VIASAT INC
Form 10-K/A
July 30, 2007

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UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 10-K/A
Amendment No. 1

(Mark One)

þ	**ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934** **For the fiscal year ended March 30, 2007**
	or
o	**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934** **For the transition period from to .**

Commission file number (0-21767)

VIASAT, INC.
(Exact name of registrant as specified in its charter)

Delaware	**33-0174996**
(State or other jurisdiction of incorporation or organization)	*(I.R.S. Employer Identification No.)*

6155 El Camino Real, Carlsbad, California 92009
(760) 476-2200
(Address, including zip code, and telephone number, including area code, of principal executive offices)

Securities registered pursuant to Section 12(b) of the Act:

Common Stock, par value $0.0001 per share	**The NASDAQ Stock Market LLC**
(Title of Each Class)	*(Name of Each Exchange on which Registered)*

Securities registered pursuant to Section 12(g) of the Act:
None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act of 1933. Yes o No þ

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934. Yes o No þ

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes þ No o

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant s knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act.

Large accelerated filer o Accelerated filer þ Non-accelerated filer o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes o No þ

The aggregate market value of the voting stock held by non-affiliates of the registrant, as of September 29, 2006, the last day of the registrant s second fiscal quarter, was approximately $560,000,786 (based on the closing price on that date for shares of the registrant s Common Stock as reported by the Nasdaq Global Market). Shares of Common Stock held by each officer, director and holder of 5% or more of the outstanding Common Stock have been excluded in that such persons may be deemed affiliates. This determination of affiliate status is not necessarily a conclusive determination for other purposes.

The number of shares outstanding of the registrant s Common Stock, $.0001 par value, as of July 19, 2007 was 30,157,189.

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DOCUMENTS INCORPORATED BY REFERENCE
None

Explanatory Note

This Amendment No. 1 to the Annual Report of ViaSat, Inc. (ViaSat or the Company) on Form 10-K for the fiscal year ended March 30, 2007 (the 2007 Form 10-K) is filed to amend the following items in their entirety:

Item 10 (Directors, Executive Officers and Corporate Governance),

Item 11 (Executive Compensation),

Item 12 (Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters),

Item 13 (Certain Relationships and Related Transactions, and Director Independence),

Item 14 (Principal Accountant Fees and Services) and

Item 15 (Exhibits and Financial Statement Schedules).

This Amendment No. 1 does not reflect events occurring after May 31, 2007, the original filing date of the 2007 Form 10-K. Other than the items listed above, there are no other changes to the 2007 Form 10-K. All information contained in this Amendment No. 1 is subject to updating and supplementing as provided in ViaSat s reports filed with the Securities and Exchange Commission (the Commission) for periods subsequent to the date of the original filing of the 2007 Form 10-K.

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PART III

Item 10. *Directors, Executive Officers and Corporate Governance*

Name	Age	Present Position with ViaSat
Mark D. Dankberg	52	Chairman of the Board and Chief Executive Officer
Richard A. Baldridge	49	President and Chief Operating Officer
Steve Estes	52	Vice President Human Resources
Kevin J. Harkenrider	51	Vice President Operations
Steven R. Hart	53	Vice President and Chief Technical Officer
Keven K. Lippert	35	Vice President General Counsel and Secretary
Mark J. Miller	47	Vice President and Chief Technical Officer
Ronald G. Wangerin	40	Vice President and Chief Financial Officer
Dr. Robert W. Johnson	57	Director
Dr. Jeffrey M. Nash	59	Director
B. Allen Lay	72	Director
John P. Stenbit	67	Director
Michael B. Targoff	62	Director
Harvey P. White	73	Director

Mark D. Dankberg was a founder of ViaSat and has served as Chairman of the Board and Chief Executive Officer of ViaSat since its inception in May 1986. Mr. Dankberg also serves as a director of TrellisWare Technologies, Inc., a privately-held subsidiary of ViaSat that develops advanced signal processing technologies for communication applications. Mr. Dankberg is a director and member of the Audit committee of REMEC, Inc., which is now in dissolution. In addition, Mr. Dankberg serves on the advisory board of Minnetronix, Inc. a privately-held medical device and design company. Prior to founding ViaSat, he was Assistant Vice President of M/A-COM Linkabit, a manufacturer of satellite telecommunications equipment, from 1979 to 1986, and Communications Engineer for Rockwell International Corporation from 1977 to 1979. Mr. Dankberg holds B.S.E.E. and M.E.E. degrees from Rice University.

