ULTRA CLEAN HOLDINGS INC
Form DEF 14A
April 23, 2010
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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 x 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))**

x 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):

x 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 2010 ANNUAL MEETING OF STOCKHOLDERS OF

ULTRA CLEAN HOLDINGS, INC.

Date:	June 10, 2010
Time:	Doors open at 1:30 p.m. Pacific time Meeting begins at 2:00 p.m. Pacific time
Place:	Davis Polk & Wardwell LLP 1600 El Camino Real Menlo Park, CA 94025
Purposes:	Elect our directors Approve the Amended and Restated Stock Incentive Plan Ratify the appointment of Deloitte & Touche LLP as our independent registered public accounting firm for fiscal 2010 Conduct other business that may properly come before the annual meeting or any adjournment or postponement thereof
Proxy Delivery:	This year, we will be using the Notice and Access method of providing proxy materials to certain stockholders via the Internet. Accordingly, we will mail to such stockholders on or about April 27, 2010 a Notice of Internet Availability of Proxy Materials containing instructions on how to access this proxy statement and our 2009 Annual Report on Form 10-K via the Internet and vote online. The Notice of Internet Availability of Proxy Materials also contains instructions on how you can receive a paper copy of the proxy materials. **Our proxy statement and our Form 10-K are available at www.Proxyvote.com.**
Who Can Vote:	April 13, 2010 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.

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.

Whether you expect to attend the meeting or not, please vote electronically via the Internet or by telephone, or, if you are receiving paper copies of the proxy materials, please complete, sign, date and promptly return 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,

Clarence Granger

Chairman and Chief Executive Officer

April 23, 2010

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ULTRA CLEAN HOLDINGS, INC.

2010 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 2010 ANNUAL MEETING OF STOCKHOLDERS

June 10, 2010

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 2010 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.

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 June 10, 2010 at 2:00 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 Vote at Our Annual Meeting

All holders of our common stock, as reflected in our records at the close of business on April 13, 2010, the record date for voting, may vote at the meeting.

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 21,593,849 shares of our common stock, $0.001 par value.

Electronic Delivery of the Proxy

We are making this proxy statement and our 2009 Annual Report on Form 10-K available to certain of our stockholders electronically via the Internet. Accordingly, in compliance with this new e-proxy process, on or about April 27, 2010, we will mail to such stockholders a Notice of Internet Availability of Proxy Materials (the Notice) containing instructions on how to access this proxy statement and our 2009 Annual Report on Form 10-K via the Internet and vote online. All stockholders will have the ability to access the proxy materials on a website referred to in the Notice and request to receive a printed set of the proxy materials (or an email copy in the future). We currently intend to send paper copies of our proxy materials by mail to stockholders of record and those stockholders who have so requested. If you want to be sure to receive our proxy materials by mail or by email, you should follow the instructions for requesting such materials included in the Notice.

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 .

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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 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 mailing the enclosed proxy card, voting on the Internet or by telephone, or to vote 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 Notice 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 if you follow the instructions you receive. 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. You may vote by proxy over the Internet, by telephone or by mail if you are receiving or have requested a proxy card. 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.

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 the Amended and Restated Stock Incentive Plan, FOR the ratification of the appointment of Deloitte & Touche LLP as our independent registered public accounting firm 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 Your Vote

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

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

Important Notice Regarding Delivery of Stockholder Documents

Only one Notice of Internet Availability of Proxy Materials (and proxy statement and set of accompanying materials if applicable) is being delivered by us to multiple stockholders sharing an address until we receive contrary instructions from one or more of the 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 Notice and accompanying materials now or in the future, or stockholders sharing an address who are receiving multiple copies of the Notice

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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. 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.

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. The election of directors requires a plurality of the votes cast for the election of directors. Plurality means that the five nominees who receive the highest number of votes will be elected as directors. In the election of directors, votes may be cast in favor of or withheld from any or all nominees. Starting this year, brokers no longer have discretionary authority to vote shares without instructions from beneficial owners in the election of directors. Therefore, beneficial owners who want their vote 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 the Amended and Restated 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 our Amended and Restated Stock Incentive Plan. The approval of our Amended and Restated 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 considered a routine proposal for which brokers may vote shares held on behalf of beneficial owners who have not given voting instructions with respect to the particular 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.

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Security Ownership of Certain Beneficial Owners and Management

The table below sets forth information as of March 31, 2010 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 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 pursuant to stock options that are exercisable within 60 days of March 31, 2010. Shares issuable pursuant to stock options are deemed outstanding for the purpose of computing the ownership percentage of the person holding such options 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 21,593,849 shares of common stock outstanding as of March 31, 2010.

Unless otherwise indicated, the address of each of the named individuals is c/o Ultra Clean Holdings, Inc., 26462 Corporate Avenue, Hayward, CA 94545. 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 Beneficially Owned	
	Number	Percent
Greater than 5% Stockholders		
Austin W. Marxe and David M. Greenhouse (1) 527 Madison Avenue, Suite 2600 New York, NY 10022	3,194,167	14.8%
Artisan Partners Limited Partnership (2) 875 East Wisconsin Avenue, Suite 800 Milwaukee, WI 53202	2,610,100	12.1%
HomeField Capital L.P. (3) 375 Park Avenue, Suite 1905 New York, NY 10152	1,711,905	7.9%
Named Executive Officers and Directors		
Clarence L. Granger (4)	1,036,968	4.6%
Leonid Mezhvinsky(5)	267,045	1.2%
Bruce Wier (6)	208,005	1.0%
Deborah Hayward (7)	168,876	*
David Savage (8)	101,029	*
Kevin C. Eichler	50,000	*
Susan Billat (9)	50,000	*
David ibnAle (10)	42,500	*
John Chenault (11)	7,500	*
All executive officers and directors as a group (9 persons) (12)	1,931,923	8.5%

* Less than 1%.

(1) Based on a Schedule 13G filed with the Securities and Exchange Commission (SEC) on February 12, 2010.
(2) Based on a Schedule 13G filed with the SEC on February 11, 2010.
(3) Based on a Schedule 13G filed with the SEC on January 13, 2010.

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(4) Includes 758,323 shares subject to common stock options exercisable within 60 days of March 31, 2010.
(5) Includes 7,500 restricted stock awards that vest on June 9, 2010.
(6) Includes 151,645 shares subject to common stock options exercisable within 60 days of March 31, 2010.
(7) Includes 160,625 shares subject to common stock options exercisable within 60 days of March 31, 2010.
(8) Includes 91,166 shares subject to common stock options exercisable within 60 days of March 31, 2010.
(9) Includes 30,000 shares of common stock shares subject to common stock options exercisable within 60 days of March 31, 2010 and 7,500 restricted stock awards that vest on June 9, 2010.
(10) Includes 22,500 shares of common stock shares subject to common stock options exercisable within 60 days of March 31, 2010 and 7,500 restricted stock awards that vest on June 9, 2010.
(11) Consists of 7,500 restricted stock awards that vest on June 9, 2010.
(12) Includes 1,214,259 shares subject to common stock options exercisable within 60 days of March 31, 2010 and 30,000 restricted stock awards that vest on June 9, 2010.

At the close of business on April 13, 2010, the record date, we had 21,593,849 shares of common stock outstanding. Each share of our common stock is entitled to one vote on all matters properly submitted for stockholder vote.

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) requires our directors and 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. We have reviewed copies of the reports we received and written representations from the individuals required to file the reports.

