nominee, you must obtain a legal proxy, executed in your favor, from the holder of record to be able to vote at the annual meeting. You should allow yourself enough time prior to the annual meeting to obtain this proxy from the holder of record.

## **How Proxies Work**

This proxy statement is furnished in connection with the solicitation of proxies by us for use at the annual meeting and at any adjournment of that meeting. If you give us your proxy you authorize us to vote your shares at the meeting in the manner you direct. You may vote for all, some or none of our director candidates. You may also vote for or against the other proposals, or you may abstain from voting.

If you give us your proxy but do not specify how your shares shall be voted on a particular matter, your shares will be voted:

FOR the election of each of the named nominees for director;

FOR the approval of an amendment and restatement of our stock incentive plan;

FOR the ratification of the appointment of Moss Adams LLP as our independent registered public accounting firm;

FOR the approval of the compensation of our named executive officers; and

with respect to any other matter that may come before the annual meeting, as recommended by our Board of Directors or otherwise in the proxies' discretion.

## **Changing or Revoking Your Vote**

You have the right to revoke your previously submitted proxy at any time before your proxy is exercised at the annual meeting.







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If you are the stockholder of record, you may revoke your proxy by resubmitting your vote on a later date on the Internet or by telephone (only your latest Internet or telephone proxy submitted prior to the annual meeting will be counted), by signing and returning a new proxy card with a later date, by attending the annual meeting and voting in person or by giving written notice to our Secretary that you wish to revoke your previously submitted proxy.

If you hold shares beneficially in street name, you may revoke your proxy by submitting new voting instructions to your broker, bank or nominee by following the instructions they provided or, if you have obtained a legal proxy from your broker, bank or nominee giving you the right to vote your shares, by attending the annual meeting and voting in person.

Note that for both stockholders of record and beneficial owners, attendance at the annual meeting will not cause your previously granted proxy to be revoked unless you specifically so request or vote in person at the annual meeting.

## **Important Notice Regarding Delivery of Stockholder Documents**

Only one proxy statement, annual report and set of accompanying materials, if applicable, are being delivered by us to multiple stockholders sharing an address, who have consented to receiving one set of such materials, until we receive contrary instructions from any such stockholders. We will deliver, promptly upon written or oral request, a separate copy of such materials to a stockholder at a shared address to which a single copy of such materials was delivered. A stockholder who wishes to receive a separate copy of the proxy statement and accompanying materials now or in the future, or stockholders sharing an address who are receiving multiple copies of the proxy statement and accompanying materials and wish to receive a single copy of such materials, should submit a request to Broadridge, c/o Householding Department, 51 Mercedes Way, Edgewood, NY 11717 or call 800-542-1061.

## **Attending in Person**

Any stockholder of record may vote in person at the annual meeting of our stockholders. All meeting attendees will be required to present a valid, government-issued photo identification, such as a driver's license or passport, in order to enter the meeting.

If you are a beneficial owner and your shares are held in the name of your broker, bank or nominee, you must bring a proxy from your broker, bank or nominee in order to vote in person.

## **Votes Needed to Hold the Meeting and Approve Proposals**

In order to carry on the business of the annual meeting, stockholders entitled to cast a majority of the votes at a meeting of stockholders must be represented at the meeting, either in person or by proxy. In accordance with Delaware law, only votes cast for a matter constitute affirmative votes. A properly executed proxy marked abstain with respect to any matter will not be voted, although it will be counted for purposes of determining whether there is a quorum. Since abstentions will not be votes cast for a particular proposal, they will have the same effect as negative votes or votes against that proposal. Broker non-votes are also counted for the purpose of determining the presence of a quorum. Broker non-votes occur when shares held by a broker on behalf of a beneficial owner are not voted with respect to a particular proposal, which generally occurs when the broker has not received voting instructions from the beneficial owner and lacks the discretionary authority to vote the shares itself.

*Election of Directors.* Our Amended and Restated Bylaws provides that a director nominee must receive a majority of the votes cast with respect to such nominee in uncontested director elections (i.e., the number of shares voted for a director nominee must exceed the number of shares voted against such nominee). If an



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incumbent director nominee fails to receive a majority of the votes cast in an uncontested election, the director shall immediately tender his or her resignation to the Board. The Nominating and Corporate Governance Committee of the Board, or such other committee designated by the Board, shall make a recommendation to the Board as to whether to accept or reject the resignation of such incumbent director, or whether other action should be taken. The Board shall act on the resignation, taking into account the committee's recommendation, and publicly disclose its decision regarding the resignation within 90 days following certification of the election results. If the Board accepts a director's resignation, or if a nominee for director is not elected and the nominee is not an incumbent director, the remaining members of the Board may fill the resulting vacancy or may decrease the size of the Board.

Brokers do not have discretionary authority to vote shares without instructions from beneficial owners in the election of directors. Therefore, beneficial owners who are not stockholders of record and who want their votes to be counted in the election of directors must give voting instructions to their bank, broker or nominee before the date of the annual meeting.

*Approval of an amendment and restatement of our stock incentive plan.* The affirmative vote of the holders of a majority of the shares of common stock present in person or represented by proxy and entitled to vote on the proposal will be required to approve the amendment and restatement of our stock incentive plan, which will, among others, increase the number of shares available for issuance under the stock incentive plan from 12,555,695 to 14,855,695 and extend the expiration date of the plan to 2029. The approval of the amendment and restatement of the stock incentive plan is not considered a routine proposal; therefore, brokers lack the discretionary authority to vote shares without instructions from beneficial owners for this proposal.

*Ratification of the appointment of our independent registered public accounting firm.* The affirmative vote of the holders of a majority of the shares of common stock present in person or represented by proxy and entitled to vote on the proposal will be required to ratify the appointment of our independent registered public accounting firm for the current fiscal year. We believe that the ratification of our independent registered public accounting firm is a routine proposal for which brokers may vote shares held on behalf of beneficial owners who have not given voting instructions with respect to that proposal.

*Advisory vote on the compensation of our named executive officers.* The affirmative vote of the holders of a majority of the shares of common stock present in person or represented by proxy and entitled to vote on the proposal will be sufficient to approve, by an advisory, non-binding vote, the compensation of our named executive officers for fiscal 2017. The advisory vote on the compensation of our named executive officers, while held annually, is not considered a routine proposal; therefore, brokers lack the discretionary authority to vote shares without instructions from beneficial owners for this proposal.

Approval of any other matter properly submitted to the stockholders at the annual meeting generally will require the affirmative vote of the holders of a majority of the shares of common stock present in person or represented by proxy and entitled to vote on that matter.

## **Security Ownership of Certain Beneficial Owners and Management**

The table below sets forth information as of March 15, 2019 regarding the beneficial ownership (as defined by Rule 13d-3(d)(1) under the Securities Exchange Act of 1934, as amended (the "Exchange Act")) of our common stock by:

each person or group known by us to own beneficially more than five percent of our common stock;

each of our directors, director nominees and named executive officers individually; and

all directors and executive officers as a group.

In accordance with applicable rules of the Securities and Exchange Commission (the "SEC"), beneficial ownership includes voting or investment power with respect to securities and includes the shares issuable



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pursuant to stock options that are exercisable, and shares subject to restricted stock units that vest and are delivered, within 60 days of March 15, 2019. Shares issuable pursuant to the exercise of stock options, and restricted stock units that vest, in the 60 days following March 15, 2019, are deemed outstanding for the purpose of computing the ownership percentage of the person holding such options, or shares subject to restricted stock units, but are not deemed outstanding for computing the ownership percentage of any other person. The percentage of beneficial ownership for the following table is based on 39,284,303 shares of common stock outstanding as of March 15, 2019.

The address of each of the named individuals in the table below is c/o Ultra Clean Holdings, Inc., 26462 Corporate Avenue, Hayward, CA 94545 unless otherwise indicated below. To our knowledge, except as indicated in the footnotes to this table and pursuant to applicable community property laws, the persons named in the table have sole voting and investment power with respect to all shares of common stock.

Name and Address of Beneficial Owner	Shares of Common Stock Beneficially Owned	
	Number	Percent
<b>Greater than 5% Stockholders</b>		
BlackRock, Inc. <sup>(1)</sup> 55 East 52nd Street  New York, NY 10055	5,656,826	14.4%
Swedbank Robur Fonder AB <sup>(2)</sup> SE-105 34  Stockholm, Sweden	3,475,000	8.8%
Dimensional Fund Advisors LP <sup>(3)</sup> Building One  6300 Bee Cave Road  Austin, TX 78746	3,092,097	7.9%
Divisar Capital Management LLC <sup>(4)</sup> 275 Sacramento Street, 8th Floor  San Francisco, CA 94111	2,167,849	5.5%
<b>Named Executive Officers, Directors and Director Nominees</b>		
James P. Scholhamer <sup>(5)</sup>	276,090	*
Sheri Savage <sup>(6)</sup>	57,792	*
Joe Williams <sup>(7)</sup>	33,097	*
Scott H. Nicholas		
Joan Sterling <sup>(8)</sup>	42,493	*
Lavi A. Lev <sup>(9)</sup>		
Michael Henderson <sup>(10)</sup>		
Clarence L. Granger <sup>(11)</sup>	105,098	*
Thomas T. Edman <sup>(11)</sup>	30,930	*
David T. ibnAle <sup>(11)</sup>	68,930	*
Emily M. Liggett <sup>(11)</sup>	22,930	*
Ernest E. Maddock <sup>(11)</sup>	6,430	*
Leonid Mezhvinsky <sup>(12)</sup>	53,930	*
Barbara V. Scherer <sup>(11)</sup>	24,930	*
<b>All Executive Officers and Directors as a Group (12 persons) <sup>(13)</sup></b>	<b>722,650</b>	<b>1.8%</b>

\* Less than 1%.

(1) Based on a Schedule 13G/A filed with the SEC on January 31, 2019.



- (2) Based on a Schedule 13G filed with the SEC on February 6, 2019.
- (3) Based on a Schedule 13G/A filed with the SEC on February 8, 2019.



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- (4) Based on a Schedule 13G/A filed with the SEC on March 4, 2019.
  - (5) Includes (i) 8,838 performance restricted stock units and 12,274 restricted stock units that were scheduled to vest on March 30, 2019 and (ii) 16,667 performance restricted stock units and 16,667 restricted stock units that were scheduled to vest on April 28, 2019.
  - (6) Includes (i) 4,763 performance restricted stock units and 6,617 restricted stock units that were scheduled to vest on March 30, 2019 and (ii) 6,625 performance restricted stock units and 6,625 restricted stock units that were scheduled to vest on April 28, 2019.
  - (7) Includes (i) 1,019 performance restricted stock units and 4,250 restricted stock units that were scheduled to vest on March 30, 2019 and (ii) 2,208 performance restricted stock units and 6,625 restricted stock units that were scheduled to vest on April 28, 2019.
  - (8) Includes (i) 887 performance restricted stock units and 3,700 restricted stock units that were scheduled to vest on March 30, 2019 and (ii) 1,833 performance restricted stock units and 5,500 restricted stock units that were scheduled to vest on April 28, 2019.
  - (9) Mr. Lev departed the Company in June 2018.
  - (10) Mr. Henderson departed the Company in October 2018.
  - (11) Includes 5,430 restricted stock awards that vest on May 15, 2019.
  - (12) Includes 5,430 restricted stock awards that vest on May 15, 2019. Also includes 15,000 shares held by the Revocable Trust of Leonid Mezhvinsky and Inna Mezhvinsky, dated April 26, 1988, for which Mr. Mezhvinsky is deemed a beneficial owner.
  - (13) Consists of shares beneficially owned by our current executive officers and directors as of March 15, 2019, which include (i) 15,507 performance restricted stock units and 26,841 restricted stock units that were scheduled to vest on March 30, 2019 and (ii) 27,333 performance restricted stock units and 35,417 restricted stock units that were scheduled to vest on April 28, 2019.
- At the close of business on March 29, 2019, the record date, we had 39,288,237 shares of common stock outstanding. Each share of our common stock is entitled to one vote on all matters properly submitted for a stockholder vote.

## **Delinquent Section 16(a) Reports**

Section 16(a) requires our directors, executive officers and beneficial holders of 10% or more of a registered class of our equity securities to file certain reports with the SEC regarding ownership of, and transactions in, our equity securities. Based solely on a review of Forms 3, 4 and 5 and amendments thereto furnished to us and written representations we received from our directors and officers required to file the reports, we believe that all of our directors, executive officers and beneficial holders of 10% or more of a registered class of our equity securities, filed, on a timely basis, all reports required by Section 16(a) of the Exchange Act for the year ended December 28, 2018, except:

Clarence L. Granger, our Chairman of the Board, who filed one late report on June 8, 2018, which contained five transactions not reported on a timely basis.



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Sheri Savage, our Chief Financial Officer, who filed one late report on April 23, 2019, which contained three transactions not reported on a timely basis.

### **Cost of Proxy Solicitation**

We will pay the cost of this proxy solicitation. Some of our employees may also solicit proxies, without any additional compensation. We may also reimburse banks, brokerage firms and nominees for their expenses in forwarding proxy materials to their customers who are beneficial owners of our common stock and obtaining their voting instructions.



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### **Deadline for Receipt of Stockholder Proposals**

If you wish to submit a proposal for inclusion in the proxy statement for our 2020 Annual Meeting of Stockholders, you must follow the procedures outlined in Rule 14a-8 of the Exchange Act, and we must receive your proposal at the address below no later than December 27, 2019. Stockholders intending to present a proposal at the next annual meeting without the inclusion of such proposal in the Company's proxy materials, including for the election of director nominees, must comply with the requirements set forth in our Amended and Restated Bylaws. The Amended and Restated Bylaws require, among other things, that a stockholder must submit a written notice of intent to present such a proposal at the address below not less than 90 days nor more than 120 days prior to the first anniversary of the preceding year's annual meeting of stockholders (as long as the date of the annual meeting is not advanced more than 30 days prior to such anniversary date or delayed more than 70 days after such anniversary date, in which case notice must be received no earlier than 120 days prior to such meeting and no later than the later of 70 days prior to such meeting or the 10th day following the public announcement of the date of such meeting). Therefore, we must receive notice of such proposal for the 2020 Annual Meeting of Stockholders no earlier than January 24, 2020, and no later than February 23, 2020, otherwise such notice will be considered untimely and we will not be required to present it at the 2020 Annual Meeting of Stockholders. The Company reserves the right to reject, rule out of order or take other appropriate action with respect to any proposal that does not comply with these and other applicable requirements.

### **Contacting Ultra Clean**

If you have questions or would like more information about the annual meeting, you can contact us in either of the following ways:

*By telephone:* 510-576-4400

*By fax:* 510-576-4401

*In writing at our principal executive offices:* Ultra Clean Holdings, Inc.

Attn: Secretary

26462 Corporate Avenue

Hayward, CA 94545



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Our Amended and Restated Bylaws provide that our Board of Directors shall be elected at the annual meeting of our stockholders, and each director so elected shall hold office until such director's successor is elected and qualified or until such director's earlier death, resignation or removal. Our Board of Directors, at the recommendation of the Nominating and Corporate Governance Committee, has recommended for nomination the nominees for director named below. All of these nominees currently serve as our directors. Each nominee has consented to serve as a nominee, to serve as a director if elected, and to being named a nominee in this Proxy Statement. If a director nominee becomes unavailable before the election, your proxy authorizes the people named as proxies to vote for a replacement nominee if our Board of Directors names one.

Our Amended and Restated Bylaws provide that a director nominee must receive a majority of the votes cast with respect to such nominee in uncontested director elections (i.e., the number of shares voted for a director nominee must exceed the number of shares voted against such nominee). If an incumbent director nominee fails to receive a majority of the votes cast in an uncontested election, the director shall immediately tender his or her resignation to the Board. The Nominating and Corporate Governance Committee of the Board, or such other committee designated by the Board, shall make a recommendation to the Board as to whether to accept or reject the resignation of such incumbent director, or whether other action should be taken. The Board shall act on the resignation, taking into account the committee's recommendation, and publicly disclose its decision regarding the resignation within 90 days following certification of the election results. If the Board accepts a director's resignation, or if a nominee for director is not elected and the nominee is not an incumbent director, the remaining members of the Board may fill the resulting vacancy or may decrease the size of the Board.

<b>Name</b>	<b>Position/Office Held With the Company</b>	<b>Age</b>	<b>Director Since</b>
Clarence L. Granger	Chairman of the Board and Nominee for Director	70	2002
James P. Scholhamer	Chief Executive Officer, Director and Nominee for Director	52	2015
David T. ibnAle	Director and Nominee for Director	47	2002
Leonid Mezhvinsky	Director and Nominee for Director	65	2007
Emily M. Liggett	Director and Nominee for Director	63	2014
Thomas T. Edman	Director and Nominee for Director	56	2015
Barbara V. Scherer	Director and Nominee for Director	63	2015
Ernest E. Maddock	Director and Nominee for Director	61	2018

Set forth below is information about each of our nominees for director:

*Clarence L. Granger* has served as our Chairman since October 2006 and has been a member of our Board of Directors since May 2002. Mr. Granger formerly served as our Chief Executive Officer from November 2002 to January 2015. Mr. Granger served as our Executive Vice President and Chief Operating Officer from January 1998 to March 1999 and as our Executive Vice President of Operations from April 1996 to January 1998. Prior to joining Ultra Clean in April 1996, Mr. Granger served as vice president of Media Operations for Seagate Technology, which designs, manufactures, markets and sells hard disk drives, from 1994 to 1996. Prior to that, Mr. Granger worked for HMT Technology, a supplier of high-performance thin-film disks, as chief executive officer from 1993 to 1994, as chief operating officer from 1991 to 1993 and as president from 1989 to 1994. Prior to that, Mr. Granger worked for Xidex as vice president and general manager, Thin Film Disk Division, from 1988 to 1989, as vice president, Santa Clara Oxide Disk Operations, from 1987 to 1988, as vice president, U.S. Tape Operations, from 1986 to 1987 and as director of engineering from 1983 to 1986. Mr. Granger holds a Master's of Science degree in industrial engineering from Stanford University and a Bachelor of Science degree in industrial engineering from the University of California at Berkeley. Our Board of Directors values Mr. Granger's perspective as our former chief executive officer and his intimate knowledge of our employee base, operations, customers, suppliers and competitive position in the semiconductor capital equipment industry.



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*James P. Scholhamer* joined UCT as Chief Executive Officer and a member of our Board of Directors in January 2015. Prior to joining Ultra Clean, Mr. Scholhamer served as corporate vice president and general manager of Applied Materials, Inc., leading the Equipment Products Group and Display Services Group of its Global Service Division from February 2011 to January 2015. Mr. Scholhamer joined Applied Materials, Inc. in 2006, where, prior to his most recent position, he served as vice president of operations-Energy, for the Environmental and Display Products Division from July 2006 to December 2008 and corporate vice president and general manager of the Display Business Group from December 2008 to February 2011. Prior to that, Mr. Scholhamer worked for Applied Films Corporation as vice president of Operations, Engineering and Research Development in the company's German office from September 2002 to July 2006 and as vice president of Thin Film Coating Division and Thin Film Equipment Division in the company's Colorado office from July 2000 to September 2002. Mr. Scholhamer holds a Bachelor of Science degree in materials and metallurgical engineering from the University of Michigan. Our Board of Directors believes that Mr. Scholhamer brings strong engineering and operations experience to our Board of Directors and provides the Board of Directors with a unique perspective as our Chief Executive Officer and leader of our strategic planning process.

