

KB HOME
Form DEF 14A
March 05, 2008

Table of Contents

SCHEDULE 14A INFORMATION

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

(AMENDMENT NO. __)

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

Definitive Proxy Statement

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

KB HOME

(Name of Registrant as Specified In Its Charter)

KB HOME

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

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No fee required.

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Table of Contents

**NOTICE OF 2008 KB HOME
ANNUAL MEETING OF STOCKHOLDERS
AND PROXY STATEMENT
APRIL 3, 2008**

Table of Contents

KB HOME

*10990 Wilshire Boulevard
Los Angeles, California 90024
(310) 231-4000*

March 5, 2008

Dear Fellow Stockholder:

Your officers and directors join me in inviting you to attend the 2008 Annual Meeting of Stockholders of KB Home at 9:00 a.m. Pacific Daylight Time on April 3, 2008 at our headquarters in Los Angeles, California.

The expected items of business for the meeting are described in detail in the attached Notice of 2008 Annual Meeting of Stockholders and Proxy Statement. We also will discuss our 2007 results and our plans for the future.

We look forward to seeing you on April 3.

Sincerely,

Jeffrey T. Mezger
President and Chief Executive Officer

Table of Contents

Notice of 2008 Annual Meeting of Stockholders

Time and Date: 9:00 a.m. Pacific Daylight Time on Thursday, April 3, 2008.

Location: 10990 Wilshire Boulevard, Los Angeles, CA 90024.

- Items of Business:**
- (1) Elect three directors, each to serve for a one-year term;
 - (2) Ratify the appointment of Ernst & Young LLP as our independent registered public accounting firm for our fiscal year ending November 30, 2008;
 - (3) Consider two stockholder proposals, if properly presented at the meeting; and
 - (4) Transact any other business as may properly come before the meeting or any adjournment or postponement of the meeting.

The accompanying Proxy Statement describes these items in more detail. We have not received notice of any other matters that may be properly presented at the meeting.

Record Date: You can vote at the meeting and at any postponement or adjournment of the meeting if you were a stockholder of record on February 14, 2008.

Attending the Meeting: If you plan to attend the meeting, you may be asked to present photo identification and you may be accompanied by only one guest. If you hold your shares of our common stock in a brokerage or similar account (in street name), you will need to bring a statement reflecting the shares you owned on February 14, 2008.

Proxy Voting: **Whether or not you expect to attend the meeting, please promptly complete and return the proxy card or voting instruction card you received to ensure that your shares will be represented. If you are a holder of record, you may also vote by using the telephone number or via the Internet web site address printed on your proxy card. If your shares are held in street name, you must vote your shares in the manner prescribed on the voting instruction card your broker or nominee provided to you.**

Annual Report: Copies of our Annual Report on Form 10-K for the fiscal year ended November 30, 2007, including audited financial statements, are being mailed to stockholders concurrently with this Proxy Statement. We anticipate that the mailing will commence on or about March 6, 2008.

Internet Availability of Materials: This Notice of 2008 Annual Meeting of Stockholders and the accompanying Proxy Statement, a sample proxy card and our Annual Report on Form 10-K for the fiscal year ended November 30, 2007 may be viewed, printed and downloaded from the Internet at www.kbhome.com/investor/proxy.