Based solely on our review of such reports and representations, except as described in the following paragraph, 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 January 1, 2010.

The following is a list of all reports that we are aware were not filed on a timely basis:

Form 3 for Linda Clements was filed several days late on May 4, 2009.

Form 4 for Mr. Eichler related to the grant of equity awards upon his appointment as CFO (and his forfeiture of existing restricted stock awards as a result of resigning from our Board) was filed several days late on August 6, 2009.

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.

Deadline for Receipt of Stockholder Proposals

If you wish to submit a proposal for inclusion in the proxy statement for our 2011 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 28, 2010. Stockholders intending to present a proposal at the next annual meeting without the inclusion of such proposal in the Company s proxy materials must comply with the requirements set forth in our bylaws. The 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

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(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). Therefore, we must receive notice of such proposal for the 2011 Annual Meeting of Stockholders no earlier than February 10, 2011 and no later than March 12, 2011, otherwise such notice will be considered untimely and we will not be required to present it at the 2011 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:	Secretary Ultra Clean Holdings, Inc. 26462 Corporate Avenue Hayward, CA 94545

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PROPOSAL 1: ELECTION OF DIRECTORS

Our Board of Directors, at the recommendation of the Nominating and Corporate Governance Committee, has recommended for nomination the director candidates named below. All of these nominees currently serve as our directors. All of our directors are elected for one-year terms.

If a director nominee becomes unavailable before the election, your proxy authorizes the people named as proxies to vote for a replacement nominee if the Nominating and Corporate Governance Committee names one.

Name	Age	Director Since
Susan Billat	59	2004
John Chenault	62	2009
Clarence L. Granger	61	2002
David T. ibnAle	38	2002
Leonid Mezhvinsky	55	2007

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

Clarence L. Granger has served as our Chairman & Chief Executive Officer since October 2006, as our Chief Executive Officer since November 2002, as Chief Operating Officer from March 1999 to November 2002 and as a member of our Board of Directors since May 2002. 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, he served as Vice President of Media Operations for Seagate Technology from 1994 to 1996. Prior to that, Mr. Granger worked for HMT Technology 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 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. Mr. Granger is the CEO of the Company and has been with the Company for 14 years. The Board values his perspective as the leader of the Company s strategic planning process as well as his intimate knowledge of the Company s employee base, operations, customers, suppliers and competitive position in the semiconductor capital equipment industry.

Susan Billat has served as a director of Ultra Clean since March 2004. Since 2002, Ms. Billat has been a Principal at Benchmark Strategies, which she founded in 1990. Prior to that, she was a Managing Director and Senior Research Analyst for semiconductor equipment and foundries at Robertson Stephens & Company from 1996 to 2002 and senior Vice President of Marketing for Ultratech Stepper from 1994 to 1996. Prior to 1994, Ms. Billat spent eight years in executive positions in the semiconductor equipment industry and twelve years in operations management, engineering management and process engineering in the semiconductor industry. Ms. Billat was on the board of directors of PDF Solutions, Inc. from 2003 to 2008. Ms. Billat holds bachelor and master of science degrees in physics from Georgia Tech and completed further graduate studies in electrical engineering and engineering management at Stanford University. The Board values Ms. Billat s extensive experience in the semiconductor industry and background in operations, marketing and investor relations. Ms. Billat qualifies as a financial expert and provides important support to the Audit Committee.

John Chenault served as Chief Financial Officer of Novellus Systems from April 2005 to September 2005, at which point he retired. Prior to that, he served as Vice President of Corporate Development from February 2005 to April 2005, Vice President of Operation and Administration from September 2003 to February 2005, Executive Vice President of Worldwide Sales and Service from February 2002 to September 2003 and Executive Vice President of Business Operations from July 1997 to January 2002. Mr. Chenault holds a bachelor of

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business degree in economics and a masters degree in business administration from Western Illinois University. The Board values Mr. Chenault s extensive management and operations experience in the semiconductor industry. As a former executive officer in various capacities at one of the Company s major customers, Mr. Chenault brings a valuable customer facing perspective to the Board. Mr. Chenault qualifies as a financial expert and chairs the Audit Committee.

David T. ibnAle has served as a director of Ultra Clean since November 2002 and as our lead director from February 2005 to February 2007. Mr. ibnAle has been a Managing Director of TPG Growth, LLC since May 2008. From April 2007 to March 2008, Mr. ibnAle was a Partner of Francisco Partners and from December 1999 to April 2007, he was an investment professional with Francisco Partners. Prior to joining Francisco Partners, Mr. ibnAle was an investment professional with Summit Partners L.P., and prior to that he worked in the Corporate Finance Department of Morgan Stanley & Co. Mr. ibnAle served on the boards of directors of Electrical Components International from 2006 to 2008, Metrologic Instruments from 2000 to 2008, Vitronics-Soltec from 2006 to 2008 and Universal Instruments from 2006 to 2008 and Mitel Communications from 2007 to 2008. Mr. ibnAle holds an A.B. in public policy and an A.M. in international development policy from Stanford University and a masters degree in business administration from the Stanford University Graduate School of Business. The Board 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 the Board. Mr. ibnAle qualifies as a financial expert and provides important support to the 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 in Industrial Automation from College of Industrial Automation, Odessa, Ukraine. Mr. Mezhvinsky brings to the Board substantial operational experience. As the former president of Sieger Engineering, which is now a part of the Company, he has a deep understanding of our competitors, suppliers, products and customers.

There are no family relationships among any of our directors and named executive officers.

Board Recommendation

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

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 committees be composed solely of independent directors.

Our Board of Directors has determined that Susan Billat, John Chenault and David T. ibnAle are each independent in accordance with applicable NASDAQ and SEC rules. Accordingly, a majority of our Board of Directors is 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 five directors. During 2009, there were nine meetings of our Board of Directors. We expect directors to attend and prepare for all meetings of the Board of

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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 2009.

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. We currently have a board leadership structure under which our CEO also serves as Chairman of the Board of Directors. The Board believes this structure is, and has been, an efficient and successful leadership model for the Company promoting clear accountability and effective decision-making. The Board believes that Mr. Granger has conducted his duties as Chairman effectively to date. The Board recognizes that a different leadership model may be warranted under different circumstances. Accordingly, the Board periodically reviews its leadership structure.

The Board also continually reviews the need for effective independent oversight. Kevin C. Eichler served as our lead director until he resigned from the Board upon his appointment as our Chief Financial Officer in July 2009. After Mr. Eichler s resignation, the size of the Board was reduced to five directors. Each independent director serves as chair of one of the Board s standing committees and is actively involved in independent oversight. Our independent directors meet in executive session during each regularly scheduled quarterly meeting of the Board and periodically evaluate our Chairman and CEO. All directors have unrestricted access to management at all times and frequently communicate with the CEO and other members of management on a variety of topics. Given the above factors, the Board has not deemed it necessary or valuable to appoint another independent lead director at this time.

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://www.uct.com/investors/corporate_governance.htm.

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. Four directors attended the 2009 annual meeting of stockholders.

Risk Oversight

The Board plays an active role, as a whole and also at the committee level, in overseeing the management of the Company s risks. The Board 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 Board s Committees 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, 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 and structure and corporate governance. The Compensation Committee assists the Board in reviewing whether any material risks arise from Company s compensation programs and in overseeing risks associated with succession planning for our executives.