*David T. ibnAle* has served as a director of Ultra Clean since November 2002 and served as our Lead Director from February 2005 to February 2007. Mr. ibnAle is a Founding and Managing Partner of Advance Venture Partners, LLC. He has over twenty years of experience as an investor in small and mid-sized growth companies in the technology, media and communications sectors. Prior to co-founding Advance Venture Partners in 2014, Mr. ibnAle was a Managing Partner of Augusta Columbia Capital Group from 2011 to 2013, and a Managing Director of TPG Growth, the growth equity and middle market investment platform of TPG, from 2008 to 2011. Prior to joining TPG Growth, he was an investment professional and a Partner at Francisco Partners from 1999 to 2008, and he began his investing career at Summit Partners. Mr. ibnAle has served on the boards of directors of a number of public and private technology companies, and he currently serves on the boards of directors of Above Average Productions, Affinity, Hytrust, Nativio, PebblePost, Unified and UrbanSitter. Mr. ibnAle holds a Bachelor of Arts degree in Public Policy and a Master's degree in international development policy from Stanford University, and a Master's degree in Business Administration from the Stanford University Graduate School of Business. Our Board of Directors values Mr. ibnAle's experience as an investment professional, as well his experience in strategic planning and mergers and acquisitions, as he brings significant quantitative and qualitative financial experience to our Board of Directors. Mr. ibnAle qualifies as a financial expert and provides important support as a member of our Audit Committee.

*Leonid Mezhvinsky* has served as a director of Ultra Clean since February 2007. Mr. Mezhvinsky served as our President from June 2006 to December 2007, following our acquisition of Sieger Engineering, Inc. He has more than two decades of management experience and in-depth knowledge of machine shop, electro mechanical assemblies and system integration utilized in semiconductor, medical and biotech OEM products. Prior to joining Ultra Clean, Mr. Mezhvinsky was president and chief executive officer of Sieger Engineering, Inc. which he joined in 1982. Mr. Mezhvinsky holds the equivalent of a Bachelor of Science degree in industrial automation from The College of Industrial Automation, Odessa, Ukraine. Mr. Mezhvinsky brings to our Board of Directors substantial operational experience. As the former president of Sieger Engineering, which is now a part of our Company, he has a deep understanding of our competitors, suppliers, products and customers.

*Emily M. Liggett* has served as a director of Ultra Clean since May 2014. Ms. Liggett is the chief executive officer of Liggett Advisors, a strategy/implementation consulting business. She served as a business coach and consultant for Stanford Seed from 2017 to 2018. She was president and chief executive officer of NovaTorque, Inc., a manufacturer of high-efficiency electric motor systems, from 2009 until late 2016, when it was acquired by Regal Beloit. She previously served as president and chief executive officer of Apexon, Inc., a provider of supply chain optimization software solutions for global manufacturers, from 2004 to 2007. Ms. Liggett served as president and chief executive officer of Capstone Turbine Corporation (provider of microturbine systems for clean, continuous distributed energy generation) from 2002 to 2003 and, prior to that, held various management and executive roles at Raychem Corporation (acquired by Tyco International in 1999) from 1984 to 2001, including corporate vice president of Raychem and managing director of Tyco Ventures. Ms. Liggett is presently



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a director of Kaiser Aluminum since 2018. She was a director of MTS Systems Corporation from 2010 to 2016 and was a director of Immersion Corporation from 2005 to 2011. She also served on the Purdue University School of Engineering Advisory Board from 2000 until 2018. Ms. Liggett holds a Bachelor of Science in chemical engineering from Purdue University, a Master's of Science in engineering and manufacturing systems from Stanford University and a Master's degree in Business Administration from the Stanford University Graduate School of Business. Ms. Liggett's qualifications to serve on our Board of Directors include her chief executive officer and management experience in a variety of technical industrial companies. She has managed worldwide businesses, partnerships, and international joint ventures. She also has public company and private company operating and board experience, and expertise in strategy, operations, new product development, sales, marketing, and business development for highly technical businesses.

*Thomas T. Edman* has served as a director of Ultra Clean since June 2015. Mr. Edman has served as the chief executive officer of TTM Technologies, Inc. since January 2014, as its president since January 2013 and as a member of its board of directors since September 2004. From early 2011 to December 2012, Mr. Edman served as group vice president and general manager of the AKT Display Business Group, which is a division of Applied Materials Inc., a publicly held provider of nanomanufacturing technology solutions. From 2006 to 2011, Mr. Edman served as corporate vice president of Corporate Business Development of Applied Materials, Inc. Prior to that, Mr. Edman served as president and chief executive officer of Applied Films Corporation from May 1998 until Applied Materials, Inc. acquired Applied Films Corporation in July 2006. From June 1996 until May 1998, Mr. Edman served as chief operating officer and executive vice president of Applied Films Corporation. From 1993 until joining Applied Films, Mr. Edman served as general manager of the High Performance Materials Division of Marubeni Specialty Chemicals, Inc., a subsidiary of a major Japanese trading corporation. Mr. Edman presently serves on the board of directors of the IPC, an electronic industry association. Mr. Edman previously served as chairman and as a member of the board of directors of FlexTech, formerly the United States Display Consortium and the AeA (American Electronics Association). Mr. Edman holds a Bachelor of Arts degree in east asian studies (Japan) from Yale University and a Master's degree in Business Administration from The Wharton School at the University of Pennsylvania. Mr. Edman was nominated to the board of directors because of his business acumen and experience in the technology industry, having served in numerous senior executive roles with sizeable technology companies, including as the chief executive officer of a public company. Mr. Edman also has extensive experience in Asia and with compensation-related matters.

*Barbara V. Scherer* has served as a director of Ultra Clean since June 2015. Ms. Scherer has served as a member of the board of directors of NETGEAR, Inc., a global networking company that delivers innovative products to consumers, businesses and service providers, since August 2011 and as a member of the board of directors of ANSYS, Inc., a publicly traded engineering simulation software and services company, since April 2013. Ms. Scherer was senior vice president, finance and administration and chief financial officer of Plantronics, Inc., a global leader in audio communication devices for businesses and consumers, from 1998 to 2012. In this position, she was responsible for all aspects of the company's financial management, as well as information technology, legal and investor relations. She was vice president, Finance and Administration and chief financial officer of Plantronics from 1997 to 1998. Prior to Plantronics, Ms. Scherer held various executive management positions spanning eleven years in the disk drive industry, was an associate with The Boston Consulting Group, and was a member of the corporate finance team at ARCO in Los Angeles. From 2004 through 2010, she served as a director of Keithley Instruments, Inc., a publicly traded test and measurement company, until its acquisition by Danaher Corporation. Ms. Scherer received a Bachelor of Arts degree from the University of California at Santa Barbara and her Master's degree in Business Administration from the School of Management at Yale University. With a career spanning more than 30 years including 25 in senior financial leadership roles in the technology industry, Ms. Scherer provides the Company with practical and strategic insight into complex financial reporting and management issues as well as significant operational expertise.

*Ernest E. Maddock* has served as a director of Ultra Clean since June 2018. Mr. Maddock has held leadership positions at multiple global companies during his career. From 2015 through his recent retirement, he served as senior vice president and chief financial Officer of Micron Technology. Prior to joining Micron,



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Mr. Maddock served as executive vice president and chief financial officer of Riverbed Technology. Prior to Riverbed, he spent 15 years at Lam Research Corporation, rising to Executive Vice President and Chief Financial Officer in 2008 and serving in that role until April 2013. His previous roles at Lam included Vice President, Customer Support Business Group; Group Vice President and Senior Vice President of Global Operations. Mr. Maddock also served as a member of the board of directors for Intersil Corporation from July 2015 to February 2017. Mr. Maddock holds a Bachelor of Science degree in industrial management from the Georgia Institute of Technology and a Master's degree in Business Administration from Georgia State University.

There are no family relationships among any of our directors and executive officers. There are no arrangements or understandings between any of our directors and us pursuant to which such director was or is to be selected as a director or nominee. Information related to the compensation of our Board of Directors can be found under **Director Compensation** below.

## **Board Recommendation**

**Our Board of Directors recommends that you vote **FOR** each of the nominees to the Board of Directors set forth in this Proposal 1.**

## **Structure of Board of Directors and Corporate Governance Information**

*Director Independence.* We are required to comply with the director independence rules of the Nasdaq Stock Market ( **Nasdaq** ) and the SEC. These rules require that the board of directors of a listed company be composed of a majority of independent directors and that the audit committee, compensation committee and nominating and corporate governance committee be composed solely of independent directors.

Our Board of Directors has determined that each of our directors and director nominees is independent in accordance with applicable Nasdaq and SEC rules other than Messrs. Mezhvinsky and Scholhamer. Accordingly, a majority of our current Board of Directors is independent as required by Nasdaq rules and, upon election of each of our director nominees at the 2019 Annual Meeting of Stockholders, a majority of our Board of Directors will be independent as required by Nasdaq rules.

*Director Responsibilities.* We are governed by our Board of Directors and its various committees that meet throughout the year. Our Board of Directors currently consists of seven directors. During 2018, there were seven meetings of our Board of Directors. We expect directors to attend and prepare for all meetings of the Board of Directors and the meetings of the committees on which they serve. Each of our directors attended more than 75% of the aggregate number of meetings of the Board of Directors and the committees on which he or she served during 2018.

*Board Leadership Structure.* Our corporate governance guidelines allow for the flexibility to combine or separate the offices of chairman and the chief executive officer to best serve the interests of the Company and its stockholders. Mr. Scholhamer serves as the Chief Executive Officer of the Company and Mr. Granger serves as the Chairman of our Board of Directors. Our Board of Directors believes our current board leadership structure to be an efficient and successful leadership model for the Company, promoting clear accountability and effective decision-making. The roles of our Chairman and Chief Executive Officer are separated to allow Mr. Scholhamer to develop and execute on our corporate strategy and focus on day-to-day operations and company performance. Our Board of Directors believes that our stockholders benefit from Mr. Granger's service as Chairman due to his deep background and experience in our industry and his knowledge of our operations as our former chief executive officer. Our Board of Directors recognizes that a different leadership model may be warranted under different circumstances. Accordingly, our Board of Directors periodically reviews its leadership structure.

The Board also continually reviews the need for effective independent oversight. Each member of each of our Board of Directors standing committees is an independent director, and each independent director is actively



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involved in independent oversight. Our independent directors meet in executive session during each regularly scheduled quarterly meeting of our Board of Directors and periodically evaluate both our Chairman and our Chief Executive Officer. All directors have unrestricted access to management at all times and frequently communicate with the Chairman, the Chief Executive Officer and other members of management on a variety of topics. Given the above factors, our Board of Directors has historically determined that our leadership structure is appropriate.

*Corporate Governance.* Our Board of Directors has adopted corporate governance guidelines. These guidelines address items such as the qualifications and responsibilities of our directors and director candidates and the corporate governance policies and standards applicable to us in general. In addition, we have adopted a code of business conduct and ethics that applies to all officers, directors and employees. Our corporate governance guidelines and our code of business conduct and ethics as well as the charters of the Nominating and Corporate Governance Committee, Audit Committee and Compensation Committee are available on our website at <http://uct.com/investors/corporate-governance/>.

*Communicating with our Board of Directors.* Any stockholder wishing to communicate with our Board of Directors may send a letter to our Secretary at 26462 Corporate Avenue, Hayward, CA 94545. Communications intended specifically for non-employee directors should be sent to the attention of the chair of the Nominating and Corporate Governance Committee.

*Annual Meeting Attendance.* Our Board of Directors has adopted a policy that all members should attend each annual meeting of stockholders when practical. Six of our eight incumbent directors attended the 2018 Annual Meeting of Stockholders.

## **Risk Oversight**

Our Board of Directors plays an active role, as a whole and also at the committee level, in overseeing the management of our risks. Our Board of Directors regularly reviews reports from the management team on areas of material risk to the Company, including operational, financial, legal and strategic risks. Each of the committees of our Board of Directors also oversees the management of company risks that fall within the committee's areas of responsibility. The Audit Committee periodically reviews risks associated with financial reporting and internal controls, as well as risks associated with liquidity, customer credit, inventory reserves and insurance coverage. The Nominating and Corporate Governance Committee assists the Board in overseeing risks associated with board organization, membership, structure and corporate governance. The Compensation Committee assists the Board in reviewing whether any material risks arise from our compensation programs and in overseeing risks associated with succession planning for our executives.

## **Committees of our Board of Directors**

Our Board of Directors has three principal committees. The following describes each committee's current membership, the number of meetings held during 2018 and its mission:

*Audit Committee.* Among other matters, the Audit Committee is responsible for:

providing oversight of our accounting and financial reporting processes and audits of our financial statements;

assisting the Board in its oversight of the integrity of our financial statements and internal controls;

the qualifications, independence and performance of our independent auditors (including hiring and replacing our independent auditors as appropriate, reviewing and pre-approving any audit and non-audit services provided by our independent auditors and approving fees related to such services);

the performance of our internal audit function;



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the review, approval and oversight of our Cash and Investment Policy and Financial Risk Management Policy, including oversight over our hedging strategy and the use of swaps and other derivative instruments for hedging risks;

compliance with legal and regulatory requirements;

compliance with our Code of Business Conduct and Ethics (and requests for waivers therefrom); and

preparing the audit committee report that SEC rules require to be included in our proxy statement.

A copy of the Audit Committee's charter is available on our website at <http://uct.com/investors/corporate-governance/>.

The current members of the Audit Committee are Ernest E. Maddock (chair), Barbara V. Scherer, Thomas T. Edman and David T. ibnAle. Our Board of Directors has determined that each member of the committee satisfies both the SEC's additional independence requirement for members of audit committees and the other requirements of Nasdaq for members of audit committees. The Board of Directors has also concluded that each member of the Audit Committee qualifies as an audit committee financial expert as defined by SEC rules and has the financial sophistication required by Nasdaq. The Audit Committee met seven times in 2018.

*Compensation Committee.* Among other matters, our Compensation Committee:

oversees our compensation and benefits programs and policies generally, including the issuance of equity-based compensation;

evaluates the performance of our executive officers and other senior executives;

reviews our management succession plan;

oversees and sets compensation for our executive officers, Board members and other senior executives; and

reviews and recommends inclusion of the Compensation Discussion and Analysis required to be included in our proxy statement by SEC rules.

A copy of the Compensation Committee's charter is available on our website at <http://uct.com/investors/corporate-governance/>. The Compensation Committee's process for deliberations on executive compensation is described below under "Compensation Discussion and Analysis."

As part of our oversight of our executive compensation program and in conjunction with the Compensation Committee, we consider the impact of our executive compensation program and the incentives created by different elements of the executive compensation program on our risk profile. In addition, we review all of our compensation policies and procedures, including the incentives that they create and factors that affect the likelihood of excessive risk-taking, to determine whether they present a significant risk to the Company. Based on this review, we have concluded that our compensation policies and procedures are not reasonably likely to have a material adverse effect on the Company.

The current members of the Compensation Committee are David T. ibnAle (chair), Thomas T. Edman and Emily M. Liggett. Our Board of Directors has determined each member of the committee is independent as defined under Nasdaq and SEC rules. The Compensation Committee met seven times in 2018.

*Nominating and Corporate Governance Committee.* Among other matters, our Nominating and Corporate Governance Committee:



reviews and evaluates the size, composition, function and duties of the Board consistent with its needs;



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establishes criteria for the selection of candidates to the Board and its committees, and identifies individuals qualified to become Board members consistent with such criteria, including the consideration of nominees submitted by shareholders;

recommends to the Board director nominees for election at our annual or special meetings of stockholders at which directors are to be elected or to fill any vacancies or newly created directorships that may occur between such meetings;

recommends directors for appointment to committees of the Board;

makes recommendations to the Board as to determinations of director independence;

leads the process and assists the Board in evaluating its performance and the performance of its committees; and

periodically reviews our Corporate Governance Guidelines and Code of Business Conduct and Ethics, and oversees compliance with our Corporate Governance Guidelines.

A copy of the Nominating and Corporate Governance Committee's charter is available on our website at <http://uct.com/investors/corporate-governance/>.

The current members of the Nominating and Corporate Governance Committee are Emily M. Liggett (chair), Thomas T. Edman and Barbara V. Scherer. Our Board of Directors has determined that each member of the Nominating and Corporate Governance Committee is independent as defined under Nasdaq. The Nominating and Corporate Governance Committee met five times in 2018.

### **Consideration of Director Nominees**

*Director Qualifications.* The Nominating and Corporate Governance Committee of the Board operates pursuant to a written charter and establishes membership criteria for the Board and each committee of the Board and recommends to the Board individuals for membership on the Board and its committees. There is no fixed set of qualifications that must be satisfied before a candidate will be considered. Rather, candidates for director nominees are reviewed in the context of the current composition of our Board of Directors, our operating requirements and the interests of our stockholders. In conducting its assessment, the committee considers issues of judgment, diversity, age, skills, background, experience and such other factors as it deems appropriate given the needs of the Company and our Board of Directors. Although we do not have a formal policy with regard to the consideration of diversity, when identifying and selecting director nominees, the Nominating and Corporate Governance Committee also considers the impact a nominee would have in terms of increasing the diversity of our Board of Directors with respect to professional experience, skills, backgrounds, viewpoints and areas of expertise. The Nominating and Corporate Governance Committee also considers the independence, financial literacy and financial expertise standards required by our committee charters and applicable laws, rules and regulations, and the ability of the candidate to devote the time and attention necessary to serve as a director and a committee member.

*Identifying and Evaluating Nominees for Director.* In the event that vacancies are anticipated or otherwise arise, the Nominating and Corporate Governance Committee (or, if the Nominating and Corporate Governance Committee is not comprised solely of independent directors, our independent directors) considers various potential candidates for director. Candidates may come to the attention of the Nominating and Corporate Governance Committee (or our independent directors) through current directors, professional search firms engaged by us, stockholders or other persons. Candidates are evaluated at regular or special meetings of the Nominating and Corporate Governance Committee (or our independent directors) and may be considered at any point during the year.

*Stockholder Nominees.* Candidates for director recommended by stockholders will be considered by the Nominating and Corporate Governance Committee (or our independent directors). Such recommendations should



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include the candidate's name, home and business contact information, detailed biographical data, relevant qualifications for membership on our Board of Directors, information regarding any relationships between the candidate and our Company within the last three years and a written indication by the recommended candidate of the candidate's willingness to serve on our Board of Directors. Stockholder recommendations, with such accompanying information, should be sent to the attention of the Chair of the Nominating and Corporate Governance Committee at the address listed under Information Concerning Solicitation and Voting Contacting Ultra Clean.

Stockholders also may nominate directors for election at our annual meeting of stockholders by following the provisions set forth in our Amended and Restated Bylaws. The deadline and procedures for stockholder nominations are disclosed elsewhere in this proxy statement under the caption Information Concerning Solicitation and Voting Deadline for Receipt of Stockholder Proposals.

**Director Compensation**

Our non-employee directors earn the following annual retainers for service on our Board of Directors and its standing committees:

a \$50,000 annual cash retainer for service as a member of our Board of Directors;

an additional \$30,000 annual cash fee for serving as independent chair of our Board of Directors;

the following additional annual cash retainers for service on the standing committees of our Board of Directors:

Audit Committee \$10,000 (or \$20,000 for the chair);

Compensation Committee \$7,500 (or \$15,000 for the chair);

Nominating and Corporate Governance Committee \$5,000 (or \$10,000 for the chair).

No fee is paid for attendance at any Board of Directors or committee meeting. Cash retainers for Board and committee service in prior years were paid annually in advance and changed to quarterly in arrears in 2018.

On the date of our 2018 annual meeting of stockholders, each non-employee director was granted a restricted stock award for 5,430 shares of our common stock that fully vests on the earlier of (i) the day before the 2019 Annual Meeting of Stockholders and (ii) May 15, 2019. Mr. Maddock, who was appointed to the Board effective June 1, 2018, was granted a restricted stock award for 5,430 shares of our common stock that fully vests on the earlier of (i) the day before the 2019 Annual Meeting of Stockholders and (ii) June 1, 2019.