By Order of The Board of Directors,

Wendy C. Shiba

*Executive Vice President, General Counsel and
Corporate Secretary*

*Los Angeles, California
March 5, 2008*

Table of Contents

<u>General Information</u>	1
<u>Why Did I Receive This Proxy Statement?</u>	1
<u>Can I Attend the Annual Meeting?</u>	1
<u>Who Is Entitled to Vote at the Annual Meeting?</u>	1
<u>Who is a Holder of Record ?</u>	1
<u>How Do I Vote?</u>	2
<u>What are the Voting Requirements to Elect the Director Nominees and to Approve Each of the Proposals in This Proxy Statement?</u>	2
<u>Are the Notice of Annual Meeting, This Proxy Statement and the 2007 Annual Report on Form 10-K Available Online?</u>	3
<u>Who Will Pay for This Proxy Solicitation?</u>	3
<u>Who Will Count the Vote?</u>	3
<u>Corporate Governance and Board Matters</u>	4
<u>Role of the Board of Directors</u>	4
<u>Director Qualifications</u>	4
<u>Director Independence</u>	4
<u>Corporate Governance Principles</u>	5
<u>Ethics Policy</u>	5
<u>Board Meetings, Membership and Attendance</u>	5
<u>Board Committees</u>	5
<u>Consideration of Director Candidates</u>	8
<u>Executive Sessions of Non-Employee Directors</u>	8
<u>Communications with the Board</u>	9
<u>Director Compensation</u>	9
<u>Proposals To Be Voted On</u>	13
<u>Proposal 1: Election of Directors</u>	13
<u>Proposal 2: Ratification of Independent Registered Public Accounting Firm</u>	16
<u>Proposal 3: Stockholder Proposal</u>	17
<u>Proposal 4: Stockholder Proposal</u>	19
<u>Ownership of KB Home Securities</u>	22
<u>Ownership of Directors and Management</u>	22
<u>Beneficial Owners of More Than Five Percent of Our Common Stock</u>	23
<u>Stock Ownership Requirements</u>	24
<u>Executive Compensation</u>	25
<u>Management Development and Compensation Committee Report</u>	25
<u>Compensation Discussion and Analysis</u>	25
<u>Overview</u>	25
<u>NEO Compensation Elements Overview</u>	26
<u>Key Considerations in 2007</u>	27
<u>Use of Market Data</u>	28
<u>CEO and Other NEO Compensation Decisions</u>	29
<u>Employment Agreements and Post-Termination Payments</u>	33
<u>Other Material Tax and Accounting Implications of the Executive Compensation Program</u>	34

<u>Other Compensation Policies</u>	34
<u>Summary Compensation Table</u>	35
<u>Grants of Plan-Based Awards During Fiscal Year 2007</u>	37
<u>Option Exercise Price Adjustment Payments</u>	38
<u>Outstanding Equity Awards at Fiscal Year-End 2007</u>	39
<u>Option Exercises and Stock Vested During Fiscal Year 2007</u>	42
<u>Pension Benefits During Fiscal Year 2007</u>	43
<u>Non-Qualified Deferred Compensation During Fiscal Year 2007</u>	44
<u>Employment Agreements and Potential Payments upon Termination of Employment or Change in Control</u>	44
<u>Audit and Compliance Committee Report</u>	54
<u>Independent Auditor Fees and Services</u>	55
<u>Other Matters</u>	56
<u>Certain Relationships and Related Party Transactions</u>	56
<u>Section 16(a) Beneficial Ownership Reporting Compliance</u>	57
<u>Other Business</u>	57
<u>Stockholder Proposals for Our 2009 Annual Meeting of Stockholders</u>	57

Table of Contents

KB HOME

*10990 Wilshire Boulevard
Los Angeles, California 90024*

Proxy Statement
for the
2008 Annual Meeting of Stockholders

To Be Held April 3, 2008

General Information

Why Did I Receive This Proxy Statement?

Your Board of Directors is furnishing this Proxy Statement to you to solicit your proxy to be voted at our 2008 Annual Meeting of Stockholders. The Annual Meeting is scheduled for Thursday, April 3, 2008, at the time and place and for the purposes set forth in the accompanying Notice of 2008 Annual Meeting of Stockholders. We anticipate that the mailing of this Proxy Statement to stockholders will commence on or about March 6, 2008.

Can I Attend the Annual Meeting?

You are cordially invited to attend the Annual Meeting. **Please note that you may be asked to present photo identification and be subject to a security check, and that no cameras, recording equipment, electronic devices, large bags, briefcases or packages will be permitted in the Annual Meeting. Also, due to space constraints, you may be accompanied by only one guest. Parking is available at the garage for the meeting location, which is accessed from Veteran Avenue.**

Who is Entitled to Vote at the Annual Meeting?

Only holders of record of the 77,420,742 shares of our common stock outstanding at the close of business on February 14, 2008 are entitled to vote at the Annual Meeting. Each holder of our common stock is entitled to one vote for each share held. Our Grantor Stock Ownership Trust, established to assist us in meeting certain of our obligations to employees under our employee benefit plans, held 12,155,082 shares of our common stock for voting purposes as of February 14, 2008. These shares will be voted by the trustee of the Grantor Stock Ownership Trust in accordance with instructions received from employees who participate in certain of our employee benefit plans. There is no right to cumulative voting.

Who is a Holder of Record ?

If your shares of our common stock are registered directly in your name with our transfer agent, Mellon Investor Services LLC, you are considered the holder of record of those shares. If your shares are held in a stock brokerage

account or by a financial institution or other holder of record, you are considered the beneficial owner of those shares held in street name.

Table of Contents

How Do I Vote?