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Committees of our Board of Directors

Our Board of Directors has three principal committees. The following describes for each committee its current membership, the number of meetings held during 2009 and its mission:

Audit Committee. Among other matters, the Audit Committee:

- hires and replaces our independent registered public accounting firm as appropriate;
- evaluates the independence and performance of our independent registered public accounting firm, reviews and pre-approves any audit and non-audit services provided by our independent registered public accounting firm and approves fees related to such services;
- reviews and discusses with management, the internal auditors and our independent registered public accounting firm our financial statements and accounting principles;
- oversees internal auditing functions and controls; and
- prepares the Audit Committee report required by the rules of the SEC.

A copy of the Audit Committee s charter is available on our website at http://www.uct.com/investors/corporate_governance.htm.

The current members of the Audit Committee are John Chenault (chair), Susan Billat 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 all members of the Audit Committee qualify as an audit committee financial expert as defined by SEC rules and has the financial sophistication required by NASDAQ. The Audit Committee met ten times in 2009.

Compensation Committee. Among other matters, our Compensation Committee:

- oversees our compensation and benefits policies generally, including equity compensation plans;
- evaluates senior executive performance and reviews our management succession plan;
- oversees and sets compensation for our 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 www.uct.com/investors/corporate_governance.htm. The Compensation Committee s process for deliberations on executive compensation and its engagement of an outside compensation consultant is described below under Compensation Discussion and Analysis.

As part of its oversight of the Company s executive compensation program, the Compensation Committee considers the impact of the Company s executive compensation program, and the incentives created by different elements of the executive compensation program, on the Company s risk profile. In addition, the Company reviews all of its 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, the Company has concluded that its 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 Susan Billat (chair), John Chenault and David T. ibnAle. 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 2009.

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

- identifies individuals qualified to fill independent director positions and recommends directors for appointment to committees of our Board of Directors;
- makes recommendations to our Board of Directors as to determinations of director independence;
- evaluates the performance of our Board of Directors;
- oversees and sets compensation for our directors; and
- develops, recommends and oversees compliance with our corporate governance guidelines and code of business conduct and ethics.

A copy of the Nominating and Corporate Governance Committee s charter is available on our website at www.uct.com/investors/corporate_governance.htm.

The current members of the Nominating and Corporate Governance Committee are David T. ibnAle (chair), Susan Billat and Leonard Mezhvinsky. Our Board of Directors has determined that Mr. ibnAle and Ms. Billat are independent as defined under NASDAQ and SEC rules and that Mr. Mezhvinsky is not independent under such rules. Because the Nominating and Corporate Governance Committee is not currently comprised solely of independent directors, pursuant to NASDAQ rules, director nominees were selected by the majority of the independent directors on our Board. The Nominating and Corporate Governance Committee met four times in 2009.

Consideration of Director Nominees

Director Qualifications. The Nominating and Corporate Governance Committee Charter specifies the criteria applied to director nominees. 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 the Board of Directors. 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 the Board 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) consider(s) 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 Board) 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 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 Ultra Clean within the last three years and a written indication by the recommended candidate of the candidate s willingness to serve, and should be sent to the committee at the address listed under Contacting Ultra Clean.

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Stockholders also may nominate directors for election at our annual meeting of stockholders by following the provisions set forth in our bylaws. The deadline for stockholder nominations is disclosed elsewhere in this proxy statement under the caption Deadline for Receipt of Stockholder Proposals.

Director Compensation

Employee directors do not receive any additional compensation for their service on our Board of Directors.

For fiscal 2009, each non-employee director was paid a $20,000 annual retainer fee, as well as, if applicable, a $12,000 annual fee for serving on the Audit Committee, a $5,000 annual fee per committee for serving on the Compensation and the Nominating and Corporate Governance Committees, a $20,000 annual fee for serving as chair of the Audit Committee (which includes the fee to serve on the Audit Committee), a $10,000 annual fee for serving as chair of the Compensation and Nomination and Corporate Governance Committees (which includes the fee to serve on each committee) and a $20,000 annual fee for serving as lead director. In fiscal 2009, on the date of our Annual Meeting of Stockholders, each non-employee director was granted 7,500 restricted stock awards that fully vest on June 9, 2010. For his additional financial guidance and oversight as Audit Committee chair after Jack Sexton s departure as chief financial officer, Mr. Eichler was compensated an additional $5,000 and received three monthly grants of 7,500 shares of common stock in April, May and June of 2009. The Compensation Committee annually reviews the number of shares of restricted stock awards to be granted to non-employee directors based on our average stock price and the median equity compensation levels at peer companies.

The following table sets forth compensation for our non-employee directors for fiscal 2009:

Name	Fees Earned or Paid in Cash ($)	Stock Awards ($) (1)	Option Awards ($) (1)	All Other Compensation ($)	Total ($)
Brian Bachman	11,750				11,750
Susan Billat	47,000	17,850(2)	(3)		64,850
John Chenault	47,000	17,850(2)			64,850
Kevin C. Eichler (4)	65,000	52,500(2)			117,500
David ibnAle	25,000	17,850(2)	(3)		42,850
Leonid Mezhvinsky	20,000	17,850(2)			37,850

(1) Amounts shown do not reflect compensation actually received by the directors. The amounts shown are the grant date fair value for restricted stock awards granted in fiscal 2009. This value is based on a closing price of $2.38 on the day preceding the grant date. Under the terms of our stock incentive plan, fair market value is defined as the closing price on the day preceding the grant date.

(2) Messrs. Chenault, ibnAle and Mezhvinsky and Ms. Billat each held an aggregate of 7,500 unvested restricted stock awards at January 1, 2010. Mr. Eichler forfeited 7,500 unvested restricted stock awards upon his resignation from our Board in July 2009.

(3) At January 1, 2010, Ms. Billat held 30,000 outstanding stock options and Mr. ibnAle held 22,500 outstanding stock options. No stock options were granted to our directors during fiscal 2009.

(4) Reflects Mr. Eichler s compensation as director until his appointment as our CFO on July 31, 2009. His officer compensation is set forth under Executive Officer Compensation .

Mr. Granger is not included in the table above because he received no separate compensation for services as a director during 2009. His compensation is set forth under Executive Officer Compensation .

Stock Ownership Guidelines

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 were revised in February 2010 to provide

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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 the Company s Board of Directors to accumulate such number of shares of our common stock.

Certain Relationships and Related Transactions

Relationship with Former Sieger Stockholders. As consideration for their stock in Sieger Engineering, Inc., we issued an aggregate of 2,599,393 shares of our common stock to former Sieger stockholders when Sieger was merged into one of our subsidiaries in June 2006. Set forth below is a brief description of the existing agreement between us and former Sieger stockholders.

FP-Ultra Clean, L.L.C., Leonid Mezhvinsky, other former Sieger stockholders and we have entered into an amended and restated registration rights agreement. Under the registration rights agreement, if we propose to register any of our securities, other than on Form S-8 or S-4 or successor forms of these forms, whether or not such registration is for our own account, former Sieger stockholders (including Mr. Mezhvinsky) will have the opportunity to participate in such registration. Expenses relating to these incidental registrations are required to be paid by us.

If an incidental registration is underwritten and the managing underwriter advises us that the number of securities offered to the public needs to be reduced, priority of inclusion shall be such that first priority shall be given to us and second priority shall be given to former Sieger stockholders. We and the stockholders selling securities under a registration statement are required to enter into customary indemnification and contribution arrangements with respect to each registration statement.