Richard A. Baldridge joined ViaSat in April 1999 as Vice President and Chief Financial Officer. From September 2000 to August 2002, Mr. Baldridge served as Executive Vice President, Chief Operating Officer and Chief Financial Officer. He currently serves as President and Chief Operating Officer of ViaSat. Prior to joining ViaSat, Mr. Baldridge served as Vice President and General Manager of Raytheon Corporation s Training Systems Division from January 1998 to April 1999. From June 1994 to December 1997, Mr. Baldridge served as Chief Operating Officer, Chief Financial Officer and Vice President Finance and Administration for Hughes Information Systems and Hughes Training Inc., prior to their acquisition by Raytheon in 1997. Mr. Baldridge s other experience includes various senior financial management roles with General Dynamics Corporation. Mr. Baldridge also serves as a director of Jobs for America s Graduates. Mr. Baldridge holds a B.S. degree in Business Administration, with an emphasis in Information Systems, from New Mexico State University.

Steve Estes first became part of the ViaSat team with the acquisition of several commercial divisions of Scientific-Atlanta in April 2000. Mr. Estes served as Vice President and General Manager of the Antenna Systems group from 2000 to 2003. From 2003 to 2005, he served as a co-founder of an entrepreneurial startup. In September 2005, Mr. Estes rejoined ViaSat as Vice President Human Resources. Mr. Estes began his career as an electrical design engineer, moving into various management positions in engineering, program management, sales and marketing, and general management for companies that included Scientific-Atlanta, Loral (now part of L-3), and AEL Cross Systems (now part of BAE). Mr. Estes holds a B.S. degree in Mathematics and an Electrical Engineering degree from Georgia Tech, along with an M.B.A. degree focused on finance and marketing.

Kevin J. Harkenrider joined ViaSat in October 2006 as Director of Operations and since January 2007 has served as Vice President Operations. Prior to joining the Company, Mr. Harkenrider served as an Account Executive at Computer Sciences Corporation from 2002 through October 2006. From 1992 to 2001, Mr. Harkenrider held several positions at BAE Systems Mission Solutions (formerly GDE Systems, Marconi Integrated Systems and General Dynamics Corporation, Electronics Division), including Vice President and Program Director, Vice President Operations and Vice President Material. Mr. Harkenrider holds a B.S. in Civil Engineering from Union College and an M.B.A. from the University of Pittsburgh.

Steven R. Hart was a founder of ViaSat and has served as Vice President and Chief Technical Officer since March 1993. Mr. Hart served as Vice President Engineering from March 1997 to January 2007 and as Engineering Manager since 1986. Prior to joining ViaSat, Mr. Hart was a Staff Engineer and Manager at M/A-COM Linkabit from 1982 to 1986. Mr. Hart holds a B.S. degree in Mathematics from the University of Nevada, Las Vegas and a M.A. degree in Mathematics from the University of California, San Diego.

Keven K. Lippert has served as Vice President General Counsel and Assistant Secretary of ViaSat since April 2007 and as Associate General Counsel and Assistant Secretary from May 2000 to April 2007. Prior to joining ViaSat, Mr. Lippert was a corporate associate at the law firm of Latham & Watkins LLP from 1997 to 2000. Mr. Lippert holds a J.D. degree from the University of Michigan and a B.S. degree in Business Administration from the University of California, Berkeley.