If you are a beneficial owner, you have the right to instruct your broker, financial institution or other holder of record on how to vote your shares of our common stock by using the voting instruction card you received from them or by following their particular telephone and/or Internet voting instructions.

If you are a holder of record, you may vote the proxy card you received by mail, by telephone or via the Internet, as described below:

Mail. Please promptly complete and return your proxy card in the postage-paid envelope provided.

Telephone. Please call the toll-free telephone number listed on your proxy card. Telephone voting procedures have been established to verify your identity, to allow you to provide proxy voting instructions and to confirm that your instructions were accurately recorded. Please have your proxy card available when you call.

Internet. Please visit the Internet web site address listed on your proxy card. As with telephone voting, Internet voting procedures have been established to verify your identity and to confirm your voting instructions. Please have your proxy card available when you visit the Internet web site address.

Telephone and Internet voting will be available to holders of record 24 hours each day until 11:59 p.m. Eastern Daylight Time on April 2, 2008. If you use the toll-free telephone number or the Internet to provide your proxy voting instructions, you do not need to mail in your proxy card.

Revoking Your Proxy Vote. If you are a holder of record, you may revoke your proxy voting instructions made by mail, by telephone or via the Internet at any time before the exercise of those instructions at the Annual Meeting. To do so, you must send a revocation in writing to us in care of the Corporate Secretary, KB Home, 10990 Wilshire Boulevard, Los Angeles, California 90024.

If you are a beneficial owner, you may submit new voting instructions by contacting your broker, financial institution or other holder of record. You may also vote in person at the Annual Meeting as described in the next paragraph.

Voting In Person at the Annual Meeting. Whether you are a holder of record or a beneficial owner, you may vote in person at the Annual Meeting, even if you have previously provided proxy voting instructions by mail, by telephone or via the Internet. If you are a holder of record, you may also be represented by another person at the Annual Meeting by executing a proper proxy designating that person. If you are a beneficial owner of shares of our common stock, you must obtain a legal proxy from your broker, financial institution or other holder of record and present it with your ballot to be able to vote in person at the Annual Meeting.

What are the Voting Requirements to Elect the Director Nominees and to Approve Each of the Proposals in This Proxy Statement?

Under the laws of the State of Delaware, where we are incorporated, stockholders may take action at the Annual Meeting by voting their shares of our common stock as described above, provided a quorum is present. At least a majority of the outstanding shares of our common stock entitled to vote must be present or represented at the Annual Meeting to establish a quorum. Abstentions and broker non-votes are counted as present and entitled to vote for purposes of establishing a quorum.

A broker non-vote arises when a broker, financial institution or other holder of record does not receive instructions from a beneficial owner and does not have the discretionary authority to vote on a particular item. Per current New York Stock Exchange rules, brokers have discretionary authority to vote on the election of directors and on the ratification of the appointment of our independent registered public accounting firm. Brokers do not, however, have discretionary authority to vote on the stockholder proposals in this Proxy Statement. Accordingly, broker non-votes will not be considered entitled to vote for those proposals and will have no effect on the outcome.

All shares of our common stock represented by valid proxies received pursuant to this solicitation and not revoked will be voted at the Annual Meeting in accordance with the proxy instructions given.

Table of Contents

Because a proxy confers discretionary authority to vote on other matters that may properly come before the Annual Meeting, shares of our common stock represented by valid proxies will be voted in accordance with the judgment of Jeffrey T. Mezger, President and Chief Executive Officer, and Wendy C. Shiba, Executive Vice President, General Counsel and Corporate Secretary, who are the persons named as proxies on the proxy cards for the Annual Meeting, or their duly authorized designees.

Where no instruction is made on a signed proxy card with respect to any item submitted to a vote at the Annual Meeting, the shares of our common stock represented by the proxy card will be voted (a) for the election as directors of the three individuals named under the heading Election of Directors on pages 13-15 below, (b) for the ratification of the appointment of Ernst & Young LLP as our independent registered public accounting firm for our fiscal year ending November 30, 2008, as discussed on page 16 below, and (c) against the two stockholder proposals in this Proxy Statement, if properly presented at the Annual Meeting, which are discussed on pages 17-21 below.

Election of Directors. Per our Bylaws, each director nominee must receive a majority of votes cast in favor to be elected to the Board of Directors (*i.e.*, the votes cast for a nominee's election must exceed the votes cast against the nominee's election). You may vote for all director nominees or you may vote against or abstain with respect to one or more of the director nominees. Shares of our common stock that are not present or represented at the Annual Meeting and abstentions will not affect the outcome of the election of directors.