Transactions with Management and Directors. The wife of Bruce Wier, our Sr. Vice President of Engineering, is the sole owner of Acorn Travel, Inc., our primary travel agency. We made payments for travel-related services, including the cost of airplane tickets, to Acorn Travel for a total of $215,000 in the year ended January 1, 2010.

The Company leases a facility from an entity controlled by Leonid Mezhvinsky, one of our directors. In the year ended January 1, 2010, the Company incurred rent and other expense resulting from the lease of this facility of approximately $292,000.

Related Person Transaction Policy. Our Related Person Transaction Policy requires the 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 of any transaction which potentially involves a related person. The Board or the Nominating and Corporate Governance Committee then considers all relevant facts and 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. The Board 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 THE AMENDED AND RESTATED STOCK INCENTIVE PLAN

Stockholders are being asked to approve the Company s Amended and Restated Stock Incentive Plan (Amended Stock Plan) set forth in Annex 1. The Amended Stock Plan is intended to amend and restate our 2003 Amended and Restated Stock Incentive Plan (Prior Stock Plan). If the stockholders approve the Amended Stock Plan, it will become effective on the day of the Annual Meeting of Stockholders. As of April 15, 2010, there were options to purchase 2,803,000 shares with a weighted average exercise price of $5.37 and an average term of 6.78 years, 869,740 restricted stock units outstanding under the Prior Stock Plan and 73,865 shares available for future issuance.

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 key 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 key employees and align their interests with those of our stockholders.

The Board of Directors believes that the Amended Stock Plan serves a critical role in attracting and retaining the high caliber employees and directors and essential to our success and in motivating these individuals to strive to meet our goals. Therefore, our Board urges you to vote to approve the Amended Stock Plan.

By approving the Amended Stock Plan, stockholders will be approving the following changes to the Prior Stock Plan:

- the addition of 1,500,000 shares to the Amended Stock Plan, representing approximately 6.9% of our outstanding common stock as of March 31, 2010;
- the performance measures upon which the grant or vesting of certain awards may be based;
- the removal of the evergreen feature in the Prior Stock Plan; and
- the addition of a provision that prohibits direct or indirect repricing of stock options without the approval of our stockholders.

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

- *No Stock Option Repricings.* The Amended Stock 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 Amended Stock 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 Amended Stock 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.

Performance-Based Awards. The Compensation Committee has the authority to structure awards so that the shares of common stock subject to those awards will vest only upon the achievement of certain pre-established corporate performance goals, as further described below.

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Summary of the Amended Stock Plan

The primary features of the Amended Stock Plan are summarized below. The Amended Stock Plan is set forth in Annex 1.

Number of Shares. We are requesting that an additional 1,500,000 shares of common stock be reserved for issuance under the Amended Stock Plan. In general, if awards granted under the Amended Stock Plan are forfeited, terminated or cancelled without delivery of shares, then the corresponding common stock will again become available for grant. Any shares underlying full-value awards granted after June 10, 2010, shall be counted under the Amended Stock 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.

Administration. The Amended Stock 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 our stock plans. The 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 Amended Stock 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 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 Committee, but may not exceed ten years from the date of the grant. The Committee may modify, extend or assume outstanding options (except that the Committee may not directly or indirectly reprice outstanding options without stockholder approval). The Amended Stock Plan provides that no optionee may receive options covering more than 750,000 shares in any calendar year.

Stock Appreciation Rights. The Amended Stock 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 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 Amended Stock 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 the common stock may be sold or awarded by the 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 Committee may determine. The holders of restricted shares awarded under the Amended Stock Plan have the same voting, dividend and other rights as holders of common stock, except that restrictions on the use of dividends may be imposed.

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 Committee. No cash consideration is required to be paid by stock unit award recipients.

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Performance-Based Awards. In the event the Committee determines it is important to assure that the compensation attributable to one or more issuances under the program will qualify as performance-based compensation which will not be subject to the $1 million limitation on the income tax deductibility of the compensation paid per executive officer which is imposed under Section 162(m) of the Code, the 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 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. 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 Committee may determine to grant other equity-based awards, subject to the terms of the Amended Stock Plan.

Change of Control. The 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 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 Amended Stock Plan.

Future of the Amended Stock Plan. The Board may amend or terminate the Amended Stock Plan at any time. If required by applicable law or regulation (including NASDAQ requirements), we will seek stockholder approval of the amendment. If not terminated earlier, the Amended Stock Plan will terminate on June 10, 2020.

New Plan Benefits

All awards under the Amended Stock Plan are granted at the discretion of the Committee, and, accordingly, future grants are not yet determinable. The equity awards granted to our named executive officers during fiscal 2009 are set forth in the Grants of Plan-Based Awards table below, and the equity awards granted to our directors are described above under Director Compensation , but this does not necessarily reflect the number of awards that may be issued in the future.

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 Amended Stock Plan and does not attempt to describe all possible federal or other tax consequences of participation in the Amended Stock Plan or tax consequences based on particular circumstances.

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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 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 must recognize 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.

Board Recommendation

Our Board of Directors unanimously recommends that you vote FOR the approval of our Amended and Restated Stock Incentive Plan.

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PROPOSAL 3: RATIFICATION OF THE APPOINTMENT OF OUR INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Audit Committee has appointed Deloitte & Touche LLP to serve as our independent registered public accounting firm for fiscal 2010. We are asking you to ratify this appointment, although your ratification is not required. 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 Deloitte & Touche LLP is expected to be present at the meeting, will have the opportunity to make a statement and will be available to respond to appropriate questions.

Set forth below are the aggregate fees incurred for the professional services provided by our independent registered public accounting firm, Deloitte & Touche LLP, the member firms of Deloitte Touche Tohmatsu, and their respective affiliates (collectively, Deloitte & Touche), in 2009 and 2008.

	Fiscal Year Ended	
	January 1, 2010	January 2, 2009
Audit fees	$ 882,200	$ 1,460,585
Tax fees	$ 145,760	
Other fees		

Audit fees consist of services rendered to us and our subsidiaries for the audit of our annual financial statements, reviews of our quarterly financial statements and audit services provided in connection with other statutory or regulatory filings.

Tax fees consist of fees billed for professional services for tax compliance and tax advice. These services consist of assistance regarding federal, state and international tax compliance and assistance with the preparation of various tax returns.

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 the Company s 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 provided by Deloitte & Touche were pre-approved in accordance with the Audit Committee s pre-approval policies.

Board Recommendation

Our Board of Directors unanimously recommends that you vote FOR ratification of the appointment of Deloitte & Touche LLP as our independent registered public accounting firm.

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REPORT OF THE AUDIT COMMITTEE

The following Report of the Audit Committee of the Board of Directors shall not be deemed to be soliciting material or to be filed with the SEC nor shall this information be incorporated by reference into any future filing under the Securities Act of 1933 (the Securities Act) or the Securities Exchange Act of 1934 (the Exchange Act), each as amended, except to the extent that Ultra Clean specifically incorporates it by reference into such filing.

The Audit Committee (the Committee) serves in an oversight capacity and is not intended to be part of Ultra Clean s operational or managerial decision-making process. Ultra Clean s management is responsible for preparing the consolidated financial statements, and its independent registered public accounting firm, Deloitte & Touche LLP, is responsible for auditing those statements. The Committee s principal purpose is to monitor these processes.