Mark J. Miller was a founder of ViaSat and has served as Vice President and Chief Technical Officer of ViaSat since 1993 and as Engineering Manager since 1986. Prior to joining ViaSat, Mr. Miller was a Staff Engineer at M/A-COM Linkabit from 1983 to 1986. Mr. Miller holds a B.S.E.E. degree from the University of California, San Diego and a M.S.E.E. degree from the University of California, Los Angeles.

Ronald G. Wangerin has served as Vice President and Chief Financial Officer of ViaSat since August 2002. Prior to joining ViaSat, Mr. Wangerin served as Vice President, Chief Financial Officer, Treasurer, and Secretary at NexusData Inc., a privately-held wireless data collection company, from 2000 to 2002. From 1997 to 2000, Mr. Wangerin held several positions at Hughes Training, Inc., a subsidiary of Raytheon Company, including Vice President and Chief Financial Officer. Mr. Wangerin worked for Deloitte & Touche LLP from 1989 to 1997. Mr. Wangerin holds a B.S. degree in Accounting and a Masters of Accounting degree from the University of Southern California.

Dr. Robert W. Johnson has been a director of ViaSat since 1986. Dr. Johnson has worked in the venture capital industry since 1980, and has acted as an independent investor since 1988. Dr. Johnson currently serves as a director of Hi/fn Inc., a publicly-held company that manufactures semiconductors and software for networking and data storage industries. Dr. Johnson holds B.S. and M.S. degrees in Electrical Engineering from Stanford University and M.B.A. and D.B.A. degrees from Harvard Business School.

Dr. Jeffrey M. Nash has been a director of ViaSat since 1987. From 1994 until 2003, he served as President of Digital Perceptions Inc., a privately-held consulting and software development firm serving the defense, remote sensing, communications, aviation and commercial computer industries. Since September 2003, he has been President and Chairman of Inclined Plane Inc., a privately-held consulting and intellectual property development company serving the defense, communications and media industries. In addition to his role at ViaSat, Dr. Nash serves as a director of two San Diego-based companies: Pepperball Technologies, Inc., a privately-held manufacturer of non-lethal personal defense equipment for law enforcement, security and personal defense applications, and REMEC, Inc., which is now in dissolution.

B. Allen Lay has been a director of ViaSat since 1996. From 1983 to 2001, he was a General Partner of Southern California Ventures, a venture capital company. From 2001 to the present he has acted as a consultant to the venture capital industry. Mr. Lay is currently a director of Physical Optics Corporation, a privately-held optical systems company; Oncotech, Inc., a privately-held medical diagnostic company; NPI, LLC, a privately-held developer and supplier of proprietary and patentable ingredients for dietary supplements; Luminit, LLC, a privately-held light shaping film company; and Canley Lamps, LLC, a privately-held manufacturer of specialty light bulbs.

John P. Stenbit has been a director of ViaSat since August 2004. From 2001 to his retirement in March 2004, Mr. Stenbit served as the Assistant Secretary of Defense for Command, Control, Communications, and Intelligence (C3I) and later as Assistant Secretary of Defense of Networks and Information Integration/Department of Defense Chief Information Officer, the C3I successor organization. From 1977 to 2001, Mr. Stenbit worked for TRW, retiring as Executive Vice President. Mr. Stenbit was a Fulbright Fellow and Aerospace Corporation Fellow at the Technische Hogeschool, Einhoven, Netherlands. Mr. Stenbit has chaired the Science Advisory Panel to the Director for the Administrator of the Federal Aviation Administration. Mr. Stenbit currently serves on the board of directors of the following publicly-held companies: SM&A Corporation, Cogent, Inc, SI International, and Loral Space & Communications, Inc. (Loral). He is also on the board of trustees of The Mitre Corp., a private not-for-profit corporation. Mr. Stenbit also serves on the Defense Science Board, the Technical Advisory Group of the National Reconnaissance Office, the Advisory Board of the National Security Agency, the Science Advisory Group of the US Strategic Command and the Naval Studies Board. He also does consulting for various government and commercial clients.