Other Proposals in this Proxy Statement. The affirmative vote of a majority of the shares of our common stock present or represented at the Annual Meeting and entitled to vote is required to ratify the appointment of Ernst & Young LLP as our independent registered public accounting firm for our fiscal year ending November 30, 2008 and to approve each of the stockholder proposals in this Proxy Statement, if properly presented at the Annual Meeting. You may vote for, against, or abstain with respect to any of these proposals. Abstentions will have the same effect as an against vote.

Are the Notice of Annual Meeting, This Proxy Statement and the 2007 Annual Report on Form 10-K Available Online?

Yes. The accompanying Notice of 2008 Annual Meeting of Stockholders, this Proxy Statement, the Annual Report on Form 10-K for the fiscal year ended November 30, 2007 and a sample proxy card may be viewed, printed or downloaded from <http://www.kbhome.com/investor/proxy>.

Who Will Pay for This Proxy Solicitation?

We will pay the entire cost of soliciting proxies. In addition to use of the mail, proxies may be solicited by our officers, directors and other employees by telephone, facsimile, email or personal solicitation, and no additional compensation will be paid to such individuals. We will, if requested, reimburse banks, brokerage houses and other custodians, nominees and certain fiduciaries for their reasonable expenses incurred in mailing proxy material to their principals. We have hired Georgeson Inc., a professional soliciting organization, to assist us in proxy solicitation and in distributing proxy materials to institutions, brokerage houses, custodians, nominees and other fiduciaries. For these services, we will pay Georgeson a fee of \$8,500, plus reimbursement for out-of-pocket expenses.

Who Will Count the Vote?

A representative of our transfer agent, Mellon Investor Services LLC, will count the votes and act as an independent inspector of election for the Annual Meeting. Ms. Shiba will also act as an inspector of election.

Table of Contents

Corporate Governance and Board Matters

Role of the Board of Directors

The Board of Directors (Board) is elected by our stockholders to oversee the management of our business and to assure that the long-term interests of our stockholders are being served.

Director Qualifications

We believe that our directors should possess the highest personal and professional ethics, integrity, judgment and values, and be committed to representing the long-term interests of our stockholders. Directors should also have an inquisitive and objective perspective, and be able and willing to dedicate the time necessary to Board and Board Committee service.

The Nominating and Corporate Governance Committee of the Board (Nominating/Governance Committee) regularly assesses the skills and characteristics of current and potential directors in view of the perceived needs of the Board at the time an assessment is made and may consider the following attributes, among others:

personal qualities, accomplishments and reputation in the business community;

financial literacy, financial and accounting expertise and significant business, academic or government experience in leadership positions or at senior policy-making levels;

geographical representation in areas relevant to our business;

diversity of background and personal experience;

fit of abilities and personality with those of current and potential directors in building a Board that is effective, collegial and responsive to the needs of our business; and

independence and an absence of conflicting time commitments.

Director Independence

We believe that a substantial majority of our directors should be independent. A director qualifies as independent unless the Board determines that he or she has a material relationship with us based on all relevant facts and circumstances. The Board makes independence determinations annually based on information supplied by directors and other sources, and on the prior review and recommendation of the Nominating/Governance Committee.

The Board's independence determinations are guided by certain categorical standards contained in our Corporate Governance Principles. These standards are consistent with New York Stock Exchange listing standards, the national securities exchange on which our common stock is listed.

The Board has determined that all non-employee directors who served during our 2007 fiscal year and all current director nominees are independent under the Board's director independence standards. Accordingly, Messrs. Stephen F. Bollenbach, Ronald W. Burkle, Timothy W. Finchem, Kenneth M. Jastrow, II, James A. Johnson, J. Terrence Lanni, Michael G. McCaffery, Leslie Moonves, and Luis G. Nogales and Ms. Melissa Lora are independent. Dr. Ray R. Irani, who served on the Board until November 1, 2007, was also independent. In addition, the Board has determined that all of the Board Committees are entirely composed of independent directors.