The Committee is currently composed of three directors, each of whom meets the requirements of applicable NASDAQ Stock Market and Securities and Exchange Commission rules for independence. The key responsibilities of our committee are set forth in our charter, which is available on our website at www.uct.com/investors/corporate_governance.htm.

The Committee regularly met and held discussions with management and Deloitte & Touche LLP in 2009. Management represented to us that Ultra Clean s consolidated financial statements were prepared in accordance with generally accepted accounting principles applied on a consistent basis, and we have reviewed and discussed the quarterly and annual earnings press releases and consolidated financial statements with management and Deloitte & Touche LLP. We also discussed with Deloitte & Touche LLP matters required to be discussed by Statement on Auditing Standards No. 61 (Communication With Audit Committees), as amended, and rule 2-07 (communications with Audit Committee) of Regulation S-X.

The Committee has discussed with Deloitte & Touche LLP its independence from Ultra Clean and its management, including the matters, if any, in the written disclosures pursuant to applicable requirements of the Public Company Accounting Oversight Board regarding independent accountant s communications with the Committee concerning independence. The Committee also considered whether Deloitte & Touche LLP s provision of audit and non-audit services to Ultra Clean by Deloitte & Touche LLP is compatible with maintaining the independence of Deloitte & Touche from the Company.

The Committee discussed with the Company s internal and independent auditors the overall scope and plans for their respective audits. The Committee meets with the internal and independent auditors, with and without management present, to discuss the results of their examinations, their evaluations of the Company s internal controls and the overall quality of the Company s financial reporting. To avoid certain potential conflicts of interest, the law prohibits a publicly traded company from obtaining certain non-audit services from its independent audit firm. The Company obtains these services from other service providers as needed.

Based on the reviews and discussions referred to above, we recommended to our Board of Directors, and our Board of Directors approved, that the audited financial statements be included in Ultra Clean s Annual Report on Form 10-K for the year ended January 1, 2010, for filing with the Securities and Exchange Commission.

We have appointed Deloitte & Touche LLP as Ultra Clean s independent auditors for 2010.

Members of the Audit Committee

John Chenault, Chair

Susan Billat

David T. ibnAle

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EXECUTIVE OFFICER COMPENSATION

Compensation Discussion and Analysis

Overview of Compensation Program and Philosophy

Our compensation program is intended to meet three principal objectives:

(1) attract, reward and retain 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 adopted the following overriding compensation policies:

Pay compensation that is competitive with the practices of our peer group of high technology and electronics manufacturing services (EMS) companies and industry surveys; and

Pay for performance by:

offering cash incentives upon achievement of challenging performance goals; and

providing long-term, significant incentives in the form of stock options and other equity, in order to retain those individuals with the leadership abilities necessary for increasing long-term stockholder value while aligning the interests of our officers with those of our stockholders.

Our Compensation Committee (the Committee) considers these policies in determining the appropriate allocation of long-term compensation, current cash compensation, annual bonus compensation and other benefits. Other considerations include our business objectives, fiduciary and corporate responsibilities (including internal equity considerations and affordability), competitive practices and trends, and regulatory requirements. In determining the particular elements of compensation that will be used to implement our overall compensation policies, the Committee takes into consideration a number of factors related to corporate performance, such as profitability, return on invested capital, revenue growth, and operational and financial performance, as well as competitive practices among our peer group.

For fiscal 2009, we believe our compensation programs delivered payouts commensurate with a generally weak economic environment. In summary:

Base salaries were frozen to fiscal 2007 levels at the beginning of the year, reduced in April by between 35% and 45% for the named executive officers and reinstated by end of September 2009.

No Management Bonus Plan was devised for fiscal 2009 based on the annual operating plan and no incentive bonuses were paid to the named executive officers.

Many of the prior equity awards granted to our executives presented little value to them during 2009 because of our depressed stock price during the year. New long-term equity awards were granted to our executives in 2009 as discussed below that the Committee expects would reward contributions that our executives made this year to strengthen the Company s operating results.

Process for Determining Executive Compensation

The Committee has engaged Radford Surveys + Consulting (Radford) as its outside compensation consultant to assist in creating and administering our compensation policies. This consultant advises the Committee on all of the principal aspects of executive compensation, including base salaries, annual and long-term incentives and perquisites, as well as other management benefits policies. The consultant advises the

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Committee on designation of peer group companies, and the Committee approves the final list of peer group companies. The consultant often attends meetings of the Committee and also communicates with the Committee outside of meetings. The consultant reports to the Committee rather than to management, although the consultant meets with management from time to time for purposes of gathering information on proposals that management may make to the Committee. The Committee has the authority to replace the compensation consultant or hire additional consultants at any time.

The Committee meets with Mr. Granger and other executives, as necessary, to obtain recommendations with respect to Company compensation programs, practices and packages. Mr. Granger makes recommendations to the Committee on executive performance, base salary, bonus targets and equity compensation for the executive team and other employees. Although the Committee considers management s recommendations with respect to executive compensation, the Committee makes all final decisions on executive compensation matters. The Committee also typically seeks input from its independent compensation consultant prior to making any final determinations.

Mr. Granger attends most of the Committee s meetings, but the Committee also holds executive sessions not attended by any members of management or non-independent directors. The Committee makes decisions with respect to Mr. Granger s performance and compensation without him present. The Committee has the ultimate authority to make decisions with respect to the compensation of our named executive officers, but may, if it chooses, delegate some of its responsibilities to subcommittees. The Committee has not delegated authority with respect to the compensation of executive officers. The Committee has delegated to Mr. Granger the authority to grant equity awards to employees below the level of corporate vice president under guidelines approved by the Committee and to make salary adjustments and short-term bonus decisions for employees (other than certain officers) under guidelines approved by the Committee.

Elements of Compensation

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

(i) base salary;

(ii) annual performance-based cash incentive opportunities;

(iii) long-term incentives through equity awards; and

(iv) retirement and welfare benefit plans, including a deferred compensation plan, a 401(k) plan, limited executive perquisites and other benefit programs available generally to all employees.

We have selected these 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 bonus target percentage are set with the goal of attracting employees and adequately compensating and rewarding them for their individual performance, level of responsibility, time spent with the Company and the Company s annual financial results, while our equity programs are geared toward providing incentive and reward 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 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 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.

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Base Salary and Annual Incentive Bonus

Base salaries and cash bonuses are a significant portion of our executive compensation package. We believe this helps us remain competitive in attracting and retaining executive talent. Bonuses also are paid in order to motivate the achievement of the Company s business goals. The Committee determines each officer s target total annual cash compensation (salary and bonuses) after reviewing similar compensation information from a group of peer companies. The selected peer group includes a broad range of companies in the high technology and EMS industries with whom we compete for executive talent. For fiscal 2009, the Committee considered major high technology and EMS competitors for executive talent and companies of at least a similar size and scope to us, as measured by market capitalization, revenue, net income and total shareholder return. The Committee annually reviews and determines the peer group companies. The peer group currently consists of the following companies:

Advanced Energy Industries	Intevac	SMTC
Brooks Automation	Mattson Technology	TTM Technologies
CTS	MKS Instruments	Zygo
DDi Corp.	Multi-Fineline Electronix	
Entegris	RadiSys	

Data on the compensation practices of this peer group generally is gathered through searches of publicly available information, including publicly available databases. Because publicly available information does not typically include information regarding target cash compensation, we also rely upon a compensation survey prepared by Radford, the Committee s outside consultant, to benchmark target cash compensation levels against the above peer group. Peer group data is gathered with respect to base salary, bonus targets, equity awards and perquisites, as well as other management benefits policies.