The following table sets forth compensation for our non-employee directors for fiscal 2018:

Name	Fees Earned or Paid In Cash (\$)	Stock Awards <sup>(1)(2)</sup> (\$)	Total (\$)
Thomas T. Edman	73,251	98,663	171,914
Clarence Granger	80,000	98,663	178,663
David ibnAle	75,751	98,663	174,414
Emily M Liggett	67,500	98,663	166,163
Ernest Maddock <sup>(3)</sup>	40,658	101,378	142,036
Leonid Mezhvinsky	50,000	98,663	148,663



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Barbara Scherer	69,794	98,663	168,457
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- (1) The amounts shown are the grant date fair values for restricted stock awards granted in fiscal year 2018 computed in accordance with FASB ASC Topic 718 based on the closing price of our common stock on the day preceding the grant date. Pursuant to SEC rules, the amounts shown exclude the impact of estimated forfeitures related to service-based vesting conditions.



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(2) Messrs. Edman, Granger, ibnAle, Maddock and Mezhvinsky and Mses. Liggett and Scherer each held a restricted stock award with respect to 5,430 shares of our common stock at December 28, 2018.

(3) Mr. Maddock was appointed to the Board on June 1, 2018.

Mr. Scholhamer became a member of our Board of Directors in January 2015 and does not receive separate compensation for services as a director.

### **Stock Ownership Guidelines; Policy against Hedging Transactions and Pledges**

The Board of Directors has adopted stock ownership guidelines for our directors to more closely align the interests of our directors with those of our stockholders. The guidelines provide that each director should hold at least 10,000 shares of our common stock, and that each director be allowed three years from the date such director joined our Board of Directors to accumulate such number of shares of our common stock. All of our directors are currently in compliance with our stock ownership guidelines.

The Board of Directors has also adopted stock ownership guidelines for our chief executive officer. The guidelines provide that our chief executive officer should hold at least 50,000 shares of our common stock, and that he or she be allowed three years from the date such person becomes our chief executive officer to accumulate such number of shares of our common stock. Our current chief executive officer is currently in compliance with our stock ownership guidelines.

The Company's Insider Trading Policy, which can be found on our website, provides that our securities shall not be made subject to hedge transactions or puts and calls. The Insider Trading Policy further prohibits any pledges of our securities by our directors and executive officers.

### **Payments to Compensation Consultant and its Affiliates**

The Compensation Committee determined to engage Radford (Radford), a part of Aon plc, with respect to fiscal 2018 executive officer and non-employee director compensation matters. Radford was retained by our Compensation Committee to provide an independent review of the Company's executive compensation programs, including an analysis of both the competitive market and the design of the programs for 2018. In addition, during 2018, Radford assisted the Compensation Committee with its CEO pay ratio analysis and its evaluation of its executive severance and change in control policies and provided our Compensation Committee assistance in developing our Compensation Discussion and Analysis in this proxy statement. Radford also furnished the Compensation Committee with reports on peer company practices relating to the following matters: short-term and long-term compensation program design; equity compensation; retention value of current equity holdings; target incentive opportunities; and compensation trends. We incurred \$60,000 in fees for Radford's work in each of the fiscal years 2018 and 2017. For further discussion of the work conducted by Radford as our compensation consultant, see Compensation Discussion and Analysis Process for Determining Executive Compensation.

### **Certain Relationships and Related Party Transactions**

*Transactions with Directors.* The Company leases a facility from an entity controlled by Leonid Mezhvinsky, one of our directors. In the year ended December 28, 2018, we incurred rent and other expenses resulting from the lease of this facility of approximately \$345,000.

*Related Person Transaction Policy.* Our written Related Person Transaction Policy requires our Board of Directors or the Nominating and Corporate Governance Committee to review and approve all related person transactions. Our directors and officers are required to promptly notify our Chief Compliance Officer (which is currently the Chief Financial Officer) of any transaction which potentially involves a related person. Our Board of Directors or the Nominating and Corporate Governance Committee then considers all relevant facts and



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circumstances, including without limitation the commercial reasonableness of the terms of the transaction, the benefit and perceived benefit, or lack thereof, to the Company, opportunity costs of alternate transactions, the materiality and character of the related person's direct or indirect interest, and the actual or apparent conflict of interest of the related person. Our Board of Directors or the Nominating and Corporate Governance Committee will not approve or ratify a related person transaction unless it has determined that, upon consideration of all relevant information, the transaction is in, or not inconsistent with, the best interests of the Company and its stockholders.



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### **PROPOSAL 2: APPROVAL OF AN AMENDMENT AND RESTATEMENT OF OUR STOCK INCENTIVE PLAN**

On April 23, 2019, subject to the approval of our stockholders at the 2019 Annual Meeting, our Board of Directors approved an amendment and restatement of our Amended and Restated Stock Incentive Plan (the "Plan") that would increase the aggregate number of shares of our common stock that may be issued or delivered pursuant to awards granted under our Plan by an additional 2,300,000 shares and extend the term of the Plan to 2029.

The effectiveness of the amendment and restatement of the Plan is subject to approval by our stockholders and is recommended by our Board of Directors. If our stockholders do not approve the proposed amendment and restatement of the Plan, the Plan will run out of authorized and available shares in the near future, which will hinder our ability to offer equity awards to our employees, directors, or consultants.

Approval of this Proposal 2 requires the affirmative vote of the holders of a majority of our common stock present in person or represented by proxy at the annual meeting and entitled to vote thereon. Abstentions will have the same effect as negative votes for this proposal.

Stock-based compensation is a fundamental component of our compensation program. Our equity compensation program is designed to attract and retain employees, many of whom view equity incentives as a key component of their compensation. Stock-based compensation encourages and rewards employee performance and helps align employee interests with those of our stockholders. We currently grant stock-based awards to new employees, upon the promotion of certain existing employees, and on an annual basis to certain employees, including our executive officers and other senior employees. We need additional shares in order to ensure that we are able to continue to grant stock-based awards as we hire additional employees and to continue to motivate existing employees and align their interests with those of our stockholders.

We believe that the Plan contains provisions that are consistent with the interests of our stockholders and with our corporate governance practices:

*No Stock Option Repricings.* The Plan prohibits the repricing of stock options and stock appreciation rights without the approval of our stockholders. This provision applies to both direct repricings—lowering the exercise price of a stock option—and indirect repricings—canceling an outstanding stock option and granting a replacement equity award.

*No Discount Stock Options.* The Plan prohibits the grant of stock options with an exercise price of less than the fair market value of our common stock on the date the stock option is granted.

*No Evergreen Provision.* The Plan does not have an "evergreen" feature. This means we are asking for a specific number of shares now and will not increase that amount without stockholder approval.

*Share Recycling.* The Plan prohibits the following from being made available for issuance as awards under the Plan: (i) shares not issued or delivered as a result of the net settlement of an outstanding SAR or option; (ii) shares used to pay the exercise price or withholding taxes related to an outstanding option or SAR; or (iii) shares repurchased on the open market with the proceeds of the option exercise price.

*Performance-Based Awards.* The Compensation Committee has the authority to grant awards so that the shares of common stock subject to those awards will vest only upon the achievement of pre-established corporate performance goals.

*Dividends.* The Plan prohibits the granting of dividends on options, stock appreciation rights and unearned performance-based awards.



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In determining the amount of the proposed share increase, the Compensation Committee considered that:

As of March 29, 2019, the equity awards available and outstanding under the Plan, and their respective features, were as follows <sup>(1)</sup>:

Options Outstanding	0
Full-Value Awards Outstanding	1,514,565
Shares Available for Grant	1,262,973
Weighted Average Exercise Price of Outstanding Options	\$ N/A
Weighted Average Remaining Term of Outstanding Options	N/A

(1) This table excludes the 2,300,000 shares requested in this proposal and all shares associated with our Employee Stock Purchase Plan.

Our stockholders last approved a share increase in May 2017. Since that time, we have granted equity awards representing a total of 1,578,746 million underlying shares. The number of shares subject to equity awards granted during each year divided by the total weighted-average number of shares outstanding during the applicable year (also referred to as our burn rate) was 2.3% and 2.8% for fiscal years 2017 and 2018, respectively.

The per share closing price of our common stock on the NASDAQ Global Select Market as of March 29, 2019 was \$10.35.

Because of the importance of stock-based compensation to our compensation program, if we do not increase the shares available for issuance under the Plan, then based on historical usage rates, the available shares would be insufficient to grant annual equity awards to our executives and other employees by 2020.

Based on historical usage and the recent increase in the number of our employees, we estimate that the additional shares would be sufficient for approximately two to three years of awards, assuming we continue to grant awards consistent with our historical usage and current practices. However, because grants are discretionary, the share reserve could last for a longer or shorter period of time.

As of March 29, 2019, (i) the number of shares subject to equity awards outstanding as of such date plus the number of shares remaining available for issuance under our Plan divided by (ii) the number of our shares outstanding as of such date (assuming all outstanding RSUs have vested and all outstanding options have been exercised), was approximately 6.8 %. If the additional 2.3 million shares are included, this figure would be approximately 12.4%.

**Summary of the Plan**

The primary features of the Plan are summarized below. The Plan, as amended and restated, is set forth in Annex 1 below.

*Number of Shares.* We are requesting that an additional 2,300,000 shares of common stock be reserved for issuance under the Plan. In general, if awards granted under the Plan are forfeited, terminated or cancelled without delivery of shares, then the corresponding common stock will again become available for grant. Shares underlying full-value awards granted after June 10, 2010 have been and will continue to be counted under the Plan as 1.23 shares.

*Eligibility.* Directors, employees and consultants of the Company, its subsidiaries and its affiliates are eligible to be granted stock options, restricted stock, restricted stock units, stock appreciate rights and other awards that are denominated or payable in or valued based on our shares of common stock.







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*Administration.* The Plan may be administered by the Board or by a committee of the Board (in either case referred to as the Committee ). The Compensation Committee of the Board presently administers the Plan. The Compensation Committee has full power to select, from among the persons eligible for awards, the individuals to whom awards will be granted, determine the type, number, vesting requirements and other features and conditions of each award, interpret the plan, and make all other decisions relating to the operation of the plan.

*Stock Options.* The Plan permits the granting of stock options that are intended to qualify as incentive stock options ( ISOs ) under section 422 of the Internal Revenue Code of 1986, as amended (the Code ), and nonstatutory stock options ( NSOs ) that do not so qualify. ISOs may only be granted to employees. The option exercise price will be determined by the Compensation Committee but will not be less than 100% of the fair market value of the common stock on the date of grant (which is defined as the closing price on the day preceding the grant date). The term of each option will be fixed by the Compensation Committee, but may not exceed ten years from the date of the grant. The Compensation Committee may modify, extend or assume outstanding options (except that the Compensation Committee may not directly or indirectly reprice outstanding options without stockholder approval). The Plan provides that no optionee may receive options covering more than 750,000 shares in any calendar year.

*Stock Appreciation Rights.* The Plan permits the granting of stock appreciation rights, entitling the holder upon exercise to receive an amount in any combination of cash or common stock of the Company (as determined by the Compensation Committee), not greater in value than the increase since the date of grant in the value of the shares covered by such right. The exercise price of stock appreciation rights will not be less than 100% of the fair market value of the common stock on the date of the grant and stock appreciation rights shall have a maximum term of ten years from the date of grant. The Plan provides that no participant may receive stock appreciation rights covering more than 750,000 shares in any calendar year.

*Restricted Stock.* Restricted shares of our common stock may be sold or awarded by the Compensation Committee subject to such conditions and restrictions as they may determine which may include the attainment of performance goals. To the extent that an award consists of newly issued restricted shares, the consideration will consist of cash, cash equivalents, or past services rendered, as the Compensation Committee may determine. The holders of restricted shares awarded under the Plan have the same voting, dividend and other rights as holders of common stock, except that the Plan prohibits the granting of dividends on unearned performance awards.

*Restricted Stock Units.* Restricted stock units representing the equivalent of shares of common stock may be granted. Stock units have no voting rights unless and until shares of stock are issued pursuant to the terms of the stock unit award. Vesting and dividend rights of stock units are determined by the Compensation Committee. No cash consideration is required to be paid by stock unit award recipients.

*Performance-Based Awards.* The Compensation Committee has the authority to structure one or more share right awards so that the shares of common stock subject to those awards will be issuable upon the achievement of certain pre-established corporate performance goals. The performance goals may consist of any of the following: (1) net sales or product and product related revenue; (2) earnings from operations, earnings before or after taxes, earnings before or after interest, depreciation, amortization or extraordinary or special items; (3) net income or net income per Common Share (basic or diluted); (4) return on assets, return on investment, return on capital, or return on equity; (5) cash flow, free cash flow, cash flow return on investment, or net cash provided by operations; (6) interest expense after taxes; (7) operating margin; (8) share price or total stockholder return; and (9) strategic business criteria (including without limitation meeting specified market penetration, geographic business expansion goals, cost targets, customer satisfaction, employee satisfaction; management of employment practices and employee benefits; and goals relating to acquisitions or divestitures of business units of the Company or of affiliates). The targeted level or levels of performance with respect to such business criteria may be established at such levels and in such terms as the Compensation Committee may determine, in its discretion, including in absolute terms, as a goal relative to performance in prior periods, or as a goal compared to the



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performance of one or more comparable companies or an index covering multiple companies. The Compensation Committee will determine the performance goals for any individual award and will be responsible for reviewing and approving the assessment of achievement of those goals. Performance-based awards granted to any person may not represent more than 750,000 shares in any calendar year.

*Other Equity-Based Awards.* The Compensation Committee may determine to grant other equity-based awards, subject to the terms of the Plan.

*Change of Control.* The Compensation Committee may determine, at the time of granting an award or thereafter, that such award will become exercisable or vested as to all or part of the shares of common stock subject to such award in the event that a change in control occurs with respect to the Company.

*Anti-Dilution Provisions.* In the event of a stock dividend, stock-split, reverse stock split, combination or reclassification of shares, or any other increase or decrease in the number of outstanding shares, the Compensation Committee shall make a corresponding adjustment to the number or exercise price of the options, restricted stock, stock units or stock appreciation rights awarded and the number of shares awardable pursuant to the Plan.

*Future of the Plan.* The Board may amend or terminate the Plan at any time. If required by applicable law or regulation (including NASDAQ requirements), we will seek stockholder approval of the amendment. We are requesting that the term of the Plan be extended so that, if not terminated earlier, the Plan will terminate on May 23, 2029.

## **New Plan Benefits**

All awards under the Plan are granted at the discretion of the Compensation Committee (or a subcommittee thereof), and, accordingly, future grants are not yet determinable. In the absence of pre-determined awards under the Plan, the table below sets forth the equity awards that would have been granted under the Plan if in effect during fiscal year 2018. The equity awards granted to our named executive officers during fiscal year 2018 are set forth in the *Grants of Plan-Based Awards* table, and the equity awards granted to our non-employee directors are described above under *Director Compensation*, but this does not necessarily reflect the number of awards that may be issued in the future.



**Table of Contents****New Plan Benefits****Amended and Restated Stock Incentive Plan (as amended by Proposal 2)**

<b>Name and Position</b>	<b>Dollar Value (\$)</b>	<b>Number of Units (1)</b>
James P. Scholhamer Chief Executive Officer	1,417,763	73,650
Sheri Savage Chief Financial Officer & Senior Vice President of Finance	764,225	39,700
Joe Williams President, Semiconductor Products & Solutions Business	477,244	31,895
Scott H. Nicholas President, Semiconductor Services Business		
Joan Sterling Senior Vice President, Human Resources	284,900	14,800
Lavi A. Lev Former President of Asia	327,250	17,000
Michael Henderson Former Senior Vice President of Engineering	217,525	11,300
Current executive officers as a group (includes Named Executive Officers)	2,944,132	160,045
Current non-employee directors as a group	693,356	38,010
Employees other than executive officers as a group	12,690,540	810,318

(1) Assumes target performance will be achieved for 2018 performance-based restricted stock unit awards.

**Summary of U.S. Federal Income Tax Consequences**

The following summary is intended only as a general guide to the U.S. federal income tax consequences certain types of equity awards under the Plan and does not attempt to describe all possible federal or other tax consequences of participation in the Plan or tax consequences based on particular circumstances.

Neither the optionee nor the Company incurs any federal tax consequences as a result of the grant of an option granted at fair market value on the grant date. The optionee has no taxable income upon exercising an ISO (except that the alternative minimum tax may apply), and we receive no deduction when an ISO is exercised. The tax treatment of a disposition of shares acquired on exercise of an ISO depends on how long the shares have been held. If the shares are sold more than two years after the option grant date and more than one year after the exercise date, then the optionee will recognize long-term capital gain. If the shares are sold before these two holding periods are satisfied, the optionee recognizes ordinary income equal to the spread on the date of exercise, and any additional gain or loss will be capital gain or loss. The Company is not entitled to a deduction in connection with a disposition of option shares, except in the case of a disposition of shares acquired under an ISO before the applicable holding periods have been satisfied. Upon exercising an NSO, the optionee generally recognizes ordinary income equal to the spread between the exercise price and the fair market value of our common stock on the date of exercise, and the Company ordinarily will be entitled to a deduction for the same amount to the extent permitted by applicable tax laws. In the case of an employee, the option spread when an NSO is exercised is subject to income tax withholding. Any additional gain or loss at the time of disposition of shares acquired on exercise of an NSO will be capital gain or loss.

Generally, stock-based awards such as restricted stock, restricted units and stock appreciation rights will be taxed as ordinary income to the recipient upon vesting or settlement, as applicable, with the Company being eligible for a corresponding tax deduction to the extent permitted by applicable tax laws.



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**Board Recommendation**

**Our Board of Directors unanimously recommends that you vote **FOR** the approval of the proposed share increase to the Plan.**



**Table of Contents****PROPOSAL 3: RATIFICATION OF THE APPOINTMENT OF OUR INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

The Audit Committee has appointed Moss Adams LLP ( Moss Adams ) to serve as our independent registered public accounting firm for fiscal 2019. We are asking you to ratify this appointment. Ratification of the appointment of Moss Adams as our independent registered public accounting firm for fiscal 2019 requires the affirmative vote of the holders of a majority of our common stock present in person or represented by proxy at the annual meeting and entitled to vote thereon. Abstentions will have the same effect as negative votes for this proposal. Although ratification is not required for us to retain Moss Adams, in the event of a majority vote against ratification, the Audit Committee may reconsider its selection. Even if the appointment is ratified, the Audit Committee may, in its discretion, direct the appointment of a different independent registered public accounting firm at any time during the year if the Audit Committee determines that such a change would be in the Company's and its stockholders' best interests. A representative of Moss Adams is expected to be present at the annual meeting of stockholders, will have the opportunity to make a statement if he/she desires to do so and is expected to be available to respond to appropriate questions.

**Audit Fees**

Set forth below are the aggregate audit fees incurred for the professional services provided by Moss Adams and its affiliates in fiscal 2018 and fiscal 2017.

	Fiscal Year Ended	
	December 28, 2018	December 29, 2017
Audit fees	\$ 3,206,125	\$ 1,686,310
Audit related fees	\$ 468,631	\$ 18,000
Total	\$ 3,674,756	\$ 1,704,310

Audit fees consist of fees billed, or to be billed, for services rendered to us and our subsidiaries for the audit of our annual financial statements and internal control over financial reporting, reviews of our quarterly financial statements included in our quarterly reports on Form 10-Q and audit services provided in connection with other statutory and regulatory filings. Audit related fees consist of fees billed for services rendered to us for acquisition-related due diligence and issuance of registration statements. Audit fees for fiscal 2018 increased primarily due to the audit work performed related to Quantum Global Technologies, LLC, which was acquired by us in August, 2018.