Michael B. Targoff has been a director of ViaSat since February 2003. In February 2006, Mr. Targoff was elected chief executive officer of Loral. Since November 2005, he has served as the vice chairman of Loral s Board of Directors and serves on the executive and compensation committees. Mr. Targoff originally joined Loral Space & Communications Limited in 1981 and served as senior vice president and general counsel until January 1996, when he was elected President and chief operating officer of the newly formed Loral. In 1998, he founded Michael B. Targoff & Co., which invests in telecommunications and related industry early stage companies. Mr. Targoff is chairman of the board and chairman of the audit committee of CPI International, Inc., a publicly-held company and a director and chairman of the audit committee of Leap Wireless International, Inc., a publicly-held company. Mr. Targoff is also chairman of the board of directors of three private telecommunications companies. Prior to joining Loral in 1981, Mr. Targoff was a partner in the New York City law firm, Willkie Farr & Gallagher. Mr. Targoff holds a B.A. degree from Brown University and a J.D. degree from the Columbia University School of Law, where he was a Hamilton Fisk Scholar and editor of the Columbia Journal of Law and Social Problems.

Harvey P. White has been a director of ViaSat since May 2005. Since June 2004, Mr. White has served as Chairman of (SHW)2 Enterprises, a business development and consulting firm. From September 1998 through June 2004, Mr. White served as Chairman and Chief Executive Officer of Leap Wireless International, Inc. Prior to that, Mr. White was a co-founder of QUALCOMM Incorporated where he held various positions including director, President, and Chief Operating Officer. Mr. White serves on the board of Motive, Inc. and is the chairman of the board of two private companies, Quanlight, Inc. and YBR Solar, Inc. Mr. White attended West Virginia Wesleyan College and Marshall University where he received a B.A. degree in Economics.

Committees of the Board

Audit Committee

The Audit Committee of the Company s Board of Directors currently consists of Dr. Johnson, Mr. Lay (chair), Dr. Nash and Mr. White. The Audit Committee met seven times (including telephonic meetings) during fiscal year 2007. All members of the Audit Committee are independent directors, as defined in the Nasdaq Stock Market (Nasdaq) qualification standards and by Section 10A of the Securities Exchange Act of 1934, as amended (the Exchange Act). The Company s Board of Directors has determined that each of the four members of our Audit Committee is an audit committee financial expert as that phrase is defined under the regulations promulgated by the Commission. The Audit Committee is governed by a written charter adopted by the Company s Board of Directors. The functions of the Audit Committee include:

- meeting with the Company s management periodically to consider the adequacy of its internal controls and the quality and objectivity of the Company s financial reporting;

- meeting with the Company s independent registered public accounting firm and with internal financial personnel regarding these matters;

overseeing the independence and performance of the Company s independent registered public accounting firm and recommending to the Company s Board of Directors the engagement of the Company s independent registered public accounting firm;

establishing procedures for the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls or auditing matters and the confidential and anonymous submission by employees of concerns regarding questionable accounting or auditing matters;

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reviewing the Company s audited and unaudited published financial statements and reports and discussing the statements and reports with the Company s management and our independent registered public accounting firm, including any significant adjustments, management judgments and estimates, new accounting policies and disagreements with management; and

reviewing the Company s financial plans and reporting recommendations to the Company s full Board of Directors for approval and to authorize action.

Both the Company s independent registered public accounting firm and internal financial personnel meet privately with the Audit Committee and have unrestricted access to this committee.

Compensation and Human Resources Committee

The Compensation and Human Resources Committee (the Compensation Committee) of the Board of Directors currently consists of Dr. Nash (chair), Mr. Stenbit and Mr. White. The Compensation Committee met five times (including telephonic meetings) during fiscal year 2007. All members of the Compensation Committee are independent directors, as defined in the Nasdaq qualification standards. The Compensation Committee is governed by a written charter approved by the Board of Directors. The functions of the Compensation Committee include:

reviewing and, as it deems appropriate, recommending to the Board of Directors, policies, practices and procedures relating to the compensation of directors, officers and other managerial employees and the establishment and administration of ViaSat s employee benefit plans;

exercising authority under the employee benefit plans; and

advising and consulting with the officers regarding managerial personnel and development.