Our goal is to target total cash compensation (including base pay and annual bonus) between the 25th and 50th percentile among the peer group. However, in determining base salary, the Committee also considers other factors such as job performance, skill set, prior experience, the executive s time in his or her position and/or with the Company, internal consistency regarding pay levels for similar positions or skill levels within the Company, external pressures to attract and retain talent, and market conditions generally. Positioning base pay below the 50th percentile of peer companies combined with targeting total compensation (including equity) at or above the 50th percentile, and therefore providing higher incentive compensation opportunity, promotes pay for performance while controlling fixed costs, rewards exceptional goal achievement and allows total compensation to be more competitive as a whole, while taking into account the cyclical nature of our business.

Base Salaries. The Committee generally reviews salary levels each year in the context of peer group data, industry surveys and our compensation philosophy and sets salaries that are appropriate to achieve the desired market positioning for each executive. In fiscal 2009, in light of the economic downturn and our lower projected revenues for the year, Mr. Granger did not recommend and the Committee did not approve a salary increase for named executive officers. In April 2009, Mr. Granger recommended and the Committee approved a temporary salary reduction of 35% for named executive officers other than the chief executive officer and a temporary salary reduction of 45% for the chief executive officer, along with salary reductions for all other employees. With Committee approval, as business conditions improved, half of the salary reductions for named executive officers and all other employees were restored in June 2009 and salaries were fully restored at the end of September 2009.

Incentive Bonuses. Our executive officers participate in our Management Bonus Plan. The Committee reviews bonus targets in light of peer group and industry data and our financial results. Bonus targets as a percentage of salary for named executive officers have remained the same since fiscal 2007. Based on the fiscal 2009 operating plan, the Committee concluded that there would be no Management Bonus Plan for 2009 and no incentive bonuses were paid to named executive officers. We expect to have a Management Bonus Plan in future years.

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We intend the performance goals to be challenging and to reflect strong corporate performance. The maximum allowable bonus under the plan is two times an employee s target annual bonus. To help achieve our goal of retaining key talent, an executive must remain an employee through the time the bonus is paid in order to be eligible for any bonus under the Management Bonus Plan.

Payment of bonus amounts, and therefore total cash compensation, depends on the achievement of specified corporate performance goals. Generally bonuses are paid under our Management Bonus Plan only if the performance goals that the Committee sets at the beginning of the fiscal year are achieved, although the Committee retains the ability to revise performance measures during the year or to adjust bonuses based on extraordinary events or individual performance.

Long-Term Incentive Compensation

Our equity compensation program is intended to align the interests of our officers with those of our stockholders by creating an incentive for our officers to maximize stockholder value. The equity compensation program also is designed to encourage our officers to remain employed with us in a very competitive labor market. We target the initial grant date value of equity awards to be in the 50th to 75 th percentile of the peer group described above, based on information gathered from publicly available sources supplemented by survey data provided by Radford. Our philosophy, as stated earlier is to target lower than median base salaries and median target bonus rates compared to our peer group, resulting in lower than median total cash compensation, but then offset lower cash compensation by targeting equity awards at the higher percentile of the peer group. This philosophy is consistent with our pay for performance practice and focuses total executive compensation on the creation of long-term stockholder value. The 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, including achieving long-term stockholder value.

Types of Equity Awards. We provide long-term equity incentive compensation through awards of stock options and/or restricted stock units. Stock options have been an effective tool for meeting our goal of increasing long-term stockholder value by tying the value of the stock options to improved performance in the future. All option grants have a per share exercise price equal to the fair market value of our common stock on the grant date (which is defined under the terms of our plan to be the closing price on the day preceding the grant date) and generally vest over four years.

Restricted stock units are also 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. Restricted stock units are also an efficient way for us to reduce the effects of equity awards on stockholder dilution and to use our equity plan share reserve, because fewer restricted stock units than stock options are needed to provide the same retention and incentive value. We grant both time-based and performance-based restricted stock units to our executive officers. The Committee believes this combination provides a balance between awards that provide high incentive value (now in the form of performance units, which will only vest if we meet performance criteria combined with service requirements) and awards that provide high retention value (in the form of time-based restricted stock units, which will have at least some value over time while imposing continued service requirements, and allowing time-based vesting of the performance units earned).

The number of equity awards the Committee grants to each officer is determined based on a variety of factors, including market data collected regarding the equity grant ranges for the peer companies listed above, industry surveys and our goal to award grants between the 50th to 75th percentile of this group, as well as the performance evaluation of each executive by Mr. Granger and the Committee s performance evaluation of Mr. Granger. Mr. Granger evaluates the performance of each member of the executive team that reports to him based on a number of factors, including the individual s accomplishments during the prior fiscal year and over the course of his or her service, how effectively the individual reflects Company values, and the feedback regarding the executive from other employees who have an interest in or are affected by the executive s job performance.

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2009 Awards. In fiscal 2009, Mr. Granger and the Committee considered the above factors, as well as the low employee morale at the Company resulting from layoffs, mandatory time off, salary reductions, lack of incentive bonuses, underwater stock options and decrease in value of restricted stock units granted in the previous year. Mr. Granger and the Committee discussed the use of long-term equity awards as a means to retain and incentivize executives and alleviate their concerns with respect to reduced cash compensation in 2009. Following such discussion, the Committee decided to counterbalance the reduction in cash compensation by granting long-term equity awards to named executives officers closer in value to those granted at the 75th percentile of our peer group. Due to the low value of the Company s stock price at the time equity awards were granted, the Committee concluded that restricted stock units would not be an efficient use of our equity plan share reserve in 2009. Therefore, the Committee approved equity grants in the form of stock options. The equity awards granted during fiscal 2009 are set froth under Grants of Plan-Based Awards below.

Grant Practices. We have implemented procedures to regularize our equity award grant process, such as making new hire grants and annual executive grants on the same day each month. The 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. Similarly, the Committee has not timed, nor does it intend in the future to time, the release of material nonpublic information based on equity award grant dates. Because our equity awards typically vest over multiple years, we believe recipients are motivated to see our stock price grow 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. 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. Mr. Granger and employees in sales and marketing also receive a car allowance.

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.

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 are described in this proxy below. We believe the severance benefits under these agreements or policies are reasonable in amount, and provide a protection to key executive officers

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who would be likely to receive similar benefits from our competitors. The 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 its compensation programs, the Committee generally considers the accounting and tax effects as well as direct costs. For example, we intend to limit the accounting expense for our equity compensation programs in an amount determined by the Committee from time to time. When determining how to apportion between differing elements of compensation, the goal is to meet our compensation objectives while maintaining cost neutrality. For example, if we increase benefits under one program resulting in higher compensation expense, we may seek to decrease costs under another program based on our determination of the affordability level. We recognize a charge to earnings for accounting purposes when equity awards are granted. The 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.

Report of the Compensation Committee

The Compensation Committee of the Board of Directors of Ultra Clean has reviewed and discussed the Compensation Discussion and Analysis, which appears in this proxy statement, with the management of Ultra Clean. 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 s proxy statement.