**Preapproval Policy of Audit Committee of Services Performed by Independent Auditors**

The Audit Committee's policy requires that the committee preapprove audit and non-audit services to be provided by our independent auditors before the auditors are engaged to render services. The Audit Committee may delegate its authority to pre-approve services to one or more Audit Committee members; provided that such designees present any such approvals to the full Audit Committee at the next Audit Committee meeting.

All services described above were pre-approved in accordance with the Audit Committee's pre-approval policies.

**Board Recommendation**

**Our Board of Directors recommends that you vote FOR ratification of the appointment of Moss Adams LLP as our independent registered public accounting firm for fiscal 2019.**



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**REPORT OF THE AUDIT COMMITTEE**

**REPORT OF THE AUDIT COMMITTEE OF THE BOARD OF DIRECTORS**

*Notwithstanding any statement to the contrary in any of our previous or future filings with the Securities and Exchange Commission, this report of the Audit Committee of our Board of Directors shall not be deemed filed with the Securities and Exchange Commission or soliciting material under the Securities Exchange Act of 1934, as amended, and shall not be incorporated by reference into any such filings.*

The Audit Committee, which currently consists of Ernest E. Maddock, Barbara V. Scherer, Thomas T. Edman and David T. ibnAle, evaluates audit performance, manages relations with our independent registered public accounting firm and evaluates policies and procedures relating to internal accounting functions and controls. The key responsibilities of our Audit Committee are set forth in our Audit Committee's charter, which is available on our website at <http://uct.com/investors/corporate-governance/>. This report relates to the activities undertaken by the Audit Committee in fulfilling such responsibilities.

The Audit Committee members are not professional auditors, and their functions are not intended to duplicate or to certify the activities of management and the independent registered public accounting firm. The Audit Committee oversees our financial reporting process on behalf of our Board of Directors. Our management has the primary responsibility for the financial statements and reporting process, including our systems of internal controls over financial reporting. In fulfilling its oversight responsibilities, the Audit Committee reviewed and discussed with management the audited financial statements included in the Annual Report on Form 10-K for the year ended December 28, 2018. This review included a discussion of the quality and the acceptability of our financial reporting and internal control over financial reporting, including the clarity of disclosures in the financial statements.

The Audit Committee has discussed with the independent auditors the matters required to be discussed by the applicable requirements of the Public Company Accounting Oversight Board (PCAOB) and the Commission. The Audit Committee has received the written disclosures and the letter from the independent registered public accounting firm required by applicable requirements of the PCAOB regarding the independent accountant's communications with the Audit Committee concerning independence. The Audit Committee discussed with the independent registered public accounting firm such auditors' independence from management and Ultra Clean, including the matters in such written disclosures required by applicable requirements of the PCAOB regarding the independent accountant's communications with the Audit Committee concerning independence.

The Audit Committee further discussed with our independent registered public accounting firm the overall scope and plans for their audits. The Audit Committee meets periodically with the independent registered public accounting firm, with and without management present, to discuss any significant matters regarding internal control over financial reporting that have come to their attention during the audit, and to discuss the overall quality of our financial reporting.

In reliance on the reviews and discussions referred to above, the Audit Committee recommended to our Board of Directors and our Board of Directors approved that the audited financial statements and disclosures under Management's Discussion and Analysis of Financial Condition and Results of Operations be included in the Annual Report on Form 10-K for the year ended December 28, 2018, as filed with the Securities and Exchange Commission on March 22, 2019.

**Members of the Audit Committee**

Ernest E. Maddock, Chair

Barbara V. Scherer

Thomas T. Edman

David T. ibnAle



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**PROPOSAL 4: ADVISORY VOTE APPROVING THE COMPENSATION OF THE NAMED EXECUTIVE OFFICERS**

This proposal provides you with an opportunity to cast a non-binding, advisory vote approving the fiscal 2018 compensation of our named executive officers as disclosed pursuant to the compensation disclosure rules of the SEC in this proxy statement, including the Compensation Discussion and Analysis, the compensation tables and other narrative executive compensation disclosures. At our 2017 Annual Meeting of Stockholders, we adopted a proposal to hold a non-binding, advisory vote on executive compensation annually and are required to do so until our next non-binding, advisory vote on the frequency of stockholder advisory votes on executive compensation, which is required to occur no later than our 2023 Annual Meeting of Stockholders.

As described in detail under the heading Compensation Discussion and Analysis, our executive compensation programs are designed to attract, motivate and retain our named executive officers, who are critical to our success. Under these programs, our named executive officers are rewarded for the achievement of specific short-term and long-term goals. We believe our 2018 executive compensation is appropriate. Please see the Compensation Discussion and Analysis beginning on page 27 for additional details about our executive compensation philosophy and programs, including information about the fiscal 2018 compensation of our named executive officers. This advisory vote is not intended to address any specific item of compensation, but rather the overall compensation principles and practices and the fiscal 2018 compensation of our named executive officers.

As an advisory vote, this proposal is not binding on us or our Board of Directors. The Compensation Committee and our Board of Directors value the opinions of the stockholders and will consider the outcome of the vote when making future compensation decisions.

**Board Recommendation**

**Our Board of Directors recommends that you vote FOR the approval of the compensation of the named executive officers for fiscal 2018 as disclosed pursuant to the compensation disclosure rules of the SEC, which disclosure includes the Compensation Discussion and Analysis, the compensation tables and other narrative executive compensation disclosures in this proxy statement.**



**Table of Contents****EXECUTIVE OFFICER COMPENSATION****Compensation Discussion and Analysis**

The Compensation Discussion and Analysis, or CD&A, describes and analyzes our executive compensation philosophy and program in the context of the compensation paid during 2018, the last fiscal year, to our chief executive officer, our chief financial officer, and each of our three other highest paid executive officers (collectively referred to as our named executive officers). Our named executive officers for fiscal 2018 were:

<b>Name</b>	<b>Age</b>	<b>Position</b>
James P. Scholhamer	52	Chief Executive Officer & Director
Sheri Savage	48	Chief Financial Officer, Senior Vice President of Finance and Secretary
Joe Williams	47	President, Semiconductor Products & Solutions Business
Scott H. Nicholas	62	President, Semiconductor Services Business
Joan Sterling	61	Senior Vice President, Human Resources
Lavi A. Lev	62	Former President of Asia
Michael Henderson	58	Former Senior Vice President of Engineering

Biographical information regarding each of our current officers other than Mr. Scholhamer is set forth below. Mr. Scholhamer's biography is set forth above with those of our other directors. Biographical information regarding our former officers who are named executive officers for 2018 is set forth below.

*Sheri Savage* has served as our Chief Financial Officer and Secretary since July 2016. Ms. Savage joined the Company as the Senior Director of Finance in April 2009. She was Senior Vice President of Finance and Chief Accounting Officer from February 2016 to July 2016. Prior to joining the Company, Ms. Savage served at Credence Systems Corporation, a manufacturer of test equipment for the global semiconductor industry, as its corporate controller and vice president of Finance from February 2008 to February 2009 and as director of internal audit from May 2006 to February 2008. Prior to Credence Systems, Ms. Savage served in various accounting and finance roles at Protiviti, a global business consulting and internal audit firm, and KLA-Tencor Corporation, a supplier of process control and yield management solutions for the semiconductor and related nanoelectronics industries. Ms. Savage also served as manager, Business Process Risk Accounting, at Arthur Anderson LLP, the former accounting firm, from May 1996 to October 1999. Ms. Savage holds a Bachelor of Science degree in managerial economics from the University of California, Davis.

*Scott Nicholas* joined the Company with the acquisition of Quantum Global Technologies, LLC ( QGT ) in August 2018. Mr. Nicholas was the president, chief executive officer and chair of the board of QGT from February 2000 until August 2018. Mr. Nicholas has more than thirty years of leadership and executive management experience in manufacturing, service and distribution companies. In addition to his more than 15 years semiconductor experience, Mr. Nicholas has held leadership positions in protective clothing, sterile pharmaceutical, and implantable medical device manufacturing businesses, including executing two successful business turnaround ventures leading to profitable exits. Mr. Nicholas earned a Masters of Management degree from Northwestern University's J.L. Kellogg Graduate School of Management in 1984 and a Bachelor of Science in chemical engineering from Lehigh University in 1979.

*Joe Williams* joined the Company in February 2015 with the acquisition of Thermal as president of Thermal, and has continued to manage Thermal since that time. Mr. Williams served as our Executive Vice President and President, Semiconductor Products & Solutions since October 2018 and as our Senior Vice President of Customer Business Management from October 2016 to October 2018. Prior to joining the Company in 2015, Mr. Williams was president of Thermal from April 2013 to 2015. He worked previously at UCT as vice president of new business development. Mr. Williams was senior vice president of Business Development & Engineering at AIT from 2007 to 2013. Prior to that, Mr. Williams co-founded Integrated Flow Systems and served as vice president of engineering and operations and director of engineering and operations from 1997 to 2004. He worked at Watkins-Johnson Company as a mechanical design engineer from 1994 to 1997. Mr. Williams holds a Bachelor of Science Degree in mechanical engineering from North Carolina State University.



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*Joan Sterling* has served as our Senior Vice President of Global Human Resources since 2016. Ms. Sterling joined the Company in March 2013 as Director of Global Human Resources. Prior to joining the Company, Ms. Sterling was the human resources director for Engineering and Broadcast Operations at SiriusXM Satellite Radio from 2009 to 2013. She worked at Hitachi Data Systems from 2007 to 2009 as an executive change management consultant for a global IT redesign. Ms. Sterling served as human resource senior vice president for the consumer credit group at Wells Fargo from 2005 to 2007. From 2000 to 2005, Ms. Sterling served in several senior director roles at Hewlett Packard managing human resources sites and functions of staffing, compensation, benefits, training and development. She was the corporate director of human resource strategic planning for First Energy Corporation from 1999 to 2000. She worked at Hewlett Packard Enterprise from 1994 to 1999 as the Midwest Region Headquarters Human Resource Manager. Ms. Sterling holds a Bachelor of Science in business from DePaul University and a Master of Arts in organizational development from Loyola University.

*Lavi A. Lev* served as our President of Asia from April 2017 to June 2018 and our Senior Vice President, Asia from November 2011 to May 2017. Prior to joining UCT, Mr. Lev served in 2008 as a director and executive chairman of the board of LTX-Credence Corporation, a provider of automated test equipment for the semiconductor industry. Mr. Lev was chief executive officer and president of Credence Systems Corporation from 2006 to 2008. Prior to that, Mr. Lev served as executive vice president and general manager of the products and solution business at Cadence Design Systems, Inc. from 2000. Mr. Lev has 30 years of business, research and development and operational management experience in the Microprocessor Chip Design, Electronic Design Automation Software, Test Equipment and Contract Manufacturing industries. Mr. Lev holds a Bachelor of Science degree in electrical engineering from Technion, Israel Institute of Technology and also graduated from the Jerusalem Rubin Academy of Music.

*Michael Henderson* served as our Senior Vice President of Engineering from May 2016 to October 2018. Mr. Henderson has more than 25 years of high tech engineering leadership experience with senior roles in R&D, process development, and production management. With tenures at Seagate, Avaya, Modumetal, and Grote Industries, he has had responsibilities worldwide leading aggressive product development and production ramps, manufacturing site transitions and outsourced partner management. Mr. Henderson has a M.S. in physics from the University of Minnesota.

## Fiscal 2018 Key Financial and Share Performance Highlights

As a general principle, it is the Company's goal to tie the Company's performance closely with executive compensation. Therefore, in order to provide proper context regarding the Company's compensation practices and their correlation to the Company's overall performance, the table below provides a summary of the Company's financial and share performance for fiscal year 2018.

	Years Ended			
	12/28/2018*	12/29/2017	Increase (Decrease)	% Increase (Decrease)
	(dollars are in thousands except per share amounts)			
Revenues	\$ 1,096,523	\$ 924,351	\$ 172,172	18.6%
Gross margin	16.0%	18.1%	(2.1)%	(11.6)%
Income from operations	\$ 60,704	\$ 89,397	\$ (28,693)	(32.1)%
Operating margin	5.5%	9.7%	(4.2)%	(43.3)%
Net income	\$ 36,949	\$ 75,085	\$ (38,136)	(50.8)%
Net income per share:				
Basic	\$ 0.95	\$ 2.25	\$ (1.30)	(57.8)%
Diluted	\$ 0.94	\$ 2.19	\$ (1.25)	(57.1)%
Working capital	\$ 323,627	\$ 200,101	\$ 123,526	61.7%
Operating cash flow	\$ 41,709	\$ 48,905	\$ (7,196)	(14.7)%
Average closing stock price	\$ 15.73	\$ 20.69	\$ (4.96)	(24.0)%
Market capitalization at fiscal year end	\$ 614,535	\$ 777,323	\$ (162,788)	(20.9)%

\* Include the results of operations of Quantum Global Technologies, LLC ( QGT ), which the Company acquired on August 27, 2018, for the period from August 27, 2018 to December 28, 2018.



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### ***Overview of Compensation Program and Philosophy***

Our compensation program, which is established by our Compensation Committee, is intended to meet three principal long-term objectives:

1. attract, reward and retain executive officers and other key employees;
2. motivate key employees to achieve short-term and long-term corporate goals that enhance stockholder value; and
3. promote pay for performance, internal equity and external competitiveness.

To meet these objectives, we have historically adopted the following overriding long-term compensation policies:

Pay compensation that is competitive with the practices of similarly situated electronics manufacturing services (EMS) companies and the practices of similar companies noted in industry surveys; and

Pay for performance by:

offering annual short-term cash incentive opportunities upon achievement of performance goals we consider challenging but achievable; and

providing significant, long-term equity incentive opportunities in order to retain those individuals with the leadership abilities necessary for increasing long-term stockholder value while aligning the interests of our executive officers with those of our stockholders.

Our Compensation Committee considers these policies in determining the appropriate allocation of base salaries, annual cash incentive compensation, long-term equity-based compensation and other benefits. Other considerations include our business objectives and environment, fiduciary and corporate responsibilities (including internal equity considerations and affordability), competitive practices and trends, regulatory requirements, and the mitigation of risks associated with these policies. Like most companies, we use a combination of fixed and variable compensation programs to reward and incentivize strong performance, as well as to align the interests of our executive officers with those of our stockholders. In determining the particular elements of compensation that will be used to implement our overall compensation policies, the Compensation Committee takes into consideration a number of factors related to corporate and individual performance, as further described below, as well as competitive practices among our peer group.

Our Compensation Committee has a long-term compensation philosophy to generally target compensation at the 50th percentile of comparable companies for each element of our compensation program. The Compensation Committee believes that targeting overall, and each element of, compensation at the 50th percentile will enable us to remain competitive in attracting and retaining qualified executive officers while avoiding paying amounts in excess of what we believe is necessary to attract and retain such executive officers. Our Compensation Committee also retains the discretion to target compensation for specific individuals based on a variety of additional factors, including Company and individual performance.

### ***Process for Determining Executive Compensation***

Each year, our Compensation Committee, together with our senior management team, establishes performance targets for short-term and long-term incentive plans that require the achievement of significant financial results. Each year, our Compensation Committee determines compensation by assessing prior year performance against these established financial targets, as well as other factors such as the compensation paid by comparable companies (which may include comparisons to companies in broad-based compensation surveys or, for fiscal 2018, our Peer Group), achievement of strategic objectives, improvements in market share and the professional development and potential of individual



officers. Ultimately, the amount of compensation awarded to our executive officers is determined based on performance and what our Compensation Committee believes is in the best interests of our stockholders.



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The Compensation Committee meets with our chief executive officer and other executives, including our senior vice president of human resources, as necessary, to obtain recommendations with respect to Company compensation programs, practices and packages. The chief executive officer, in consultation with our senior vice president of human resources, develops recommendations that he makes to the Compensation Committee on executive performance, base salary, annual bonus targets and equity compensation for the executive team and other employees, other than himself. Our senior vice president of human resources also meets directly with the Compensation Committee (including outside the presence of our chief executive officer) to assist the Compensation Committee in its decision-making process, including its analysis of broad-based data from third-party industry surveys and other data on executive compensation. Although the Compensation Committee considers management's recommendations with respect to executive compensation, the Compensation Committee makes all final decisions on executive compensation matters.

Our chief executive officer and senior vice president of human resources attend most of the Compensation Committee's meetings, but the Compensation Committee also holds executive sessions not attended by any members of management or non-independent directors. The Compensation Committee deliberates and makes decisions with respect to performance and compensation without the chief executive officer and the Company's other executives present. The Compensation Committee has the ultimate authority to make decisions with respect to the compensation of our executive officers, but may, if it chooses, delegate some of its responsibilities to subcommittees. The Compensation Committee has not in the past delegated authority with respect to the compensation of executive officers.

The Compensation Committee engaged Radford as its outside compensation consultant in 2018 to provide an independent review of the Company's executive compensation program and recommend a course of action for fiscal year 2018, including an analysis of both the competitive market and the design of our compensation programs. More specifically, Radford advised the Compensation Committee on the designation of peer group companies, evaluated the final list of peer companies approved by the Compensation Committee and provided competitive compensation data and analysis relating to the compensation of our chief executive officer and our other executive officers. Radford also furnished the Compensation Committee with reports on peer company practices relating to the following matters: short-term and long-term compensation program design; equity compensation; retention value of current equity holdings; target incentive opportunities; and compensation trends. In addition, Radford assisted the Compensation Committee with its CEO pay ratio analysis and its evaluation of our executive severance and change in control policies and provided our Compensation Committee assistance in developing our Compensation Discussion and Analysis in this proxy statement. Radford attended meetings of the Compensation Committee regarding executive compensation and also communicated with the chair of the Compensation Committee outside of meetings. The consultant reported to the Committee rather than to management, although the consultant met with management from time to time for purposes of gathering information on proposals that management made or may make to the Compensation Committee. The Compensation Committee has the authority to replace the compensation consultant or hire additional consultants at any time.

Radford provides analyses and recommendations that inform the Compensation Committee's decisions, but it does not decide or approve any compensation decisions. Except for the Company's subscription to certain broad-based compensation survey data, Radford has not provided any services to the Company other than to the Compensation Committee and receives compensation from the Company only for services provided to the Compensation Committee. Our Compensation Committee assessed the independence of Radford pursuant to SEC and NASDAQ rules and concluded that Radford is independent and that Radford's work has not raised any conflict of interest. For a discussion of amounts paid to Radford for executive and director compensation consulting and other services, please see "Payments to Compensation Consultant and its Affiliates" above.



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### ***Compensation Structure***

The following are the primary elements of our executive compensation program:

- (i) base salary;
- (ii) annual cash incentive opportunities;
- (iii) annual long-term equity incentive awards; and
- (iv) retirement and welfare benefit plans, including a deferred compensation plan, a 401(k) plan, limited executive perquisites and other benefit programs generally available to all employees.

*Pay Mix.* We have selected the foregoing compensation elements because each is considered useful and/or necessary to meet one or more of the principal objectives of our compensation policy. For example, base salary and cash incentive target percentages are set with the goal of attracting employees and adequately compensating and rewarding them for their individual performance, level of responsibility, experience and the Company's annual financial results, while our equity compensation programs are geared toward providing long-term incentives and rewards for the achievement of long-term business objectives and retaining key talent. We believe that these elements of compensation, when combined, are effective, and will continue to be effective, in achieving the objectives of our compensation program.

The Compensation Committee reviews base salary, cash incentive programs and long-term incentive programs on at least an annual basis. Other programs are reviewed from time to time to ensure that benefit levels remain competitive but are not included in the annual determination of an executive's compensation package. In setting compensation levels for a particular executive, the Compensation Committee takes into consideration the proposed compensation package as a whole and each element individually, as well as the executive's past and expected future contributions to our business.