Nominating and Corporate Governance Committee

The Nominating and Corporate Governance Committee of the Board of Directors currently consists of Dr. Johnson, Mr. Stenbit and Mr. Targoff (chair). The Nominating and Corporate Governance Committee met two times during fiscal year 2007. All members of the Nominating and Corporate Governance Committee are independent directors, as defined in the Nasdaq qualification standards. The Nominating and Corporate Governance Committee is governed by a written charter approved by the Board of Directors. The functions of the Nominating and Corporate Governance Committee include:

reviewing and recommending nominees for election as directors and committee members;

overseeing the process for self assessment of the Board of Directors; and

reviewing and making recommendations to the Board of Directors regarding ViaSat s corporate governance guidelines and procedures and considering other issues relating to corporate governance.

Section 16(a) Beneficial Ownership Reporting Compliance

Under Section 16(a) of the Exchange Act, directors, executive officers and beneficial owners of 10% or more of ViaSat s common stock (Reporting Persons) are required to report to the Commission on a timely basis the initiation of their status as a Reporting Person and any changes with respect to their beneficial ownership of ViaSat s common stock. Based solely on ViaSat s review of copies of such forms that ViaSat has received, or written representations from Reporting Persons, ViaSat believes that during the fiscal year ended March 30, 2007, all executive officers, directors and greater than 10% stockholders complied with all applicable filing requirements, except that Robert Johnson filed one late Form 4 reporting a single transaction.

Code of Ethics

ViaSat has established a Guide to Code of Ethics (Code of Ethics) that applies to its officers, directors and employees. The Code of Ethics contains general guidelines for conducting ViaSat s business consistent with the highest standards of business ethics, and is intended to qualify as a code of ethics within the meaning of

Section 406 of the Sarbanes-Oxley Act of 2002 and Item 406 of Regulation S-K promulgated by the Commission. ViaSat maintains a copy of the Code of Ethics on its website at www.viasat.com under the heading Investor Relations.

Item 11. *Executive Compensation*

COMPENSATION DISCUSSION AND ANALYSIS

The following Compensation Discussion and Analysis (CD&A) provides information regarding the compensation program in place for our executive officers, including the Named Executive Officers (defined below), during our 2007 fiscal year. In particular, this CD&A provides information related to each of the following aspects of our executive compensation program:

- Overview and objectives of our executive compensation program;
- Explanation of our executive compensation processes and criteria;
- Description of the components of our compensation program; and
- How each component fits into our overall compensation objectives.

Overview and Objectives of Executive Compensation Program

The principal components of our executive compensation program include:

- Base salary;
- Short-term or annual awards in the form of cash bonuses;
- Long-term equity awards; and
- Other benefits generally available to all of our employees.

Our executive compensation program incorporates these components because our Compensation Committee considers the combination of these components to be necessary and effective in order to provide a competitive total compensation package to our executive officers and to meet the principal objectives of our executive compensation program. In addition, the Compensation Committee believes that our use of base salary, annual cash bonus, and long-term equity awards as the primary components of our executive compensation program is consistent with the executive compensation programs employed by technology companies of similar size and stage.

Our overall compensation objectives are premised on the following three fundamental principles, each of which is discussed below: (1) a significant portion of executive compensation should be performance-based, tied to the achievement of certain Company objectives (e.g., earnings, revenue, awards and net operating asset turnover) and individual objectives; (2) the financial interests of our executive management and our stockholders should be aligned; and (3) the executive compensation program should be structured so that we can compete in the marketplace in hiring and retaining top level executives in our industry with compensation that is competitive and fair.