Members of the Compensation Committee

Susan Billat, Chair

John Chenault

David T. ibnAle

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Summary Compensation Table

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 January 1, 2010 (collectively, our named executive officers):

Name and Principal Position	Year	Salary ($)	Bonus ($)	Stock Awards ($) (1)	Option Awards ($) (1)	Non-Equity Incentive Plan Compensation ($) (2)	All Other Compensation ($)	Total ($)
Clarence L. Granger	2009	281,840			100,400		14,128(3)	396,368
	2008	370,000		526,260			19,236	915,496
Chief Executive Officer	2007	360,000	17,500		585,864	83,459	23,016	1,069,839
David Savage	2009	293,438			100,400		1,189(6)	395,027
President	2008	306,250		578,500	223,695		6,199	1,114,644
Deborah E. Hayward	2009	153,117			30,120	92,812	10,319(4)	286,368
	2008	184,030		176,400		78,852	11,198	450,480
Senior Vice President, Sales	2007	175,666			219,699	103,080	10,319	508,764
Bruce C. Wier	2009	189,710			15,060		5,654(5)	210,424
Senior Vice President, Engineering	2008	223,872		122,500			11,894	358,266
	2007	217,549	5,800		183,083	25,249	15,741	447,422
John K. Sexton	2009	57,459		7,551	27,084		336(6)	92,430
Chief Financial Officer (8)	2008	225,500		225,400			2,521	453,421
	2007	222,750	8,333		219,699	32,699	2,970	486,451
Kevin C. Eichler	2009	99,692		396,000	232,700		1,189(6)	729,581
Sr. VP & Chief Financial Officer (7)(8)								
Linda Clements	2009	156,759		78,400	15,196		1,107(6)	251,462
Vice President of Finance (8)								

(1) Amounts shown do not reflect compensation actually received by the named executive officers. The amounts shown are the grant date fair value for option and stock awards granted in the applicable fiscal year. For stock awards, the value is based on a closing price of the day preceding the grant date. Under the terms of our stock incentive plan, fair market value is defined as the closing price on the day preceding the grant date. The assumptions used to calculate the value of option awards is set forth under Note 1 of the Notes to the Consolidated Financial Statements included in the Company s Annual Report on Form 10-K for fiscal 2009.

(2) Amounts consist of incentive bonuses and, for Ms. Hayward, sales commissions.

(3) This amount consists of (a) matching contribution of $907 under the 401(k) Plan; (b) payment on behalf of Mr. Granger of $5,505 in long-term disability and life insurance premiums, and (c) $7,716 in car allowance.

(4) This amount consists of (a) matching contribution of $574 under the 401(k) Plan; (b) payment on behalf of Ms. Hayward of $3,495 in long-term disability and life insurance premiums, and (c) $6,250 in car allowance.

(5) This amount consists of (a) matching contribution of $775 under the 401(k) Plan and (b) payment on behalf of Mr. Wier of $4,879 in long-term disability and life insurance premiums.

(6) These amounts represent payments by the Company for life insurance and disability insurance premiums.

(7) Reflects Mr. Eichler s compensation as our CFO. His director compensation is set forth under Director Compensation.

(8) The following individuals served as the Company s Principal Financial Officer during fiscal year 2009: John K. Sexton from January 3 to April 15, 2009; Linda Clements from April 16 to July 30, 2009 and Kevin C. Eichler from July 31, 2009 to January 1, 2010.

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Grants of Plan-Based Awards

The following table shows all plan-based awards granted to the named executive officers during fiscal 2009:

Name and Position	Grant Date	Comp. Committee Action Date	Estimated Future Payouts Under Non-Equity Incentive Plan Awards: Target ($) (1)	All Other Stock Awards: Number of Shares of Stock or Units (#)	All Other Option Awards: Number of Securities Underlying Options (#)	Exercise Price of Options Award ($/Sh)	Closing Price on Grant Date ($/Sh)	Grant Date Fair Value ($) (2)
Clarence L. Granger	2/27/2009	2/11/2009			200,000	$ 1.11	$ 1.17	$ 100,400
David Savage	2/27/2009	2/11/2009			200,000	$ 1.11	$ 1.17	$ 100,400
Deborah Hayward	2/27/2009	2/11/2009			60,000	$ 1.11	$ 1.17	$ 30,120
Bruce Wier	2/27/2009	2/11/2009			30,000	$ 1.11	$ 1.17	$ 15,060
John K. Sexton	2/27/2009	2/11/2009			35,000	$ 1.11	$ 1.17	$ 17,570
Kevin C. Eichler	7/31/2009	7/30/2009		100,000			$ 3.95	$ 396,000
	7/31/2009	7/30/2009			100,000	$ 3.96	$ 3.95	$ 232,700
Linda Clements	2/27/2009	2/11/2009			25,000	$ 1.11	$ 1.17	$ 12,550
	3/27/2009	3/24/2009			5,000	$ 1.17	$ 1.00	$ 2,646

(1) No Management Bonus Plan was devised for fiscal 2009 based on the annual operating plan and no incentive bonuses were paid to named executive officers.

(2) 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.

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Outstanding Equity Awards

The following table shows all outstanding equity awards held by the named executive officers as of January 1, 2010:

	Option Awards				Stock Awards	
	Underlying Unexercised Options (#) Exercisable	Underlying Unexercised Options (#) Unexercisable	Option Exercise Price ($)	Option Expiration Date	Shares or Units That Have Not Vested (#)	Market Value as January 1, 2010 on Shares or Units That Have Not Vested ($)
Clarence L. Granger	134,157	0	$ 1.00	2/21/2013		
	400,000	0	$ 6.55	5/9/2015		
	89,583	10,417(1)	$ 8.61	5/18/2016		
	53,333	26,667(2)	$ 14.90	4/27/2017		
	0	200,000(5)	$ 1.11	2/27/2019		
					15,500(8)	108,345
David Savage	23,958	26,042(3)	$ 9.61	1/25/2018		
	0	200,000(5)	$ 1.11	2/27/2019		
					50,000(9)	349,500
					3,333(8)	23,298
Deborah E. Hayward	35,317	0	$ 1.00	2/21/2013		
	16,250	0	$ 1.00	7/29/2013		
	31,250	0	$ 7.00	3/24/2014		
	25,000	0	$ 6.55	5/9/2015		
	17,916	2,084(1)	$ 8.61	5/18/2016		
	20,000	10,000(2)	$ 14.90	4/27/2017		
	0	60,000(5)	$ 1.11	2/27/2019		
					6,000(8)	41,940
Bruce C. Wier	73,000	0	$ 1.00	2/21/2013		
	5,000	0	$ 7.00	3/24/2014		
	25,000	0	$ 6.55	5/9/2015		
	17,916	2,084(1)	$ 8.61	5/18/2016		
	16,666	8,334(2)	$ 14.90	4/27/2017		
	0	30,000(5)	$ 1.11	2/27/2019		
					4,167(8)	29,127
Kevin C. Eichler	0	100,000(6)	$ 3.96	7/31/2019		
					100,000(10)	699,000
Linda Clements	57,812	17,188(4)	$ 14.08	11/24/2016		
	8,000	4,000(2)	$ 14.90	4/27/2017		
	0	25,000(5)	$ 1.11	2/27/2019		
	0	5,000(7)	$ 1.17	3/27/2019		
					4,000(8)	27,960

(1) 1/5 of unexercisable shares become exercisable on 1/18/2010 and each month thereafter.
(2) 1/16 of unexercisable shares become exercisable on 1/27/2010 and each month thereafter.
(3) 1/25 of unexercisable shares become exercisable on 1/25/2010 and each month thereafter.
(4) 1/11 of unexercisable shares become exercisable on 1/24/10 and each month thereafter.