Our Compensation Committee believes that the particular elements of compensation identified above produce a well-balanced mix of both fixed and at-risk compensation that collectively promote retention value and provide each executive officer with both short-term and long-term performance incentives. Base pay provides the executive officer with a measure of security as to the minimum level of compensation he or she will receive while the annual and long-term incentive components motivate the executive officer to focus on the business metrics that will maximize company performance over the long term. Our Compensation Committee believes that this approach will yield increases in stockholder value, provide an appropriate reward for our executive officers, and reduce the risk of loss of executive officers to competitors.



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While each element of our compensation program is intended to motivate and encourage employees at all levels to drive performance and achieve superior results for our stockholders, each element is weighted differently for each of our named executive officers based on the employee's position and ability to impact our financial results. In general, the percentage of performance-based pay, or at-risk pay, increases with job responsibility. This balance is intended to offer an opportunity for gain in the event of successful performance, matched with the prospect of less compensation when performance falls short of established financial and/or stockholder return targets. The table below depicts the allocation of fixed versus at risk pay for the total target compensation for our named executive officers in 2018:

Name	Compensation Element as % of Total Target Compensation for 2018*			
	Fixed		At Risk	
	Base Salary	Cash Incentive	Restricted Stock Units (RSUs)	Performance-Based RSUs
James P. Scholhamer	21%	21%	29%	29%
Sheri Savage	26%	19%	27%	27%
Joe Williams	41%	21%	29%	10%
Scott Nicholas	100%	%	%	%
Joan Sterling	39%	19%	32%	11%

\* This table compares the elements of compensation as approved by the Compensation Committee in March 2018 for fiscal 2018 compensation changes. The value of restricted stock units ( RSUs ) and performance-based units ( PSUs ) were determined using a stock price of \$20.03, which was the approximate value of our average stock price for the 60-day period ended March 26, 2018, the approval date of our Compensation Committee.

*Compensation Levels and Benchmarking.* Overall compensation targets for executive officers are determined based on one or more of the following factors: the individual's duties and responsibilities within our global Company; the individual's experience and expertise; the compensation levels for the individual's peers within our Company; compensation levels for similar positions in our industry or in the technology industry more generally; performance of the individual and our Company as a whole; and the levels of compensation necessary to recruit new executive officers. For fiscal 2018, our Compensation Committee reviewed the compensation of our executive officers and compared it with both that of our 2018 Peer Group and broader, composite global market survey data provided by Radford.

For purposes of fiscal 2018 compensation decisions, Radford advised the Compensation Committee in February 2018 (based on publicly available data at such time) on the designation of peer group companies, using the following criteria: companies in the semiconductor and semiconductor equipment sectors and technology hardware and equipment industries, non-industry companies with comparable revenues for the trailing 12 months and market capitalization to ours, and other companies selected by shareholder advisory services, as well as other qualitative factors. For the 2018 Peer Group, the median revenue and market capitalization was \$433.0 million and \$852.7 million, respectively, versus \$850.0 million and \$761.5 million, respectively, for the Company. To develop a competitive market composite for our named executive officers, Radford weighted composite market survey data, derived from both peer survey and general technology industry survey data, equally with named peer proxy data.



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This resulted in a peer group that included companies which, along with the broader survey data discussed above, were used for benchmarking purposes in 2018 (collectively, the Peer Group ) as set forth below:

Advanced Energy Industries	KEMET
Alpha & Omega Semiconductor	Kulicke and Soffa Industries
Axcelis Technologies	M/A-COM Technology Solutions
Brooks Automation	Methode Electronics
Cabot Microelectronics	MKS Instruments
Cohu	Nanometrics
CTS	Photronics
Electro Scientific Industries	Rudolph Technologies
Entegris	Semtech
Fabrinet	Veeco Instruments
FormFactor	Xcerra
Ichor	Xperi



#### IXYS

This peer group is not used for purposes of analyzing the Company's stock price performance as compared to the NASDAQ Composite Index and the RDG Semiconductor Composite Index. For further information regarding the Company's cumulative total and relative stockholder return, see our graph included in our Annual Report on Form 10-K for the year ended December 28, 2018.

As discussed above, our Compensation Committee has a long-term goal of targeting the compensation levels of our executive officers at the 50th percentile of comparable officers at comparable companies, as derived from peer group data and broader composite survey data. Our Compensation Committee may vary from this target range for various elements of compensation depending on the executive officer's job performance, skill set, level of responsibilities, prior compensation and business conditions, or for other reasons. Significant variations of our fiscal 2018 pay decisions as compared to long-term targeted levels are further discussed below.

#### ***2017 Say-on-Pay Results***

At our 2018 Annual Meeting of Stockholders, the stockholders approved, with approximately 97% of the votes cast, our non-binding, advisory vote on our fiscal 2017 executive compensation program (say-on-pay). After considering our say-on-pay voting results and other factors addressed in the subsequent discussion, the Compensation Committee determined not to make changes to our executive compensation policies and practices as a result of the vote. Executive compensation decisions for fiscal 2017 and other details are discussed below in this compensation discussion and analysis.

#### ***Cash Compensation***

Base salaries and cash incentives are a significant portion of our executive compensation package. We believe this cash compensation helps us remain competitive in attracting and retaining executive talent. Cash incentives are also paid in order to motivate officers to achieve our business goals.

*Base Salaries.* Base salaries, and any increases or decreases to those levels for each executive officer, are reviewed and approved each year by our Compensation Committee. Such adjustments may be based on factors



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such as the overall performance of our Company, new roles and responsibilities assumed by the executive officer, the performance of the executive officer's area of responsibility, the executive officer's impact on strategic goals, the length of service with our Company, or revisions to or alignment with our long-term compensation philosophy. The Compensation Committee also takes into account the cyclical nature of our business (which results from the industries we serve (in particular the semiconductor industry) being highly cyclical, with recurring periods of over-supply of products) and the state of our industry and the economy in general. However, there is no specific weighting applied to any one factor in setting the level of base salary, and the process ultimately relies on the subjective exercise of our Compensation Committee's judgment. Although salaries were targeted at the 50th percentile of our peer group for fiscal 2018, our Compensation Committee also takes into account historical compensation, internal parity with other executives, potential as a key contributor, and special recruiting and retention situations. The 2018 base salaries for our named executive officers shown in the table below were generally within targeted levels.

In March of 2018, our Compensation Committee ultimately approved base salary increases for our named executive officers as set forth in the table below:

Name <sup>(1)</sup>	2018	Base Salary 2017	Y/Y Change
James P. Scholhamer	\$ 515,000	\$ 500,000	3.0%
Sheri Savage	\$ 378,320	\$ 360,300	5.0%
Joe Williams	\$ 364,110	\$ 353,500	3.0%
Joan Sterling	\$ 270,890	\$ 263,000	3.0%
Lavi A. Lev	\$ 322,090	\$ 311,200	3.5%
Michael Henderson	\$ 312,120	\$ 306,000	2.0%

(1) On August 27, 2018, upon the Company's acquisition of QGT, Mr. Scott Nicholas, QGT's former chief executive officer and president, became an employee of the Company at base salary of \$440,840 per year. Mr. Nicholas' base salary was set based on arm's length negotiation between Mr. Nicholas and the Company in connection with the Company's acquisition of QGT.

In fiscal 2018, the Compensation Committee determined to increase the base salary of our Chief Executive Officer by 3% to \$515,000, as part of the Compensation Committee's long-term goal of better aligning our chief executive officer's base salary with the market, and also to recognize Mr. Scholhamer's strong performance and significant contributions to our organization.

The Compensation Committee also determined to increase the base salaries of Ms. Savage, Mr. Williams, Ms. Sterling, Mr. Lev and Mr. Henderson by between 2.0% to 5.0% to better align, or to maintain, their base salaries with market levels, consistent with the Compensation Committee's long-term compensation philosophy.

Our base salary levels were also set after considering the significance of the roles of these executives in our overall management for fiscal 2018 and the Compensation Committee's determination of the correlation of their responsibilities with our overall corporate operating performance. Overall, the Compensation Committee determined that the base salary levels/increases were consistent with the Company's overall compensation objectives and appropriate to retain our executives at a point in time at which the Company had achieved strong results in fiscal 2017 and the semiconductor equipment industry continued to have a favorable outlook.

**Fiscal 2018 Cash Incentive Bonuses.** On March 29, 2018, the Compensation Committee adopted the 2018 Management Bonus Plan (the Management Bonus Plan), effective commencing with the Company's fiscal year 2018, beginning in the Company's first quarter of fiscal 2018. The Company's executive officers were eligible to participate in the Management Bonus Plan, which provided for the opportunity to earn quarterly and annual bonuses based on corporate and individual performance during the fiscal year. Bonuses under the Management Bonus Plan are based on each executive officer's annual target cash incentive opportunity (established as a percentage of each executive officer's base salary, referred to as the Target Bonus).



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For each executive officer, 85% of the cash bonus opportunity under the Management Bonus Plan was evaluated based on multiples (ranging from 0 to 2) of the Target Bonus based on performance of the Company against corporate goals and objectives as approved by the Compensation Committee for the applicable measurement period, 65% of which was based on quarterly financial and operating performance and paid out quarterly, and 35% of which was based on annual corporate goals and objectives and paid out annually. In addition, for each executive officer, an additional 15% of their cash bonus opportunity under the Management Bonus Plan was evaluated based on a multiple (ranging from 0 to 1) of the Target Bonus based on individual performance against annual individual goals and objectives as approved by the Compensation Committee and paid out annually. Under this Management Bonus Plan, bonuses based on corporate goals and objectives were limited to no more than twice the amount of 85% of the applicable executive officer's Target Bonus, and bonuses based on individual goals and objectives were limited to no more than 15% of the applicable executive officer's Target Bonus. The Compensation Committee may increase or decrease bonuses calculated under the Management Bonus Plan in its discretion based on corporate or individual performance.

Corporate goals and objectives under the Management Bonus Plan may include goals and objectives relating to operational performance (e.g., quality and delivery performance), growth, implementation of strategic programs, financial results as compared to the Company's operating plan or other benchmarks, and human resource initiatives. Individual goals and objectives were tailored to each executive officer's position and were designed to award performance based on the individual's contribution to the Company's growth, financial performance, structural organization and achievement of strategic initiatives.

Target Bonus opportunities under the Management Bonus Plan are reviewed and approved on an annual basis for each named executive officer and established based on each named executive officer's role and level of responsibility within the organization. For fiscal 2018, the target bonus percentages as a percentage of base salary for each of our named executive officers were consistent with those for fiscal 2017, as follows:

Named Executive Officer	Target Bonus as a Percentage of Base Salary	
	2018	2017
James P. Scholhamer	100%	100%
Sheri Savage	75%	75%
Joe Williams	50%	50%
Scott Nicholas <sup>(1)</sup>	N/A%	N/A
Joan Sterling	50%	50%
Lavi A. Lev	50%	50%
Michael Henderson	50%	50%

(1) Mr. Nicholas joined the Company upon the Company's acquisition of QGT on August 27, 2018 and was not eligible to participate in the Management Bonus Plan for fiscal 2018.

For fiscal 2018, bonuses paid to our named executive officers under the Management Bonus Plan were as follows:

Named Executive Officer <sup>(1)</sup>	2018 <sup>(2)</sup>				2017	
	Q1	Q2	Q3	Q4 <sup>(3)</sup>	Annual	Total
James P. Scholhamer	\$ 92,500	\$ 55,363	\$ 55,491	\$ 0	\$ 180,250	\$ 383,604
Sheri Savage	49,950	30,476	30,547	0	99,225	210,198
Joe Williams	32,699	19,571	19,616	0	63,718	135,604
Joan Sterling	24,281	14,560	14,594	0	47,406	100,842
	\$ 199,430	\$ 119,970	\$ 120,249	\$ 0	\$ 390,599	\$ 830,248
						\$ 1,887,645



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- (1) Mr. Nicholas was not eligible to participate in the Management Bonus Plan for 2018. Mr. Lev and Mr. Henderson left the Company during 2018 and did not receive any payouts under the Management Bonus Plan for 2018.
- (2) The Management Bonus Plan for 2018 includes quarterly bonus opportunities based on Company financial and operational metrics, and a separate annual bonus opportunity based on additional annual Company financial and operational metrics and individual goals.

- (3) No quarterly bonus was paid out for the fourth quarter of fiscal 2018 under the Management Bonus Plan for 2018, based on a recommendation by management and approved by the Compensation Committee in its discretion.

Quarterly achievement of corporate goals and objectives for our named executive officers for 2018 was determined based on a corporate scorecard approved by the Compensation Committee at the time of the adoption of the Management Bonus Plan. These quarterly corporate goals and objectives were set based on key performance indicators for (i) quality and delivery performance as measured by customer scorecards, various internal quantitative quality and delivery metrics and qualitative assessments of customer satisfaction and (ii) financial performance, as measured by the Company's actual revenue and free cash flow against the Company's annual operating plan for 2018. Each of these goals was considered relatively likely to be met at the time they were established.

Annual achievement of corporate goals and objectives for our named executive officers for 2018 was also determined based on a corporate scorecard approved by the Compensation Committee at the time of the adoption of the Management Bonus Plan. These annual corporate goals and objectives were based on key performance indicators for (i) growth, measured by the Company's semiconductor revenue growth as compared to the overall market for wafer fab equipment growth, (ii) the achievement of key strategic programs for the Company in 2018, including the Company's ERP implementation, product transitions in Asia and capacity and throughput improvement goals and (iii) the achievement of key human capital strategic goals, including implementation of human resources systems to support the Company's growth and organizational effectiveness and employee development initiatives. Each of these goals that was a quantitative goal was considered relatively likely to be met at the time they were established.

Annual achievement of individual goals and objectives for our named executive officers for 2018 was determined based on an individual scorecard for each named executive officer approved by the Compensation Committee at the time of the adoption of the Management Bonus Plan. For our chief executive officer, individual performance was determined based on the achievement of organizational initiatives to support the Company's growth, strategic corporate development initiatives and cash flow targets. For our chief financial officer, individual performance was determined based on the achievement of investor relations initiatives, strategic corporate development initiatives, finance department organizational initiatives and compliance initiatives. Each of these goals was considered relatively likely to be met at the time they were established.

The Compensation Committee determined that the above goals and objectives for the 2018 Management Bonus Plan were appropriate to drive successful execution of specific, near-term strategic objectives for the Company, enhance accountability, and continue to emphasize the Company's financial performance during the fiscal year in the achievement of annual cash incentive bonuses.

After each quarter of fiscal 2018, the Compensation Committee reviewed actual corporate performance against the quarterly corporate scorecards, and in February 2019, the Compensation Committee reviewed actual corporate performance for fiscal 2018 against the annual corporate scorecards. Quarterly corporate scorecard achievement multiples ranged from 0.9 to 1.7 for quality and delivery performance, 0.5 to 1.1 for financial performance based on revenue and 0.0 to 2.0 for financial performance based on free cash flow. Annual corporate scorecard achievement was 2.0 for growth, 0.5 for achievement of strategic programs and 0.5 for achievement of human capital initiatives. With the exception of the Company's fourth quarter, the Compensation



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Committee approved payouts under the Management Bonus Plan for each quarter in fiscal 2018 and for the annual 2018 period consistent with the Company's scorecard achievement. The Compensation Committee determined that no bonuses would be paid to the Company's executive officers in respect of the Company's quarterly performance for the Company's fourth quarter of fiscal 2018, in light of a weakening industry outlook and related cost-cutting initiatives.

In February 2019, the Compensation Committee also reviewed actual individual performance against the annual individual scorecards. Following this review, the Compensation Committee determined to award Mr. Scholhamer an annual individual bonus equal to 10% (out of 15%) of his Target Bonus based on his achievement of annual individual goals, including goals relating to senior executive recruitment, realignment of the Company's organization, producing of a corporate development strategy and other leadership and organizational operation and function achievements. The Compensation Committee also determined to award Ms. Savage an additional annual individual bonus equal to 12% (out of 15%) of her Target Bonus based on her achievement of annual individual goals, including Ms. Savage's contributions to the production of a corporate development strategy, implementation of global financial policies and processes and enhancements to our compliance and training program.

Overall, actual bonuses for our named executive officers as a percentage of base salary for 2018 were significantly less than for 2017 due primarily to the realignment of our Management Bonus Plan to focus on both financial results and near-term strategic objectives, as well as operating results being impacted by weaknesses in our industry beginning in the second half of 2018.

Our Compensation Committee invests significant time determining the financial and non-financial targets for the Company's Management Bonus Program. In general, management makes the initial recommendation for the financial and non-financial targets based upon the Company's annual Board-approved operating plan and other strategic goals and objectives, as well as the bonus opportunity for each officer, and these recommendations are reviewed and discussed by the Compensation Committee and its advisors. The major factors used in setting one or more targets for a particular year are the results for the most recently completed year and the annual operating plan for the current year. Other factors taken into account may include general economic and market conditions. Overall, the Compensation Committee seeks to tie a significant proportion of cash compensation to performance, while factoring in the Company's current and expected financial results given current and expected business conditions and the cyclical nature of the semiconductor equipment industry. The Compensation Committee also recognizes that the Management Bonus Plan provides increased cash payments to our executives if we achieve results above targets, providing our executives an opportunity to achieve higher cash compensation for performance above expectations. We intend for the performance goals to be challenging but achievable and to reflect strong corporate performance.

Quarterly bonuses under the Management Bonus Plan are calculated and paid on a quarterly basis, subject to the employee's continued service with the Company through the applicable payment date, which the Company believes to have a positive effect on employee morale.

### ***Equity Compensation***

Our equity compensation program is intended to align the interests of our executive officers with those of our stockholders by creating a long-term incentive for our executive officers to maximize stockholder value. The equity compensation program also is designed to encourage our executive officers to remain employed with us in a very competitive labor market. The Compensation Committee regularly monitors the changes in the business environment in which we operate and periodically reviews changes to our equity compensation program to help us meet our goals, which include the achievement of long-term stockholder value.



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*Types of Equity Awards.* In fiscal 2018, consistent with recent years, we granted our named executive officers a combination of time-based and performance-based restricted stock units, or RSUs, which we believe are effective in retaining and motivating employees because they provide a predictable, tangible value to employees while also serving as an incentive to increase the value of our stock. RSUs are also an efficient way for us to reduce the dilutive effects of equity awards. The Compensation Committee believes this combination provides a balance between awards that provide high incentive value (in the form of PSUs, which will only vest if we meet performance criteria described under *Mix of Performance versus Time-based Refresh Grants* below, combined with service requirements) and awards that provide high retention value (in the form of time-based RSUs, which will have at least some value over time while imposing continued service requirements, and requiring time-based vesting of the earned performance units). In March of 2018, the Compensation Committee granted the following long-term equity awards to our named executive officers:

Name	Time-Based (# Shares)	Performance-Based (# Shares)	Total # Shares	Value of RSUs (\$) <sup>(1)</sup>
James P. Scholhamer	36,825	36,825	73,650	\$ 1,474,900
Sheri Savage	19,850	19,850	39,700	\$ 795,000
Joe Williams	12,750	4,250	17,000	\$ 340,400
Scott Nicholas				\$
Joan Sterling	11,100	3,700	14,800	\$ 296,400
Lavi A. Lev	12,750	4,250	17,000	\$ 340,400
Michael Henderson	8,475	2,825	11,300	\$ 226,300

- (1) In 2018, the Company changed its approach of determining the number of RSUs awarded to its executives from a unit based to a value based approach. The number of RSUs awarded to each of our executive officers was determined using a dollar value per share of \$20.03, which was approximate the 60-day trailing average closing price of our common stock as of March 26, 2018, the date that our Compensation Committee approved the awards. The grant date for these awards was March 30, 2018, the last Friday of the month in which the awards were approved. On March 29, 2018, the closing sales price for our common stock was \$19.25.