Performance-Based Compensation. A major thrust of our compensation program is our belief that a significant amount of executive compensation should be performance-based. In other words, our compensation program is designed to reward superior performance, and we believe that our executive officers should feel accountable for the performance of our business and their individual performance. In order to achieve this objective, we have structured our compensation program so that executive compensation is tied, in large part, directly to Company-wide and individual performance. For example, and as discussed specifically below, annual cash bonuses are based on, among other things, pre-determined corporate financial performance metrics and operational targets.

Alignment with Stockholder Interests. We believe that executive compensation and stockholder interests should be linked, and our compensation program is designed so that the financial interests of our executive officers are aligned with the interests of our stockholders. We accomplish this objective in a couple of ways. First, as noted above, payments of annual cash bonuses are based on, among other things, pre-determined financial performance metrics and operational targets that, if achieved, we believe enhance the value of our common stock.

Second, a significant portion of the total compensation paid to our executive officers is paid in the form of equity to further align the interests of our executive officers and our stockholders. In this regard, our executive officers are subject to the downside risk of a decrease in the value of their compensation in the event that the price of our common stock declines. We believe that a combination of restricted stock units (RSU) and stock option awards, which each vest with the passage of time, provide meaningful long-term awards that are directly related to the enhancement of stockholder value. Equity awards are intended to reward our executive officers upon achieving operational and financial goals that we believe ultimately will be reflected in the value of our common stock. In addition, the time-vesting schedule of RSU and stock option awards further the goal of executive retention.

Structure Allows Competitive and Fair Compensation Packages. We develop and manufacture innovative satellite and other wireless communications and networking systems for commercial, military and civil government customers. We believe that our industry is highly specialized and competitive. Stockholders are best served when we can attract and retain talented executives with compensation packages that are competitive and fair. Therefore, we strive to create a compensation package for executive officers that delivers compensation that is comparable to the total compensation delivered by the companies with which we compete for executive talent.

Compensation Processes and Criteria

The Compensation Committee is responsible for determining our overall executive compensation philosophy and for evaluating and recommending all components of executive officer compensation (including base salary, annual cash bonuses, and long-term equity awards) to our Board of Directors for approval. The Compensation Committee acts under a written charter adopted and approved by our Board of Directors and may, in its discretion, obtain the assistance of outside advisors, including compensation consultants, legal counsel and accounting and other advisors. Three outside directors currently serve on the Compensation Committee. Each member qualifies as an outside director within the meaning of Section 162(m) of the Internal Revenue Code, a non-employee director within the meaning of Rule 16b-3 of the Exchange Act and as independent within the meaning of the corporate governance standards of Nasdaq. A copy of the Compensation Committee charter can be found under the Investor Relations-Corporate Governance section of our website at www.viasat.com.

Because our executive compensation program relies on the use of three relatively straightforward components (base salary, annual cash bonus, and long-term equity awards), the process for determining each component of executive compensation remains fairly consistent across each component. The Compensation Committee determines compensation in a manner consistent with the Company s primary objectives for executive compensation discussed above. In determining each component of executive compensation, the Compensation Committee generally considers each of the following factors:

- industry compensation data;
- individual performance and contributions;
- Company financial performance;
- total executive compensation;
- affordability of cash compensation based on the Company s financial results; and

availability and affordability of shares for equity awards.

Industry Compensation Data. The Compensation Committee reviews the executive compensation data of companies in comparable technology industries of similar size and stage to the Company as part of the process of determining executive compensation. Industry compensation data consists of executive compensation surveys (e.g., Radford) and peer group compensation data. Our current list of peer group companies consists of 17 publicly-traded communications companies such as: Comtech Telecommunications, Foundry Networks, Harmonic, Labarge, MRV Communications, Orbital Sciences, Tekelec and Trimble Navigation. Although we maintain a peer group for executive compensation purposes, we still continue to primarily rely on industry survey data in determining

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executive compensation. The primary role of peer group compensation data historically has been to serve as a validation (or cross-check) of industry survey data. Consistent with this current methodology, for each component of executive compensation (base salary, annual cash bonus, and long-term equity compensation) we disclose industry survey data percentile ranges for each individual Named Executive Officer.