(5) 25% of unexercisable shares become exercisable on 2/27/10 and 1/48 each month thereafter.

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(6) 25% of unexercisable shares become exercisable on 7/31/10 and 1/48 each month thereafter.
(7) 25% of unexercisable shares become exercisable on 3/27/10 and 1/48 each month thereafter.
(8) 1/3 of unvested units vested on 2/28/2010 and each year thereafter.
(9) 1/3 of unvested units vested 1/25/2010 and each year thereafter.
(10) 1/3 of unvested units vest on 7/31/2011 and each year thereafter

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 2009, which ended on January 1, 2010:

	Option Awards	Option Awards	Stock Awards	Stock Awards
Name	Number of Shares Acquired on Exercise (#)	Value Realized on Exercise ($) (1)	Number of Shares Acquired on Vesting (#)	Value Realized on Vesting $ (2)
Clarence L. Granger			7,750	$ 9,068
David Savage			1,666	$ 1,949
Deborah E. Hayward	933	$ 5,598	3,000	$ 3,510
Bruce C. Wier			2,083	$ 2,437
John K. Sexton	9,479	$ 12,278	7,666	$ 12,036
Linda Clements			2,000	$ 2,340

(1) The value realized equals the difference between the option exercise price and the fair market value of the Company s common stock on the date of exercise, multiplied by the number of shares for which the option was exercised.
(2) 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 non-qualified 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 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. 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.

In 2002, we entered into an employment agreement with Mr. Granger which provided for deferral of a bonus for approximately seven years. This amount plus interest was paid in February 2010.

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The following table shows certain information for the named executive officers under the EDCP for fiscal 2009:

Name	Executive Contributions in Last Fiscal Year ($)	Registrant Contributions in Last Fiscal Year ($)	Aggregate Earnings in Last Fiscal Year ($) (3)	Aggregate Withdrawals/ Distributions ($)	Aggregate Balance at Last Fiscal Year End ($)
Clarence L. Granger	14,092(1)		51,176		208,523
Clarence L. Granger					264,694(4)
David Savage	5,913(1)		1,068		6,682
Deborah E. Hayward					
Bruce C. Wier			11,516		50,165
Kevin C. Eichler	82,500(2)		29,064		154,815
John K. Sexton					
Linda Clements					

(1) Consists of salary reported in the Summary Compensation Table under the columns entitled Salary .
(2) Consists of cash/ stock units earned by Mr. Eichler while serving as a director and reported under Director Compensation above.
(3) Includes realized and unrealized gains and interest earned during the 2009 fiscal year.
(4) Amount paid in February 2010.

Post-Termination Arrangements

Change in Control Severance Agreement with Clarence L. Granger. We entered into a Change in Control Severance Agreement with Clarence L. Granger dated July 28, 2008. If upon, or within 12 months following, a change in control, Mr. Granger 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 David Savage and Kevin C. Eichler. We entered into a Change in Control Severance Agreement with David Savage dated July 28, 2008 and Kevin C. Eichler dated July 31, 2009. If upon, or within 12 months following, a change in control, each executive is terminated without cause or he resigns for good Reason, he is entitled to receive 150% of his 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 18 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.

In the Change in Control Severance Agreements described above, 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 our executive officers), (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 and (iii) a material reduction in the executive s authority, duties or responsibilities after the change in control

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The following table shows amounts that would have been paid if certain named executive officers had been terminated on January 1, 2010 in connection with a change of control:

Name	Salary ($)	Cash Incentive ($)	Health Benefits ($)	Value of Accelerated Vesting ($) (1)	Total Severance ($)
Clarence L. Granger	850,000	55,639	23,299	2,263,945	3,192,883
David Savage	487,500		17,092	1,548,798	2,053,390
Kevin C. Eichler	450,000		17,092	1,002,000	1,469,092

(1) Amounts based on our stock price as of January 1, 2010, less the option exercise price, in the case of options.

Agreements with Former Named Executive Officers. In April 2009, we entered into a separation and release agreement with John K. Sexton, our former chief financial officer and paid him $264,177, continued his health benefit coverage under COBRA for 12 months and accelerated the vesting of his unvested equity awards that would have vested within 12 months of his separation. We entered into a separation and release agreement with Linda Clements, our former VP of Finance and agreed to pay her $262,125 and continue her health benefit coverage under COBRA for 9 months upon her departure in April 2010.

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 January 1, 2010:

Name	Salary ($)	Cash Incentive ($)	Health Benefits ($)	Value of Accelerated Vesting ($) (1)	Total Severance ($)
Clarence L. Granger	637,500	41,730	17,474	794,341	1,491,045
David Savage	325,000		11,394	667,145	1,003,539
Deborah E. Hayward	138,023	45,791	8,349	182,670	374,833
Bruce C. Wier	167,904	4,208	6,109	95,414	273,635
Kevin C. Eichler	300,000		11,394	282,060	593,454

(1) Amounts based on our stock price as of January 1, 2010, less the option exercise price, in the case of options.

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Compensation Committee Interlocks and Insider Participation

No member of our Compensation Committee is or was an officer or employee of the Company during 2009. None of our executive officers serves or served during 2009 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 meetings, 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

Clarence Granger

Chairman and, Chief Executive Officer

Dated: April 23, 2010

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ANNEX 1

Ultra Clean Holdings, Inc.

Amended and Restated Stock Incentive Plan

(Amended as of June 10, 2010, 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;

(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.

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.

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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 Outside Directors as defined in the regulations under Section 162(m) of the Code and/or 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 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.

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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 6,755,695, including Shares previously issued under the Plan and including an increase of 1,500,000 Shares effective as of June 10, 2010. Such Shares may consist, in whole or in part, of authorized and unissued shares or treasury shares. Any Shares underlying Full-Value Awards granted after June 10, 2010 will 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.

(c) *Section 162(m) 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.

(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.

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(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 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

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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) Notwithstanding the foregoing, in the case of a Performance Award intended to qualify as performance-based compensation within the meaning of Section 162(m) of the Code), such Award shall be subject to the following limitations:

(i) *Performance Awards Granted to Covered Employees*. If the Committee determines that a Performance Award to be granted to an employee who is designated by the Committee as likely to be a covered employee (within the meaning of Section 162(m) of the Code) should qualify as performance-based compensation, the grant, exercise and/or settlement of such Performance Award shall be contingent upon achievement of a pre-established performance goal and other terms set forth in this subsection. Shares awarded to any Participant in a single calendar year pursuant to a Performance Award shall in no event pertain to more than 750,000 shares.

(ii) *Performance Goal*. The performance goals for Performance Awards shall 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 performance goal shall be objective and shall otherwise meet the requirements of Section 162(m) of the Code (including the requirement that the level or levels of performance targeted by the Committee result in the achievement of performance goals being substantially uncertain). 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.

(iii) *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 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

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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.

(iv) *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) *Written Determinations*. The Committee shall certify in writing, in a manner conforming to applicable regulations under Section 162(m) of the Code, prior to settlement of each Performance Award intended to qualify under Section 162(m) of the Code that the performance objective relating to the Performance Award and other material terms upon which settlement of the Award was conditioned have been satisfied.

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 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.

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(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 June 10, 2020, 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 for 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.

(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.

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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.

(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) *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.

(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

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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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