The number of equity awards the Compensation Committee granted to each executive officer in 2018 was determined based on a variety of factors, including each individual executive's job performance and his or her level of job responsibility. The Compensation Committee also considered the use of long-term equity awards as a means to retain and incentivize executives. The size of each equity award granted to a named executive officer in 2018 was determined based on target cash value rather than a target number of units. Accordingly, the number of equity awards granted was influenced by our stock price at the time the awards were granted, as well as new hires and promotions.

The number and target value of RSUs granted to Mr. Scholhamer in fiscal 2018 was set at a target value of approximately \$1.5 million as part of the Compensation Committee's long-term goal of better aligning our chief executive officer's equity awards with market levels, and also to recognize Mr. Scholhamer's strong performance and significant contributions to our organization. The dollar value of Ms. Savage's RSUs granted in 2018 was set at a value that was relatively consistent with the value of her grant in 2017. The Compensation Committee also considered its long-term goal of setting grants at a level consistent with the market 50<sup>th</sup> percentile of our peer group in determining grants for our non-CEO named executive officers for fiscal 2018, while at the same time considering the relative positions of each named executive officer within our global organization and past grant practices. The 2018 equity awards granted in March 2018 for our named executive officers show in the table above were all generally within targeted levels, as adjusted to maintain internal equity for named executive officers with similar levels of responsibility within our Company.

The equity awards granted during fiscal 2018 to our named executive officers are set forth in detail under *Grants of Plan-Based Awards* below. All time-based RSUs granted to our named executive officers in fiscal 2018, and all PSUs earned based on fiscal 2018 performance, vest over a period of 3 years from the grant date in equal annual installments.



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**Promotional and New Hire Grants.** The Compensation Committee's policy has been to make promotional grants on solely a time-based vesting schedule to enhance retention.

**Mix of Performance versus Time-based Refresh Grants.** The mix of time-based and performance-based awards for grants made in March of 2018 described above was consistent with prior years. In allocating equity awards between time-based and performance-based awards, the Compensation Committee considers each named executive officer's level of responsibility, and the relationship between that named executive officer's performance and our common share price. Consistent with prior years, the Compensation Committee determined that 50% of the annual refresh equity awards that were granted to our chief executive officer and our chief financial officer would consist of performance-based awards because their roles focus more on overall corporate performance than our other named executive officers. For our other named executive officers, the Compensation Committee determined that 25% of the equity awards would consist of performance-based awards. Performance-based awards granted in fiscal 2018 to our named executive officers are earned according to the following performance criteria (determined based on performance in fiscal 2018). For fiscal 2018, for purposes of our performance-based awards, operating income is calculated consistent with our Management Bonus Plan.

% of PSUs granted	0%	60%	65%	70%	75%	80%	85%	90%	95%	100%
Operating income (in thousands)	below \$ 64,225	\$ 64,225	\$ 69,577	\$ 74,929	\$ 80,282	\$ 85,634	\$ 90,986	\$ 96,338	\$ 101,690	at or above \$ 107,042

The Compensation Committee determined, based on our actual results for fiscal 2018, that 72% of the performance-based awards granted to eligible named executive officers in fiscal 2018 were earned.

**Grant Practices.** We have implemented procedures to regularize our equity award grant process, by making new hire grants and annual executive grants on the same day each month. The Compensation Committee has not granted, nor does it intend in the future to grant, equity compensation awards to executives in anticipation of the release of material nonpublic information that is likely to result in changes to the price of our common stock, such as a significant positive or negative earnings announcement. Because our equity awards typically vest over multiple years, we believe recipients are motivated to see our stock price rise in the long-term rather than benefit from an immediate but short-term increase in the price of our stock following a grant.

## Other Benefit Plans

**Deferred Compensation.** We maintain a non-qualified deferred compensation plan, which allows eligible employees, including executive officers and directors, to voluntarily defer receipt of the portion of his/her salary above a specified amount and all or a portion of a bonus payment until the date or dates elected by the participant, thereby allowing the participating employee to defer taxation on such amounts. This plan gives highly compensated employees the opportunity to defer more compensation than they would otherwise be permitted to defer under a tax-qualified retirement plan, such as our 401(k) plan. We believe that deferred compensation is a competitive practice to enable us to attract and retain top talent. We do not make matching or other employer contributions to the deferred compensation plan because we believe the deferral opportunity is enough of a benefit on its own.

**Executive Perquisites.** We offer limited perquisites to our executive officers. In addition to health care coverage that is generally available to our other employees, our executive officers are eligible for annual physical examinations more extensive than under the Company's standard plans.

**Other Benefits.** We also offer a number of other benefits to the executive officers pursuant to benefit programs that provide for broad-based employee participation. For example, our retirement plan is a tax-qualified 401(k) plan, which is a broad-based employee plan. Under the 401(k) plan, all participating employees (including executive officers) are eligible to receive limited matching contributions that are subject to vesting over time.



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The main objectives of our benefits programs are to give our employees access to quality healthcare, financial protection from unforeseen events, assistance in achieving retirement financial goals, enhanced health and productivity and to provide support for global workforce mobility, in full compliance with applicable legal requirements. These generally available benefits typically do not specifically factor into decisions regarding an individual executive's total compensation or equity award package.

### ***Post-Termination Arrangements***

Our post-termination arrangements with our named executive officers are described in this proxy statement below. We believe the severance benefits under these agreements or policies are reasonable in amount, and provide protection to key executive officers who would be likely to receive similar benefits from our competitors. The Compensation Committee reviews the potential costs and triggering events of employment and severance agreements and policies before approving them and will continue to consider appropriate and reasonable measures to encourage retention.

### ***Accounting and Tax Considerations***

In designing our executive compensation programs, the Compensation Committee generally considers the accounting and tax effects as well as direct costs. We recognize a charge to earnings for accounting purposes when equity awards are granted. The Compensation Committee considers the impact to dilution and overhang when making decisions pertaining to equity instruments.

We do not require executive compensation to be tax deductible for the Company, but instead balance the cost and benefits of tax deductibility to comply with our executive compensation goals.

### **Compensation Committee Report**

The Compensation Committee of the Board of Directors of Ultra Clean Holdings, Inc. has reviewed and discussed the Compensation Discussion and Analysis, which appears in this proxy statement, with the management of Ultra Clean Holdings, Inc. Based on this review and discussion, the Compensation Committee recommended to the Board of Directors that the Compensation Discussion and Analysis be included in Ultra Clean Holdings, Inc.'s proxy statement.

### **Members of the Compensation Committee**

David T. ibnAle, Chair

Thomas T. Edman

Emily M. Liggett



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The following table shows compensation information for the three most recently completed fiscal years for our principal executive officer, our principal financial officer and our other three most highly compensated executive officers as of December 28, 2018 (collectively, our named executive officers ):

Name and Position	Year	Salary (\$)	Stock Awards (\$) <sup>(1)</sup>	Non-Equity Incentive Plan Compensation (\$) <sup>(2)</sup>	All Other Compensation (\$)	Total (\$)
James P. Scholhamer Chief Executive Officer	2018	494,620	1,417,763	383,604	1,645 <sup>(3)</sup>	2,297,632
	2017	406,923 <sup>(4)</sup>	1,980,000	710,832	1,684	3,099,439
	2016	437,308	889,500	301,268	1,619	1,629,694
Sheri Savage Chief Financial Officer, Senior Vice President of Finance and Secretary	2018	441,694	764,225	210,198	6,578 <sup>(5)</sup>	1,422,695
	2017	346,154	1,032,450	604,499	6,500	1,989,603
	2016	286,546	1,094,505	137,898	6,452	1,525,401
Joe Williams President, Semiconductor Products & Solutions Business	2018	351,272	327,250	135,604	9,454 <sup>(6)</sup>	823,580
	2017	351,123	1,138,200	328,987	9,322	1,827,632
	2016	350,308	461,000	96,180	9,140	916,627
Scott H. Nicholas <sup>(7)</sup> President, Semiconductor Services Business	2018	152,599	850,002		5,192 <sup>(8)</sup>	1,007,793
Joan Sterling Senior Vice President, Human Resources	2018	265,245	284,900	100,842	7,263 <sup>(9)</sup>	658,249
	2017	259,615	435,600	243,327	7,093	945,636
	2016	228,878	496,200	60,000	7,062	792,140
Lavi A. Lev Former President, Asia	2018	314,348	327,250		1,570,932 <sup>(10)</sup>	2,212,530
	2017	294,800	749,500	344,801	261,370 <sup>(11)</sup>	1,650,471
	2016	272,538	212,000	76,506	254,476	815,520
Michael Henderson Former Senior Vice President of Engineering	2018	239,645	217,525		418,812 <sup>(12)</sup>	875,982
	2017	304,615	262,350	285,364	1,138	853,467
	2016	178,846	296,500	76,897	85,700	637,943

(1) Amounts shown do not reflect compensation actually received by the named executive officers. In 2018, the Company changed its approach of determining the number of RSUs awarded to its executives from a unit based approach to a value based approach. The amounts shown are the grant date fair value for stock awards granted in the applicable fiscal year, based on the per share closing price of our common stock the day preceding the grant date. The other valuation assumptions and the methodology used to determine such amounts are set forth in Notes 1 and 11 to our Consolidated Financial Statements included in our Form 10-K for the year ended December 28, 2018.

(2) Amounts consist of incentive bonuses.

(3) This amount consists of \$1,645 in disability and life insurance premiums.

(4) As announced on July 27, 2017, Mr. Scholhamer took a leave of absence effective July 31, 2017 through October 2, 2017. During his leave of absence, Mr. Scholhamer did not earn a base salary.

(5) This amount consists of (a) matching contributions of \$5,088 under the 401(k) Plan and (b) \$1,490 in disability and life insurance premiums.



- (6) This amount consists of (a) matching contributions of \$8,250 under the 401(k) Plan and (b) \$1,226 in disability and life insurance premiums.
- (7) Mr. Nicholas joined the Company on August 27, 2018 upon the Company's acquisition of QGT.
- (8) This amount consists of (a) auto allowance of \$4,200 and (b) \$1,500 of insurance and 401(k) matching contribution.
- (9) This amount consists of (a) matching contribution of \$6,184 under the 401(k) Plan and \$1,079 in disability and life insurance premiums.



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(10) Mr. Lev left the Company on June 1, 2018. This amount consists of (a) severance pay of approximately \$870,000 and (b) \$702,000 housing, transportation and other expat expense benefit. Upon Mr. Lev's termination, Mr. Lev's unvested stock awards were cancelled.

(11) This amount consists of housing benefits.

(12) Mr. Henderson left the Company on October 5, 2018. This amount consists of severance pay. Upon Mr. Henderson's termination, Mr. Henderson's unvested stock awards were cancelled.

### Grants of Plan-Based Awards

The following table shows all plan-based awards granted to the named executive officers during fiscal 2018:

Name	Grant Date	Compensation Committee Compensation Action Date	Estimated Future Payouts Under Non-Equity Incentive Plan Awards <sup>(1)</sup>		Threshold (#)	Estimated Future Payouts Under Equity Incentive Plans <sup>(2)</sup>		All Other Stock Awards: Number of Shares of Stock or Units (#) <sup>(3)</sup>	Grant Date Fair Value of Stock Awards (\$) <sup>(4)</sup>
			Target (\$)	Maximum (\$)		Target (#)	Maximum (#)		
James P. Scholhamer	3/30/2018	3/29/2018	515,000	1,030,000	36,825	36,825	36,825		708,881
	3/30/2018	3/29/2018						36,825	708,881
Sheri Savage	3/30/2018	3/29/2018	283,740	567,480	19,850	19,850	19,850		382,113
	3/30/2018	3/29/2018						19,850	382,113
Joe Williams	3/30/2018	3/29/2018	182,055	364,110	4,250	4,250	4,250		81,813
	3/30/2018	3/29/2018						12,750	245,438
	10/26/2018							14,895	149,993
Scott H. Nicholas	8/31/2018							55,151	850,002
Joan Sterling	3/30/2018	3/29/2018	135,445	270,890	3,700	3,700	3,700		71,225
	3/30/2018	3/29/2018						11,100	213,675
Lavi A. Lev	3/30/2018	3/29/2018	161,045	322,090	4,250	4,250	4,250		81,813
	3/30/2018	3/29/2018						12,750	245,438
Michael Henderson	3/30/2018	3/29/2018	156,060	312,120	2,825	2,825	2,825		54,381
	3/30/2018	3/29/2018							163,144

(1) Reflects target at 100% and maximum cash award amounts pursuant to the Management Bonus Plan for fiscal 2018.

(2) Reflects performance-based restricted stock units. On the basis of performance criteria for fiscal year 2018 at 100% achievement.

(3) Represents time-based stock units issued under our stock incentive plan.

(4)



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Under the terms of our stock incentive plan, fair market value is defined as the closing price on the day preceding the grant date. Our practice is for grants to be effective on the last Friday of the month in which the grant is approved.



**Table of Contents****Outstanding Equity Awards**

The following table shows all outstanding equity awards held by the named executive officers as of December 28, 2018:

Name	Shares or Units That Have Not Vested (#)	Stock Awards Market Value of Shares or Units That Have Not Vested (\$) <sup>(1)</sup>
James P. Scholhamer	50,000 <sup>(2)</sup>	410,500
	25,000 <sup>(3)</sup>	205,250
	25,000 <sup>(4)</sup>	205,250
	33,334 <sup>(5)</sup>	273,672
	33,334 <sup>(6)</sup>	273,672
	36,825 <sup>(7)</sup>	302,333
	26,514 <sup>(8)</sup>	217,680
Sheri Savage	17,500 <sup>(3)</sup>	143,675
	4,167 <sup>(4)</sup>	34,211
	13,250 <sup>(5)</sup>	108,783
	13,250 <sup>(6)</sup>	108,783
	19,850 <sup>(7)</sup>	162,969
	14,291 <sup>(8)</sup>	117,329
	40,454 <sup>(9)</sup>	332,127
	6,667 <sup>(10)</sup>	54,736
Joe Williams	12,500 <sup>(3)</sup>	102,625
	4,167 <sup>(4)</sup>	34,211
	13,250 <sup>(5)</sup>	108,783
	4,417 <sup>(6)</sup>	36,264
	12,750 <sup>(7)</sup>	104,678
	3,059 <sup>(8)</sup>	25,114
	8,334 <sup>(11)</sup>	68,422
	8,334 <sup>(12)</sup>	68,422
Scott H. Nicholas	4,895 <sup>(13)</sup>	122,288
Joan Sterling	55,151 <sup>(14)</sup>	452,790
Lavi A. Lev	10,000 <sup>(3)</sup>	82,100
	3,334 <sup>(4)</sup>	27,372
	11,000 <sup>(5)</sup>	90,310
	3,667 <sup>(6)</sup>	30,106
	11,100 <sup>(7)</sup>	91,131
	2,662 <sup>(8)</sup>	21,855
	8,334 <sup>(15)</sup>	68,422
Michael Henderson		

(1) The most recent closing price of our common stock as of December 28, 2018 (our fiscal 2018 year end) was \$8.21.



- (2) Remaining units vest on January 30, 2019.
- (3) Remaining units vest on February 26, 2019.
- (4) Represents earned portion of performance-based awards granted in fiscal 2016, remaining units vest on February 26, 2019.



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- (5) 1/2 of remaining units vest on April 28, 2019 and April 28, 2020, respectively.
  - (6) Represents earned portion of performance-based awards granted in fiscal 2017. 1/2 of remaining units vest April 28, 2019 and April 28, 2020, respectively.
  - (7) 1/3 vest on March 30, 2019 and 1/3 each year thereafter.
  - (8) Represents earned portion of performance-based awards granted in fiscal 2018. 1/3 vest on March 30, 2019 and 1/3 each year thereafter.
  - (9) Represents promotion award granted in July 2016, remaining units vest on July 29, 2019.
  - (10) Represents promotion award granted in July 2017. 1/2 of remaining units vest on July 28, 2019 and July 28, 2020, respectively.
  - (11) Represents promotion award earned in October 2016, remaining units vest on October 28, 2019.
  - (12) Represents promotion award earned in July 2017, remaining units vest on October 28, 2019.
  - (13) Represents promotion award in October 2018. 1/3 of the units vest on October 26, 2018 and 1/3 each year thereafter.
  - (14) Acquisition grants, 1/3 vest on August 31, 2019 and 1/3 each year thereafter.
  - (15) Represents promotion award earned in October 2016, remaining units vest on October 28, 2019.
- Option Exercises and Stock Vested**

The following table shows all stock options exercised and value realized upon exercise, and all stock awards vested and value realized upon vesting, by the named executive officers during fiscal 2018, which ended on December 28, 2018:

Name	Stock Awards	
	Number of Shares Acquired on Vesting (#)	Value Realized on Vesting (\$) <sup>(1)</sup>
James P. Scholhamer	133,332	2,669,643
Sheri Savage	84,703	1,409,184
Joe Williams	47,166	746,852
Scott H. Nicholas		
Joan Sterling	34,099	573,425
Lavi A. Lev	30,566	580,240
Michael Henderson	21,083	367,732



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- (1) The value realized equals the fair market value of the Company's common stock on the date of vesting multiplied by the number of stock awards vesting.

### **Nonqualified Deferred Compensation**

We maintain a nonqualified deferred compensation plan, the Ultra Clean Holdings, Inc. 2004 Executive Deferred Compensation Plan (the EDCP), which allows eligible employees, including executive officers, and directors to voluntarily defer receipt of a portion of his/her salary and all or a portion of a bonus payment until the date or dates elected by the participant, thereby allowing the participating employee to defer taxation on such amounts. Amounts credited to the EDCP consist only of cash compensation that has been earned and payment of which has been deferred by the participant. The amounts deferred under the EDCP are credited with realized gains on investments and interest at market rates on cash balances. We do not make matching or other employer contributions to the EDCP.

None of our named executive officers participated in the EDCP or had any reportable amounts under Item 402(i) of Regulation S-K for fiscal 2017.



**Table of Contents****Post-Termination Arrangements**

*Change in Control Severance Agreement with James P. Scholhamer.* We have a Change in Control Severance Agreement with James P. Scholhamer. If upon, or within 3 months prior to or 12 months following, a change in control, Mr. Scholhamer is terminated without cause or he resigns for good reason, he is entitled to receive 200% of his then-current salary, plus 200% of average annual cash bonus as determined by us over the prior three years, payment or reimbursement of health benefit continuation coverage under COBRA for 24 months (or, if earlier, until he becomes eligible for group health coverage with another employer) and accelerated vesting of 100% of his unvested outstanding equity awards.

*Change in Control Severance Agreement with Sheri Savage.* We have a Change in Control Severance Agreement with Sheri Savage. Such agreement provides that, if upon, or within 12 months following, a change in control, Ms. Savage is terminated without cause or she resigns for good reason, she is entitled to receive 150% of her then-current salary, plus 150% of average annual cash bonus as determined by us over the prior three years, payment or reimbursement of health benefit continuation coverage under COBRA for 24 months (or, if earlier, until she becomes eligible for group health coverage with another employer) and accelerated vesting of 100% of her unvested outstanding equity awards.

*Change in Control Severance Agreement with Other Named Executive Officers.* The Compensation Committee's practice is to enter a change in control severance agreement with each of its named executive officers. The Company's change in control severance agreement provides that, if upon, or within three months prior to or 12 months following, a change in control, such executive officer is terminated without cause or he resigns for good reason, he is entitled to receive 75% of his then-current salary, plus 75% of average annual cash bonus as determined by us over the prior three years, payment or reimbursement of health benefit continuation coverage under COBRA for 9 months (or, if earlier, until he becomes eligible for group health coverage with another employer) and accelerated vesting of 100% of her unvested outstanding equity awards.