Individual Performance. The Compensation Committee makes an assessment of individual executive performance and contributions. The individual performance assessments made by the Compensation Committee are based in part on input from executive management. As part of our executive compensation process, our Chief Executive Officer and President provide input to the Compensation Committee on individual executive performance and contributions. With respect to assessing the individual performance of our Chief Executive Officer, the Compensation Committee relies on an annual assessment completed by our Nominating and Corporate Governance Committee.

Company Financial Performance. As previously discussed, a major component of our executive compensation program is our belief that a significant amount of executive compensation should be based on performance, including company financial performance. Although the Compensation Committee uses specific financial performance metrics as a basis for determining annual cash bonus compensation, Company financial performance is also a factor considered by the Compensation Committee in determining both base salary and equity awards.

Total Executive Compensation. As part of reviewing each component of executive compensation, the Compensation Committee also considers the total compensation of the executive. A review of total compensation is completed to assure that each executive s total compensation remains appropriately competitive and continues to meet the compensation objectives described above.

Affordability. Prior to completing the executive cash compensation (base salary and annual cash bonuses) process the Compensation Committee confirms that the proposed cash compensation is affordable under and consistent with the Company s financial results. With respect to equity compensation, the Compensation Committee confirms the availability and affordability of shares prior to granting the equity awards to executives. To the extent the Compensation Committee determines that a component of executive compensation is not affordable, appropriate adjustments to that compensation component are made prior to final approval by the Compensation Committee.

Determination of Compensation. After reviewing, analyzing and discussing each of the factors for executive compensation described above, the Compensation Committee determines (or makes a recommendation to the Board of Directors) the appropriate compensation for each individual executive. The Compensation Committee generally determines the appropriate compensation for each executive by determining the appropriate location in the compensation range (or percentile) based on industry survey data. By way of example, if the Compensation Committee determines that it is appropriate to set an executive s base salary at the 50th percentile then 50% of the executives in the same position are below that base salary level and 50% are above that base salary level. Based on the Company s compensation philosophy and objectives, executive compensation levels are generally set between the market 50th and the 75th percentiles. The Compensation Committee and the Board hold several meetings each year for the review, discussion and determination of executive compensation.

As part of the process in determining executive compensation, our Chief Executive Officer and President provide inputs and make recommendations for the Company s other executive officers to the Compensation Committee related to (1) executive compensation philosophy, (2) individual executive performance and contributions and (3) base salary, annual cash bonuses, and long-term equity awards. The Compensation Committee believes input from management and outside advisors is valuable; however, the Compensation Committee makes its recommendations and decisions based on an independent analysis and assessment.

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Components of Our Compensation Program

As discussed above, the components of our compensation program are the following: base salary, annual cash bonuses, long-term equity-based compensation, and certain other benefits that are generally available to all of our employees.

Base Salary. Our Compensation Committee approved new salaries for our executives in May 2007 (for fiscal year 2008). In determining fiscal year 2008 base salary, the Compensation Committee primarily considered (1) industry compensation data, and (2) individual performance and contributions. For fiscal year 2007, we relied on executive compensation survey results from Radford, which generally reports a compensation range for each position, and compensation data from reviewing the proxy filings of peer group companies. In evaluating individual executive performance and contributions for fiscal year 2007, the Compensation Committee also considered to what extent the executive:

- Sustains a high level of performance;
- Demonstrates success in contributing toward the Company achieving key financial and other business objectives;
- Has a proven ability to help create stockholder value; and
- Possesses highly developed skills and abilities critical to the Company s success.

After also considering recent Company financial performance, total executive compensation, and confirming affordability under the Company s financial plan, the Compensation Committee set new base salaries for each of the executives. The following table describes the base salaries and corresponding percentiles for fiscal year 2007 and fiscal year 2008 for each of our Named Executive Officers (percentiles based on industry survey data).