In making its independence determinations, the Board considered various transactions for goods and services that we entered into during our 2007 fiscal year with firms or organizations at which some of our non-employee directors served as executive officers. In each case, the transactions were in the ordinary course of our business and the business of the counterpart firm or organization and fell well within the categorical independence standards

Table of Contents

contained in our Corporate Governance Principles. In no case was a non-employee director deemed to have a direct or indirect material interest in the transactions. There were no transactions in which any of our non-employee directors participated in an individual capacity. The specific goods and services consisted of: hotel rooms obtained in connection with business travel and at standard market rates (Mr. Bollenbach (who served as Chief Executive Officer of Hilton Hotels Corporation through October 2007) and Mr. Lanni (who serves as Chief Executive Officer of MGM MIRAGE)); radio and billboard advertising expenditures at market rates to promote our business (Mr. Moonves (who serves as Chief Executive Officer of CBS Corporation)); building materials purchased at market prices (for which we received standard purchase rebates) for use in our homebuilding operations (Mr. Jastrow (who served as Chief Executive Officer of Temple-Inland Inc. through December 2007)); and event fees at market rates paid in connection with business-related activities (Mr. Finchem (who serves as Commissioner of the PGA TOUR)).

Corporate Governance Principles

In addition to containing our director independence standards, our Corporate Governance Principles provide the framework within which we conduct our business and pursue our strategic goals. The Nominating/Governance Committee regularly reviews our Corporate Governance Principles, and the full Board approves changes as it deems appropriate. Our Corporate Governance Principles are available on our website at <http://www.kbhome.com/investor/corporategovernance>.

Ethics Policy

We expect all of our directors and employees to follow the highest ethical standards when representing KB Home and our interests. To this end, all employees, including our senior executive management, and our directors must abide by our Ethics Policy. The Audit and Compliance Committee of the Board (Audit Committee) regularly reviews our Ethics Policy, and the full Board approves changes as it deems appropriate. The Board approved amendments to our Ethics Policy that became effective as of September 17, 2007. The Ethics Policy is available on our website at <http://www.kbhome.com/investor/corporategovernance>.

Board Meetings, Membership and Attendance

The Board held 10 meetings in our 2007 fiscal year. As of the date of this Proxy Statement, the Board has 11 members. In our 2007 fiscal year, each of our directors attended at least 75% of the aggregate number of meetings of the Board and the Board Committees on which he or she served. All directors are expected to attend our annual meetings of stockholders. All directors who were serving at the time attended our 2007 Annual Meeting of Stockholders, which was held on April 5, 2007.

Board Committees

The Board has three standing Board Committees: Audit; Management Development and Compensation (Compensation Committee); and Nominating/Governance. Each standing Board Committee assists the Board in fulfilling its responsibilities, as described below. The Board has adopted a charter for each standing Board Committee. Each charter is available on our website at <http://www.kbhome.com/investor/corporategovernance>.

The chart below shows the members of the standing Board Committees as of the date of this Proxy Statement and the number of meetings each Board Committee held during our 2007 fiscal year. Mr. Bollenbach, the Non-Executive Chairman of the Board, serves as an *ex officio* member of each standing Board Committee. Mr. Mezger, a

Table of Contents

director and our President and Chief Executive Officer (CEO), does not serve on any of the standing Board Committees.

Director	Audit	Compensation	Nominating/ Governance
Mr. Burkle	X		X
Mr. Finchem	X	X	
Mr. Jastrow			X
Mr. Johnson			X
Mr. Lanni		X*	
Ms. Lora	X		X
Mr. McCaffery	X*	X	
Mr. Moonves			X*
Mr. Nogales	X	X	
Number of Meetings:	9(a)	7	5

X = Member * = Chair

(a) Includes quarterly conference calls with our management to review our earnings releases prior to their issuance.

Audit and Compliance Committee. The Audit Committee represents and assists the Board in fulfilling its responsibilities for oversight of our:

corporate accounting and reporting practices, including the quality and integrity of our financial statements and reports;

internal control over financial reporting and disclosure controls and procedures;

audit process, including the qualifications, independence, retention, compensation and performance of the independent registered public accounting firm employed for the purpose of preparing or issuing an audit report or performing audit, review, attestation or other services for us, and the performance of our internal audit department; and

compliance with legal and regulatory requirements and management of matters in which we have or may have material liability exposure.

The Audit Committee also oversees the preparation of a report for inclusion in our annual proxy statements and is charged with the duties and responsibilities listed in its charter. The Audit Committee's report is included in this Proxy Statement on page 54 below. The Audit Committee is a separately designated standing audit committee as defined in

Section 3(a)(58)(A) of the Securities Exchange Act of 1934.

The Board has determined that each current member of the Audit Committee is independent under our Corporate Governance Principles, New York Stock Exchange listing standards and Securities and Exchange Commission rules. The Board has also determined that each current member of the Audit Committee is financially literate under New York Stock Exchange listing standards, and that Ms. Lora, an independent director, qualifies as an audit committee financial expert under Securities and Exchange Commission rules.