Good reason is defined as (i) a reduction in the executive's then existing annual salary by more than 10% other than in connection with an action affecting a majority of the executive officers of the Company, (ii) relocation of the principal place of the executive's employment to a location more than 50 miles from the principal place of executive's employment prior to the change in control or (iii) a material reduction in the executive's authority, duties or responsibilities after the change in control. Cause exists if the executive officer: (A) is convicted of, or pleads guilty or no contest to, a criminal offense; (B) engages in any act of fraud or dishonesty; (C) breaches any agreement with the Company; (D) commits any material violation of a Company policy; or (E) fails, refuses or neglects to perform the services required of her in her position at the Company (subject in certain cases to a cure period).

The following table shows amounts that would have been paid if such named executive officers had been terminated on December 28, 2018 in connection with a change of control:

Name	Salary (\$)	Cash Incentive (\$)	Health Benefits (\$)	Value of Accelerated Vesting \$(1)	Total Severance (\$)
James P. Scholhamer	1,030,000	930,469	48,492	1,888,357	3,897,318
Sheri Savage	567,480	476,298		1,062,620	2,106,398
Joe Williams	273,083	140,193	164	670,814	1,084,253
Scott H. Nicholas	309,000	203,250	8,534	452,790	973,574
Joan Sterling	203,168	101,042	5,858	411,313	721,380
Lavi Lev	241,568	143,583			385,150
Michael Henderson	234,090	90,565	16,023		340,678

(1) Amounts based on our stock price as of December 28, 2018.



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**Severance Policy for Executive Officers.** Under our severance policy for executive officers of the Company, in the event that the chief executive officer is terminated without cause and signs a release of claims, the executive would receive 150% of the executive's then-current salary, plus 150% of the executive's average annual cash bonus and cash incentive compensation as determined by us over the prior three years, payment of health benefit continuation coverage under COBRA for 18 months (or, if earlier, until he becomes eligible for group health coverage with another employer) and immediate vesting of unvested outstanding equity awards that would vest within 18 months. In the event that the chief financial officer or chief operating officer is terminated without cause and signs a release of claims, the executive would receive 100% of the executive's then-current salary, 100% of the executive's average annual cash bonus and cash incentive compensation as determined by us over the prior three years, payment of health benefit continuation coverage under COBRA for 12 months (or, if earlier, until he becomes eligible for group health coverage with another employer) and immediate vesting of unvested outstanding equity awards that would vest within 12 months. In the event that an executive officer, other than those described in the foregoing, is terminated without cause and signs a release of claims, the executive would receive 75% of the executive's then-current salary, 50% of the executive's average annual cash bonus and cash incentive compensation as determined by us over the prior three years and payment of health benefit continuation coverage under COBRA for 9 months (or, if earlier, until he becomes eligible for group health coverage with another employer). We may revise or terminate this policy at any time, except that following a change in control, the policy may not be terminated or amended to adversely affect a participant for 12 months thereafter.

The following table shows amounts that would have been paid if the named executive officers had been terminated without cause on December 28, 2018:

Name	Salary (\$)	Cash Incentive (\$)	Health Benefits (\$)	Value of Accelerated Vesting (\$)	Total Severance (\$)
James P. Scholhamer	772,500	697,852	36,369	1,902,015	3,408,736
Sheri Savage	378,320	317,532		739,599	1,435,451
Joe Williams	273,083	93,462	164		366,708
Scott H. Nicholas	309,000	135,500	8,534		453,034
Joan Sterling	203,168	67,361	5,858		276,387
Lavi Lev <sup>(1)</sup>	241,568	95,722			337,289
Michael Henderson <sup>(2)</sup>	234,090	60,377	16,023		310,490

- (1) Mr. Lev left the Company on June 1, 2018. On February 6, 2018, the Company entered into a Letter Agreement (the "Letter Agreement") with Lavi A. Lev, the Company's President, Asia, which extended Mr. Lev's current assignment in the Company's Singapore facilities through June 1, 2018, which date may be extended with the mutual agreement of the Company and Mr. Lev (such date, as may be extended, the "End Date"). Under the Letter Agreement, Mr. Lev was entitled to receive a lump sum cash payment equal to the following: (i) 15 months of his then-current base salary, (ii) an additional three months of salary, grossed up for taxes, representing an allowance for Mr. Lev to establish residence in a location of his choosing following the End Date, (iii) an amount equal to the value of his outstanding, unvested equity awards held as of the End Date that would have vested during the period June 1, 2018 through June 2, 2019, calculated as of the End Date, (iv) an amount equal to his average annual cash bonus over the prior three fiscal years, (v) 18 months of COBRA premiums and (vi) an amount equal to the value of 10,000 restricted stock units calculated as of the End Date. On June 7, 2018 and September 14, 2018, we paid Mr. Lev \$1,438,800 and \$20,481, respectively, pursuant to the Letter Agreement following Mr. Lev's termination.
- (2) Mr. Henderson left the Company on October 5, 2018. Under a Mutual Separation Agreement (the "Agreement") with Michael Roy Henderson, Mr. Henderson was paid a lump sum cash payment of \$408,940 equal to: (i) 9 months base salary, (ii) 9 months of COBRA premiums and (iii) 50% of the estimated value of the restricted stock units that would vest within the next year from the date of the Agreement.



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### ***CEO Pay Ratio***

As required by Section 953(b) of the Dodd-Frank Wall Street Reform and Consumer Protection Act and Item 402(u) of Regulation S-K, we are required to disclose the ratio of our median employee's annual total compensation to the annual total compensation of our principal executive officer.

During fiscal 2018, the principal executive officer of Ultra Clean was our Chief Executive Officer, James Scholhamer. For 2018, the combined annual total compensation for Mr. Scholhamer was \$2,297,632, and for our median employee was \$34,793, resulting in an estimated pay ratio of approximately 66:1.

In accordance with the flexibility provided by Item 402(u) of Regulation S-K, we identified the median employee by aggregating for each applicable employee (A) annual base salary or wage rates for our salaried and hourly employees as of December 28, 2018 (the median employee determination date), (B) the target bonus for 2018 and (C) the accounting value of any equity awards granted during 2018. We then ranked this compensation measure for our employees from lowest to highest. This calculation was performed for individuals, excluding our current Chief Executive Officer, James Scholhamer, whether employed on a full-time or part-time basis.

Once we identified our median employee, we then calculated such employee's annual total compensation for 2018 using the same methodology we used for purposes of determining the annual total compensation of our named executive officers for 2018 (as set forth in the 2018 Summary Compensation Table on page 29. Our CEO's annual total compensation for 2018 for purposes of the Pay Ratio Rule is equal to the amount reported in the Total column in the 2018 Summary Compensation Table.

The pay ratio reported above is a reasonable estimate calculated in a manner consistent with SEC rules based on our internal records and the methodology described above. Because the SEC rules for identifying the median compensated employee and calculating the pay ratio based on that employee's annual total compensation allow companies to adopt a variety of methodologies, to apply certain exclusions, and to make reasonable estimates and assumptions that reflect their employee populations and compensation practices, the pay ratio reported by other companies may not be comparable to the pay ratio reported above, as other companies have different employee populations and compensation practices and may utilize different methodologies, exclusions, estimates and assumptions in calculating their own pay ratios.

### **Compensation Committee Interlocks and Insider Participation**

The members of the Compensation Committee in fiscal 2018 were David T. ibnAle (chair), Emily M. Liggett and Thomas T. Edman. No member of our Compensation Committee is or was an officer or employee of the Company during fiscal 2018. None of our executive officers serves or served during fiscal 2018 as a member of the board of directors or compensation committee of any entity that has one or more executive officers serving as a member of our Board of Directors or its Compensation Committee.



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**OTHER MATTERS**

We know of no other matters to be submitted to the meeting. If any other matters properly come before the meeting, it is the intention of the persons named in the enclosed form of proxy to vote the shares they represent as the Company or the Company's management may recommend.

BY ORDER OF THE BOARD OF DIRECTORS

By: /s/ James P. Scholhamer  
Name: James P. Scholhamer  
Title: Chief Executive Officer

Dated: April 24, 2019



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**ANNEX 1**

**Ultra Clean Holdings, Inc.**

**Amended and Restated Stock Incentive Plan**

**(Amended as of April 23, 2019, Subject to Stockholder Approval)**

Section 1. *Purpose.* The purposes of the Ultra Clean Holdings, Inc. Stock Incentive Plan (this **Plan**) are to promote the interests of Ultra Clean Holdings, Inc., a Delaware company (together with its successors and assigns, the **Company**) and its stockholders by (i) attracting and retaining exceptional executive personnel and other key employees and consultants of the Company and its Affiliates (as defined below); (ii) motivating employees, consultants and directors by means of performance related incentives to achieve longer range performance goals; and (iii) enabling employees, consultants and directors to participate in the long term growth and financial success of the Company.

Section 2. *Definitions.* As used in the Plan, the following terms shall have the meanings set forth below:

**Affiliate** means any parent corporation or subsidiary corporation of the Company, whether now or hereafter existing, as those terms are defined in Sections 424(e) and (f), respectively, of the Code.

**Award** means any Option, SAR, Restricted Share, RSU, Performance Award or other award granted under the Plan.

**Award Agreement** means any written agreement, contract, or other instrument or document evidencing any Award, which may, but need not, be executed or acknowledged by a Participant.

**Board** means the Board of Directors of the Company.

**Cause** means, unless otherwise defined in any Employment Agreement or Award Agreement:

- (i) the failure, refusal or willful neglect of a Participant to perform the services required of such Participant in his capacity as an employee;
- (ii) the Company forming a good faith belief that a Participant has engaged in fraudulent conduct in connection with the business of the Company or its subsidiaries or that a Participant has committed a felony;
- (iii) a Participant's breach of any trade secret or confidential information agreement with the Company or its subsidiaries; or
- (iv) the Company forming a good faith belief that a Participant has committed an act of misconduct, violated the Company's or its subsidiaries' anti-discrimination policies prohibiting discrimination or harassment on the grounds of race, sex, age or any other legally prohibited basis, or otherwise has caused material harm to the Company's or its subsidiaries' reputation or goodwill.

**Change of Control** means the occurrence of one of the following events:

- (i) the consummation of a merger or consolidation of the Company with or into any other entity pursuant to which the stockholders of the Company, or applicable, immediately prior to such merger or consolidation hold less than 50% of the voting power of the surviving entity;



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- (ii) the sale or other disposition of all or substantially all of the Company's assets; or
- (iii) any acquisition by any person or persons (other than the direct and indirect stockholders of the Company immediately after the Effective Date) of the beneficial ownership of 50% or more of the voting power of the Company's equity securities in a single transaction or series of related transactions; *provided, however*, that an underwritten public offering of the Company's securities shall not be considered a Change in Control;

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*provided, however*, that a transaction shall not constitute a Change in Control if its sole purpose is to change the state of the Company's incorporation or to create a holding company that will be owned in substantially the same proportions by the persons who held the Company's securities immediately before such transaction.

**Code** means the Internal Revenue Code of 1986, as amended from time to time.

**Committee** means a committee of one or more members of the Board designated by the Board to administer the Plan. Until otherwise determined by the Board, the full Board shall be the Committee under the Plan.

**Consultant** means any natural person, including an advisor, engaged by the Company or an Affiliate to render bona fide consulting or advisory services.

**Director** means a member of the Board.

**Disability** shall mean **permanent and total disability** as defined in Section 22(e)(3) of the Code.

**Employee** means an employee of the Company or any of its Affiliates.

**Employment Agreement** means an employment agreement entered into between a Participant and the Company or any of its Affiliates.

**Exchange Act** means the Securities Exchange Act of 1934, as amended.

**Exercise Price** means the purchase price of the Option or exercise or base price of the SAR, in either case as set forth in the Award Agreement.

**Fair Market Value** means, with respect to a Share as of any date of determination, the reported closing price of a share of such class of common stock on such exchange or market as is the principal trading market for such class of common stock for the trading day immediately preceding such date of determination. If such class of common stock is not listed on an exchange or principal trading market on such date, the fair market value of a Share shall be determined by the Committee in good faith taking into account as appropriate recent sales of the Shares, recent valuations of the Shares and such other factors as the Committee shall in its discretion deem relevant or appropriate.

**Full-Value Awards** means Restricted Shares, RSUs, Performance Awards and other Awards that result in the Company transferring the full value of any underlying Share granted pursuant to an Award, but shall not include Options and SARs.

**Incentive Stock Option** means a right to purchase Shares from the Company that is granted under Section 6 of the Plan and that is intended to meet the requirements of Section 422 of the Code or any successor provision thereto.

**Non-Qualified Stock Option** means a right to purchase Shares from the Company that is granted under Section 6 of the Plan and that is not intended to be an Incentive Stock Option.

**Option** means an Incentive Stock Option or a Non-Qualified Stock Option.

**Participant** means a Person granted an Award under the Plan (and to the extent applicable, any heirs or legal representatives thereof).

**Performance Award** has the meaning set forth in Section 10 hereof.



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**Person** means any individual, corporation, limited liability company, partnership, association, joint-stock company, trust, unincorporated organization, government or political subdivision thereof or other entity.

**Restricted Shares** has the meaning set forth in Section 8 hereof.

**RSU** has the meaning set forth in Section 9 hereof.

**Rule 16b-3** means Rule 16b-3 promulgated under the Exchange Act or any successor to Rule 16b-3, as in effect from time to time.

**SAR** has the meaning set forth in Section 7 hereof.

**SEC** means the Securities and Exchange Commission or any successor thereto.

**Securities Act** means the Securities Act of 1933, as amended.

**Shares** means shares of common stock of the Company or such other securities as may be designated by the Committee from time to time.

**Substitute Awards** means Awards granted in assumption of, or in substitution for, outstanding awards previously granted by a company acquired by the Company or with which the Company combines.

### Section 3. *Administration.*

- (a) *Authority of Committee.* The Plan shall be administered by the Committee. Subject to the terms of the Plan, applicable law and contractual restrictions affecting the Company, and in addition to other express powers and authorizations conferred on the Committee by the Plan, the Committee shall have full power and authority to: (i) designate Participants; (ii) determine the type or types of Awards to be granted to a Participant and the exercise price or purchase price, if applicable; (iii) determine the number of Shares to be covered by, or with respect to which payments, rights, or other matters are to be calculated in connection with, Awards; (iv) determine the terms and conditions (including the vesting schedule, if any) of any Award and Award Agreement; (v) determine whether, to what extent, and under what circumstances Awards may be settled or exercised in cash, Shares, other securities, other Awards or other property, or canceled, forfeited, or suspended and the method or methods by which Awards may be settled, exercised, canceled, forfeited or suspended; (vi) determine whether, to what extent, and under what circumstances cash, Shares, other securities, other Awards, other property, and other amounts payable with respect to an Award shall be deferred either automatically or at the election of the holder thereof or of the Committee; (vii) interpret and administer the Plan and any instrument or agreement relating to, or Award made under, the Plan; (viii) establish, amend, suspend, or waive such rules and regulations and appoint such agents as it shall deem appropriate for the proper administration of the Plan; and (ix) make any other determination and take any other action that the Committee deems necessary or desirable for the administration of the Plan.
- (b) *Committee Composition.* If the Board in its discretion deems it advisable, the Board may provide that the Committee may consist solely of two or more Non-Employee Directors as defined in Rule 16b-3.
- (c) *Committee Discretion Binding.* Unless otherwise expressly provided in the Plan, all designations, determinations, interpretations, and other decisions under or with respect to the Plan or any Award shall be within the sole discretion of the Committee, may be made at any time and shall be final, conclusive and binding upon all Persons, including the Company, any of its Affiliates, any Participant, any holder or beneficiary of any Award, any stockholder and any Employee.
- (d) *No Repricings.* Except in connection with a corporate transaction involving the Company (including, without limitation, any stock dividend, stock split, extraordinary cash dividend, recapitalization, reorganization, merger, consolidation, split-up, spin-off, combination, or exchange of shares), the terms of outstanding Awards may not be amended to reduce the Exercise Price of outstanding Options or







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SARs or cancel outstanding Options or SARs in exchange for cash, other Awards or Options or SARs with an Exercise Price that is less than the Exercise Price of the original Options or SARs without stockholder approval.

### **Section 4. *Shares Available for Awards.***

- (a) *Shares Available.* Subject to adjustment as provided in this Section, the maximum number of Shares with respect to which Awards may be granted under the Plan shall be 12,555,695, including Shares previously issued under the Plan and including an increase of 1,500,000 Shares effective as of June 10, 2010, an increase of 3,100,000 shares effective May 22, 2013, an increase of 2,700 000 shares effective May 24, 2017 and an increase of 2,300,000 shares effective May 24, 2019. Such Shares may consist, in whole or in part, of authorized and unissued shares or treasury shares. Each Share underlying Full-Value Awards granted after June 10, 2010 have been and will continue to be counted against the foregoing share reserve as 1.23 Shares.
- (b) *Shares Returned to Reserve.* If, after the effective date of the Plan, any Shares covered by an Award granted under the Plan (including any Substitute Award) or to which such an Award relates are forfeited, or if such an Award is settled for cash or otherwise terminates or is canceled without the delivery of Shares, then the Shares covered by such Award, or to which such Award relates, shall again become Shares with respect to which Awards may be granted. If SARs are exercised, then all of the Shares (if any) actually issued in settlement of such SARs plus any Shares that represent payment of the Exercise Price shall reduce the number available under this Section. If Full-Value Awards granted after June 10, 2010 are forfeited, then 1.23 times the number of Shares so forfeited will again become available for issuance under the Plan. The following Shares may not again be made available for issuance as awards under the Plan: (i) Shares not issued or delivered as a result of the net settlement of an outstanding SAR or option; (ii) Shares used to pay the exercise price or withholding taxes related to an outstanding option or SAR; or (iii) Shares repurchased on the open market with the proceeds of the option exercise price.
- (c) *Individual Limitation.* Subject to the provisions below relating to adjustments upon changes in the Shares, no Employee shall be eligible to be granted Options or SARs covering more than 750,000 Shares during any calendar year.
- (d) *Adjustments.* In the event that the number of issued Shares is increased or decreased as a result of a stock dividend, stock split, reverse stock split, combination or reclassification of Shares, or any other increase or decrease in the number of issued Shares effected without receipt of consideration by the Company (provided that conversion of any convertible securities of the Company shall not be deemed to have been effected without receipt of consideration ), then the Committee shall, in such manner as it may deem equitable, adjust any or all of (i) the number of Shares of the Company (or number and kind of other securities or property) with respect to which Awards may thereafter be granted, (ii) the number of Shares or other securities of the Company (or number and kind of other securities or property) subject to outstanding Awards, and (iii) the grant or exercise price with respect to any Award.
- (e) *Substitute Awards.* Any Shares underlying Substitute Awards shall not be counted against the Shares authorized for issuance under the Plan and shall increase the number Shares available for issuance hereunder.

### **Section 5. *Eligibility.***

- (a) *General.* Any Employee, Consultant or Director shall be eligible to be selected by the Committee to receive an Award under the Plan.
- (b) *Incentive Stock Options.* Only Employees shall be eligible for the grant of Incentive Stock Options.
- (c) *Substitute Awards.* Holders of options and other types of awards granted by a company acquired by the Company or with which the Company combines are eligible for grants of Substitute Awards hereunder.







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- (d) *Non-Employee Directors.* Awards may be granted to non-employee Directors in accordance with the policies established from time to time by the Committee specifying the number of shares (if any) to be subject to each such Award and the time(s) at which such Awards shall be granted. Awards granted to non-employee Directors shall be on terms and conditions determined by the Committee, subject to the provisions of the Plan.

### Section 6. *Stock Options.*

- (a) *Grants.* The Committee is authorized to grant Options to Participants with the terms and conditions set forth in this Section 6 and with such additional terms and conditions, in either case not inconsistent with the provisions of the Plan, as the Committee shall determine.
- (b) *Type of Option.* The Committee shall have the authority to grant Incentive Stock Options, Non-Qualified Stock Options, or both. In the case of Incentive Stock Options, the terms and conditions of such grants shall be subject to and comply with the provisions of Section 422 of the Code, as from time to time amended, or any successor provision thereto, and any regulations implementing such statute.
- (c) *Exercise Price.* The Committee in its sole discretion shall establish the Exercise Price at the time each Option is granted. Notwithstanding the foregoing, the Exercise Price of any Option shall not be less than 100% of the Fair Market Value at the time the Option is granted.
- (d) *Exercise.* Each Option shall have a maximum term of ten years and shall be exercisable at such times and subject to such terms and conditions as the Committee may, in its sole discretion, specify in the applicable Award Agreement or thereafter. The Committee may impose such conditions with respect to the exercise of Options, including without limitation, any relating to the application of Federal or state securities laws, as it may deem necessary or advisable.
- (e) *Payment.* No Shares shall be delivered pursuant to any exercise of an Option until payment in full of the exercise price is received by the Company. Such payment may be made: (i) in cash; (ii) if approved by the Committee, in Shares (the value of such Shares shall be their Fair Market Value on the date of exercise) owned by the Participant for the period required to avoid a charge to the Company's earnings (which is generally six months); (iii) if approved by the Committee, by a combination of the foregoing; (iv) if approved by the Committee, in accordance with a cashless exercise program; or (v) in such other manner as permitted by the Committee at the time of grant or thereafter.

Section 7. *Stock Appreciation Rights.* The Committee is authorized to grant Stock Appreciation Rights ( **SARs** ) to Participants with the terms and conditions set forth herein and with such additional terms and conditions, in either case not inconsistent with the provisions of the Plan, as the Committee shall determine. The Exercise Price of a SAR shall not be less than 100% of the Fair Market Value at the time the SAR is granted. Each SAR shall have a maximum term of ten years and shall be exercisable at such times and subject to such terms and conditions as the Committee may, in its sole discretion, specify in the applicable Award Agreement or thereafter. The Committee may impose such conditions with respect to the exercise of SARs, including without limitation, any relating to the application of Federal or state securities laws, as it may deem necessary or advisable. Each Award Agreement shall specify whether the SAR is exercisable for (a) Shares, (b) cash or (c) a combination of Shares and cash, as the Committee shall determine. The amount of cash and/or the Fair Market Value of Shares received upon exercise of SARs shall, in the aggregate, be equal to the amount by which the Fair Market Value (on the date of exercise) of the Shares underlying the SARs exceeds the Exercise Price. An Award Agreement may provide that if, on the date when a SAR expires, the Exercise Price under such SAR is less than the Fair Market Value on such date but any portion of such SAR has not been exercised or surrendered, then such SAR shall automatically be deemed to be exercised as of such date with respect to such portion.

Section 8. *Restricted Shares.* The Committee is authorized to grant Shares of restricted stock ( **Restricted Shares** ) to Participants with the terms and conditions set forth herein and with such additional terms and



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conditions, in either case not inconsistent with the provisions of the Plan, as the Committee shall determine. Restricted Shares may be sold or awarded under the Plan for such consideration as the Committee may determine, including (without limitation) cash, cash equivalents, past services and future services, to the extent permitted by applicable law. Each Award of Restricted Shares may be subject to vesting as determined by the Committee. Vesting shall occur, in full or in installments, upon satisfaction of the conditions specified in the Award Agreement. Unless otherwise specified in the Award Agreement, the holders of Restricted Shares shall have the same voting and other rights as the Company's other stockholders, but unless expressly approved by the Committee, no dividend rights (and, to the extent the Committee approves dividend rights for Restricted Shares, any such dividends may be subject to the same conditions and restrictions as the Award with respect to which the dividends were paid).

**Section 9. *Stock Units and Restricted Stock Units.*** The Committee is authorized to grant units representing the right to receive Shares ( **RSUs** ) to Participants with the terms and conditions set forth herein and with such additional terms and conditions, in either case not inconsistent with the provisions of the Plan, as the Committee shall determine. To the extent that an Award is granted in the form of RSUs, no cash consideration shall be required of the Award recipients. Each Award of RSUs may be subject to vesting as determined by the Committee. Vesting shall occur, in full or in installments, upon satisfaction of the conditions specified in the Award Agreement. Holders of RSUs shall have no voting rights or, unless otherwise specified by the Award Agreement, any right to dividends or dividend equivalents (which if approved by the Committee shall in any event be subject to the same conditions and restrictions as the RSUs to which they attach). Settlement of vested RSUs may be made in the form of (a) cash, (b) Shares or (c) any combination of both, as determined by the Committee and specified in the Award Agreement. The actual number of RSUs eligible for settlement may be larger or smaller than the number included in the original Award, based on predetermined performance factors. Unless otherwise specified in the Award Agreement, the distribution shall occur when all vesting conditions applicable to the RSUs have been satisfied or have lapsed.

**Section 10. *Performance Awards.***

- (a) Performance awards granted under the Plan may be earned upon achievement or satisfaction of performance conditions specified by the Committee ( **Performance Awards** ) and may be settled in cash, Shares, other Awards or other property, as specified by the Committee. In addition, the Committee may specify that any other Award shall constitute a Performance Award by conditioning the right of a Participant to exercise the Award or have it settled, and the timing thereof, upon achievement or satisfaction of such performance conditions as may be specified by the Committee. The Committee may use such business criteria and other measures of performance as it may deem appropriate in establishing any performance conditions, and may exercise its discretion to reduce or increase the amounts payable under any Award subject to performance conditions.
- (b) The following represent business criteria and other measures of performance that the Committee may use to establish any performance conditions:
  - (i) *Performance Goal.* The performance goals for Performance Awards may consist of one or more business criteria and a targeted level or levels of performance with respect to each of such criteria, as specified by the Committee consistent with this subsection. The Committee may determine that such Performance Awards shall be granted, exercised and/or settled upon achievement of any one performance goal or that two or more of the performance goals must be achieved as a condition to grant, exercise and/or settlement of such Performance Awards. Performance goals may differ for Performance Awards granted to any one Participant or to different Participants.
  - (ii) *Business Criteria.* One or more of the following business criteria for the Company, on a consolidated basis, and/or for an Affiliate or a business unit of the Company or of an Affiliate shall be used by the Committee in establishing performance goals for Performance Awards: (1) net sales or product and product related revenue; (2) earnings from operations, earnings before or after taxes, earnings before or after interest, depreciation, amortization or extraordinary or



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special items, (3) net income or net income per Share (basic or diluted); (4) return on assets, return on investment, return on capital, or return on equity; (5) cash flow, free cash flow, cash flow return on investment, or net cash provided by operations; (6) interest expense after taxes; (7) operating margin; (8) share price or total stockholder return; and (9) strategic business criteria (including without limitation meeting specified market penetration, geographic business expansion goals, cost targets, customer satisfaction, employee satisfaction; management of employment practices and employee benefits; and goals relating to acquisitions or divestitures of business units of the Company or of affiliates). The targeted level or levels of performance with respect to such business criteria may be established at such levels and in such terms as the Committee may determine, in its discretion, including in absolute terms, as a goal relative to performance in prior periods, or as a goal compared to the performance of one or more comparable companies or an index covering multiple companies.

- (iii) *Performance Period; Timing for Establishing Performance Goals.* Achievement of performance goals in respect of Performance Awards shall be measured over a performance period of up to one year or more than one year, as specified by the Committee. A performance goal shall be established not later than the earlier of (A) 90 days after the beginning of any performance period applicable to such Performance Award or (B) the time when 25% of such performance period has elapsed.
- (v) *Committee Determinations.* The Committee shall certify whether any performance objective relating to the Performance Award and other material terms upon which settlement of the Award was conditioned have been satisfied prior to any payout of such Award.

Section 11. *Other Stock-based Awards.* The Committee is hereby authorized to grant to Participants other awards that are denominated or payable in, valued in whole or in part by reference to, or otherwise based on or related to, Shares (including, without limitation, securities convertible into Shares) as are deemed by the Committee to be consistent with the purposes of the Plan. Subject to the terms of the Plan, the Committee shall determine the terms and conditions of such Awards. Shares or other securities delivered pursuant to a purchase right granted under this Section shall be purchased for such consideration, which may be paid by such method or methods and in such form or forms, including, without limitation, cash, Shares, other securities, other Awards, or other property, or any combination thereof, as the Committee shall determine.

Section 12. *Effect of Termination of Employment or Service.*

- (a) *Termination of Employment or Service.* Except as the Committee may otherwise provide at the time the Award is granted or thereafter, or as required to comply with applicable law, if the Participant's employment or service with the Company and its Affiliates is terminated by Participant or by the Company for any reason (other than death or Disability or by the Company for Cause), then (i) to the extent not yet vested as of the date of termination, an Award shall immediately be forfeited, and (ii) to the extent vested as of the date of termination, an Award may be retained and, if applicable, exercised until the earlier of (A) the date three months (or such longer or shorter period, if any, specified in the applicable Award Agreement or Employment Agreement) after such termination of employment or service or (B) the date such Award would have expired had it not been for the termination of employment or service, after which time, in either case, such Award shall expire. For the avoidance of doubt, change in status from an Employee to a Consultant or non-employee Director, or vice versa, shall be considered a termination of employment or service except as otherwise determined by the Committee.
- (b) *Death or Disability.* Except as the Committee may otherwise provide at the time the Award is granted or thereafter, or as required to comply with applicable law, if the Participant's employment or service with the Company and its Affiliates is terminated by reason of death or Disability, then (i) to the extent not yet vested as of the date of termination, an Award shall immediately be forfeited, and (ii) to the extent vested as of the date of termination, the Award may be retained and, if applicable, exercised by



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the Participant or his successor (if employment or service is terminated by death) until the earlier of (A) the date one year after such termination of employment or service or (B) the date such Award would have expired had it not been for the termination of such employment or service, after which time, in either case, such Award shall expire.

- (c) *Cause.* Except as the Committee may otherwise provide at the time the Award is granted or thereafter, or as required to comply with applicable law, if the Participant's employment or service with the Company and its Affiliates is terminated by the Company or an Affiliate for Cause, all Awards shall be forfeited and shall expire immediately on the date of termination.

### Section 13. *Amendment and Termination.*

- (a) *Amendment of the Plan.* The Board may amend, alter, suspend or discontinue the Plan or any portion thereof at any time; provided that no such amendment, alteration, suspension or discontinuation shall be made without stockholder approval if such approval is necessary to comply with any tax or regulatory requirement, for which or with which the Board deems it necessary or desirable to qualify or comply. Notwithstanding anything to the contrary herein, the Committee may amend the Plan in such manner as may be necessary so as to have the Plan conform with local rules and regulations in any jurisdiction outside the United States. Any such amendment, alteration, suspension, discontinuance, or termination that would adversely affect the rights of a Participant or any holder or beneficiary of any Award theretofore granted shall not to that extent be effective with respect to such Award without the consent of the affected Participant, holder or beneficiary, except as otherwise provided in Section 14 below or elsewhere in the Plan.
- (b) *Amendment or Termination of Awards.* Subject to the terms of the Plan and applicable law, the Committee may waive any conditions or rights under, amend any terms of, or alter, suspend, discontinue, cancel or terminate, any Award theretofore granted, prospectively or retroactively; *provided* that any such waiver, amendment (other than any amendment to Section 14 hereof), alteration, suspension, discontinuance, cancellation or termination that would adversely affect the rights of a Participant or any holder or beneficiary of any Award theretofore granted shall not to that extent be effective without the consent of the affected Participant, holder or beneficiary, except as otherwise provided in Section 14 below or elsewhere in the Plan or the applicable Award Agreement.
- (c) *Termination of the Plan.* The Plan shall remain in effect until May 23, 2029, unless earlier terminated by the Board. Unless otherwise expressly provided in the Plan or in an applicable Award Agreement, any Award granted hereunder may, and the authority of the Board or the Committee to amend, alter, adjust, suspend, discontinue or terminate any such Award or to waive any conditions or rights under any such Award shall, continue after the authority to grant of new Awards hereunder has been exhausted.

### Section 14. *Corporate Transactions.*

- (a) *Corporate Transactions.* Any provision of this Plan or any Award Agreement to the contrary notwithstanding, in the event of a Change of Control, the Committee, in its sole discretion, (i) may cause any outstanding Award to be (x) continued by the Company, (y) assumed, or substituted with a substantially equivalent award, by the successor company (or its parent or any of its subsidiaries), or (z) canceled in consideration of a cash payment or alternative Award, if applicable, made to the holder of such canceled Award equal in value to the Fair Market Value of such canceled Award less any exercise price (provided that the Committee may determine that only holders of vested Awards shall receive any such cash payment or alternative Award); or (ii) may take any other action or actions with respect to the outstanding Awards that it deems appropriate. Any Award (or any portion thereof) not continued or assumed by the Company or the successor company (or its parent or any of its subsidiaries), as applicable, pursuant to the foregoing shall terminate on such Change of Control and the holder thereof shall be entitled to no consideration for such Award.



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- (b) *Dissolution or Liquidation.* In the event of a dissolution or liquidation of the Company, all outstanding Awards shall terminate immediately prior to such event.

### Section 15. *General Provisions.*

- (a) *Dividend Equivalents.* In the sole and complete discretion of the Committee, an Award may provide the Participant with dividends or dividend equivalents, payable in cash, Shares, other securities or other property on a current or deferred basis; *provided* that dividends shall not be paid on Options, SARs or on unearned Performance Awards.
- (b) *Nontransferability of Awards.* Except to the extent otherwise provided in an Award Agreement, no Award shall be assigned, alienated, pledged, attached, sold or otherwise transferred or encumbered by a Participant, except by will or the laws of descent and distribution.
- (c) *No Rights to Awards.* No Employee, Participant or other Person shall have any claim to be granted any Award, and there is no obligation for uniformity of treatment of Employees, Participants, or holders or beneficiaries of Awards. The terms and conditions of Awards need not be the same with respect to each recipient.
- (d) *Share Certificates.* Any stock certificate or transfer agent book-entry procedure or other evidence of ownership shall carry such appropriate legends, and such written instructions shall be given to the Company transfer agent, as may be deemed necessary or advisable by counsel to the Company in order to comply with the requirements of the Securities Act of 1933, any state securities laws or any other applicable laws, and shall be subject to such stop transfer orders and other restrictions as the Committee may deem advisable under the Plan or the rules, regulations and other requirements of the Securities and Exchange Commission or any stock exchange upon which such Shares or other securities are then listed and any applicable laws or rules or regulations.
- (e) *Withholding.* A Participant may be required to pay to the Company or any of its Affiliates, and the Company or any Affiliate shall have the right and is hereby authorized to withhold from any Award, from any payment due or transfer made under any Award or under the Plan or from any compensation or other amount owing to a Participant, the amount (in cash, Shares, other securities, other Awards or other property) of any applicable withholding taxes in respect of an Award, its exercise, or any payment or transfer under an Award or under the Plan and to take such other action as may be necessary in the opinion of the Company to satisfy all obligations for the payment of such taxes. The Committee may provide for additional cash payments to holders of Awards to defray or offset any tax arising from any such grant, lapse, vesting, or exercise of any Award.
- (f) *Award Agreements.* Each Award hereunder shall be evidenced by an Award Agreement which shall be delivered to the Participant and shall specify the terms and conditions of the Award and any rules applicable thereto.
- (g) *No Limit on Other Compensation Arrangements.* Nothing contained in the Plan shall prevent the Company or any Affiliate from adopting or continuing in effect other compensation arrangements, which may, but need not, provide for the grant of options, restricted stock, Shares and other types of Awards provided for hereunder (subject to stockholder approval if such approval is required), and such arrangements that may be either generally applicable or applicable only in specific cases.
- (h) *No Right to Employment.* The grant of an Award shall not be construed as giving a Participant the right to be retained in the employ or service of the Company or any Affiliate and shall not lessen or effect the right of the Company or its Affiliates to terminate the employment or service of a Participant.

(i)



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*Rights as a Stockholder.* Subject to the provisions of the applicable Award, no Participant or holder or beneficiary of any Award shall have any rights as a stockholder with respect to any Shares to be issued under the Plan until he or she has become the holder of such Shares.

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- (j) *Governing Law.* The validity, construction, and effect of the Plan and any rules and regulations relating to the Plan and any Award Agreement shall be determined in accordance with the laws of the State of California.
  
- (k) *Severability.* If any provision of the Plan or any Award is or becomes or is deemed to be invalid, illegal, or unenforceable in any jurisdiction or as to any Person or Award, or would disqualify the Plan or any Award under any law deemed applicable by the Committee, such provision shall be construed or deemed amended to conform to the applicable laws, or if it cannot be construed or deemed amended without, in the determination of the Committee, materially altering the intent of the Plan or the Award, such provision shall be stricken as to such jurisdiction, Person or Award and the remainder of the Plan and any such Award shall remain in full force and effect.
  
- (l) *Other Laws.* The Committee may refuse to issue or transfer any Shares or other consideration under an Award if, acting in its sole discretion, it determines that the issuance or transfer of such Shares or such other consideration might violate any applicable law or regulation or entitle the Company to recover the same under Section 16(b) of the Exchange Act, and any payment tendered to the Company by a Participant in connection therewith shall be promptly refunded to the relevant Participant, holder or beneficiary. Without limiting the generality of the foregoing, no Award granted hereunder shall be construed as an offer to sell securities of the Company, and no such offer shall be outstanding, unless and until the Committee in its sole discretion has determined that any such offer, if made, would be in compliance with all applicable requirements of the U.S. federal securities laws and any other laws to which such offer, if made, would be subject.
  
- (m) *No Trust or Fund Created.* Neither the Plan nor any Award shall create or be construed to create a trust or separate fund of any kind or a fiduciary relationship between the Company or any Affiliate and a Participant or any other Person. To the extent that any Person acquires a right to receive payments from the Company or any Affiliate pursuant to an Award, such right shall be no greater than the right of any unsecured general creditor of the Company or any Affiliate.
  
- (n) *No Fractional Shares.* No fractional Shares shall be issued or delivered pursuant to the Plan or any Award, and the Committee shall determine whether cash or other securities or other property shall be paid or transferred in lieu of any fractional Shares or whether such fractional Shares or any rights thereto shall be canceled, terminated, or otherwise eliminated.
  
- (o) *Headings.* Headings are given to the Sections and subsections of the Plan solely as a convenience to facilitate reference. Such headings shall not be deemed in any way material or relevant to the construction or interpretation of the Plan or any provision thereof.
  
- (p) *Proprietary Information and Inventions Agreement.* A Participant may be required, as a condition precedent to the exercise or settlement of an Award, to have executed and be in compliance with the Company's (or its subsidiary's) standard form of confidentiality and non-disclosure agreement.
  
- (q) *Modification of Award Terms for non-U.S. Employees.* The Committee shall have the discretion and authority to grant Awards with such modified terms as the Committee deems necessary or appropriate in order to comply with the laws of the country in which the Employee resides or is employed, and may establish a subplan under this Plan for such purposes.
  
- (r) *Code Section 409A Compliance.* To the extent applicable, it is intended that this Plan and any Awards granted hereunder are exempt from, or comply with, the requirements of Section 409A of the Code and any related regulations or other guidance promulgated with respect to such Section by the U.S. Department of the Treasury or the Internal Revenue Service ( **Section 409A** ). The Company shall have the authority to unilaterally amend the Plan and any Award Agreement as the Committee determines in good faith is necessary or desirable to allow any Awards to avoid the imposition of additional tax liabilities under Section 409A to the extent permitted by Section 409A.







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