Management Development and Compensation Committee. The Compensation Committee represents and assists the Board with respect to:

the evaluation and compensation of our CEO and his direct reports;

oversight and approval of the general design of our executive compensation and benefit programs;

Table of Contents

our efforts to attract, develop, promote and retain qualified senior executive talent; and
the evaluation and determination of non-employee director compensation.

The Compensation Committee oversees the preparation of the compensation discussion and analysis to be included in our annual proxy statements, recommends to the Board whether to so include the compensation discussion and analysis, and provides an accompanying report to be included in our annual proxy statements. The compensation discussion and analysis for this Proxy Statement is provided under the heading "Compensation Discussion and Analysis" on pages 25-35 below. The Compensation Committee's accompanying report is on page 25 below. The Compensation Committee is also charged with the duties and responsibilities listed in its charter.

The Board has determined that each current Compensation Committee member is independent under our Corporate Governance Principles and New York Stock Exchange listing standards, is a non-employee director under Securities and Exchange Commission rules and is an outside director under Internal Revenue Code Section 162(m).

Overview of Executive Officer and Non-Employee Director Compensation Processes and Procedures. Under our Bylaws, the Board has the authority to fix the compensation of our executive officers and non-employee directors. The Board has delegated this authority to the Compensation Committee to the extent provided in the Compensation Committee's charter. In accordance with its charter, the Compensation Committee annually reviews and approves the goals and objectives relevant to our CEO's compensation, evaluates his performance in light of those goals and objectives, and, either as a committee or together with the other independent directors (as directed by the Board), determines and approves our CEO's incentive compensation based on the evaluation. The Compensation Committee also evaluates, in conjunction with our CEO, the performance of his direct reports and other senior executives, and reviews and approves their compensation.

The Compensation Committee exercises the Board's authority with respect to our employee compensation and benefits plans (including our employee equity compensation plans) and policies, except to the extent that the Board, in its discretion, reserves its authority. This includes the authority to select eligible participants, recommend and approve grants and awards, set performance targets and other award eligibility criteria, approve an aggregate incentive pool for any annual or long-term incentive awards, interpret the plans' terms, delegate certain responsibilities and adopt or modify as necessary any rules and procedures to implement the plans, including any rules and procedures that condition the approval of grants and awards. The Compensation Committee also periodically reviews our compensation and benefit plans and, from time to time, will recommend to the Board new plans or modifications to existing plans. The Compensation Committee's exercise of this authority, including specific considerations applied and determinations made, with respect to the compensation and benefits awarded to our named executive officers under our plans is discussed under the heading "Compensation Discussion and Analysis" on pages 25-35 below.

The Compensation Committee, from time to time, reviews and makes recommendations to the Board regarding non-employee director compensation consistent with the goals of recruiting the highest caliber directors to serve on the Board, aligning directors' and stockholders' interests, and fairly paying directors for the work required to serve stockholder interests given our size, scope and complexity of operations.

In carrying out its duties with respect to executive officer and non-employee director compensation, the Compensation Committee seeks assistance from our management and an outside compensation consultant it has engaged directly, Semler Brossy Consulting Group LLC (Semler Brossy), as further described under the heading "Compensation Discussion and Analysis" on pages 25-35 below. Under its charter, the Compensation Committee may delegate to a subcommittee or to our management any duties and responsibilities as the Compensation Committee deems to be appropriate and in our best interests. However, under our Equity-Based Award Grant Policy, as further described on

page 35 below, the Compensation Committee cannot delegate to our management the authority to grant equity-based awards.

Table of Contents

Compensation Committee Interlocks and Insider Participation. Messrs. Lanni and Nogales served on the Compensation Committee throughout our 2007 fiscal year. Messrs. Finchem and McCaffery each joined the Compensation Committee on April 5, 2007 and served through the remainder of our 2007 fiscal year. Dr. Irani served as the Chair of the Compensation Committee from the beginning of our 2007 fiscal year until April 5, 2007, and then served as a Compensation Committee member until November 1, 2007, when he resigned from the Board. No member of the Compensation Committee during our 2007 fiscal year was part of a compensation committee interlock as described under Securities and Exchange Commission rules. In addition, none of our executive officers served as a director or member of the compensation committee of another entity that would constitute a compensation committee interlock.

Nominating and Corporate Governance Committee. The Nominating/Governance Committee represents and assists the Board in fulfilling its responsibilities by:

providing oversight of our corporate governance policies and practices;

identifying, evaluating and recommending to the Board individuals who ar