Fiscal Year 2007 and Fiscal Year 2008
Base Salary

Executive	Fiscal Year 2007 Base Salary Percentile	Fiscal Year 2007 Base Salary	Fiscal Year 2008 Base Salary Percentile	Fiscal Year 2008 Base Salary
Mark D. Dankberg Chairman and CEO	50th-60th	$ 545,000	60th -70th	$ 580,000
Richard A. Baldridge President and COO	50th-60th	$ 420,000	60th -70th	$ 445,000
Ronald G. Wangerin Chief Financial Officer	40th-50th	$ 295,000	50th-60th	$ 325,000
Steven R. Hart Vice President Engineering and Co-Chief Technology Officer	50th-60th	$ 260,000	50th-60th	$ 280,000
Mark J. Miller Co-Chief Technology Officer	50th-60th	$ 240,000	60th -70th	$ 250,000

Annual Cash Bonuses. Consistent with our overall compensation objectives of linking compensation to performance, aligning executive compensation with stockholder interests and attracting and retaining top level executive officers in our industry, our Compensation Committee approved annual cash bonuses for fiscal year 2007. Under our executive compensation program, targets for cash bonuses are established as a percentage of base salary and actual award amounts are determined primarily based on the achievement of certain Company financial results and individual performance metrics. For fiscal year 2007, the target amount for annual cash bonuses was determined by the Compensation Committee primarily based on industry compensation surveys (and cross-checked with compensation data from peer group companies). The Compensation Committee also considered affordability under the Company s financial plan, individual performance and expected Company financial performance in setting the target cash bonuses for fiscal year 2007. Based on our Company compensation philosophy and objectives, the cash bonus targets for executives are generally set between the market 50th and the 75th percentiles of the compensation range for each position (based on industry compensation data).

For fiscal year 2007, the specific metrics for determining annual cash bonuses placed equal emphasis on the Company s annual financial performance and individual performance. The financial metrics were set at the beginning of the 2007 fiscal year and were based on the year s internally-developed financial plan, which was approved by the Company s Board of Directors. The individual performance factors for the Company s executive officers (excluding the Chief Executive Officer) were determined by the Compensation Committee based on input and recommendations from our Chief Executive Officer and President as well as the Compensation Committee s independent assessment. The annual performance metrics for determining annual cash bonuses are intended to be challenging but achievable. The table below describes the financial and individual objectives (and weighting of each objective) used for determining annual cash bonuses for our Named Executive Officers (excluding our Chief Executive Officer) for fiscal year 2007.

Fiscal Year 2007 Cash Bonus Objectives

Objective		**Weighting**
Financial	Earnings per share	20%
Financial	New Contract Awards	12.5%
Financial	Revenues	10%
Financial	Net Operating Asset Turnover	7.5%
Individual	Contribution Toward Achievement of Company Financial Targets	30%
Individual	Achievement of Individual Goals	20%

For purposes of determining the annual cash bonuses for our Chief Executive Officer in fiscal year 2007, our Compensation Committee relied on an assessment of our Chief Executive Officer completed by our Nominating and Corporate Governance Committee. The criteria used by the Nominating and Corporate Governance Committee for our Chief Executive Officer s fiscal year 2007 evaluation included (with approximately one-third (33%) of the weighting applied to each of the three main categories):

Company financial performance: earnings per share, new contract awards, revenues, and net operating asset turnover;

Leadership: strategic, ethics and integrity; and

Strategic: industry positioning, short term and long term strategies, measurable progress in key business areas, and growth strategy.

The Company s executive bonus program does not have any pre-established minimum or maximum payout. At the beginning of each fiscal year, the Board approves the Company s financial plan for the upcoming fiscal year and the Compensation Committee approves the Company s target bonus pool (executives and employees) for the upcoming fiscal year. To the extent the Company s financial results deviate from the financial plan, the Company s bonus pool is adjusted (generally using a pre-established formula approved by the Compensation Committee and Board of Directors). The Compensation Committee and the Board of Directors also retain the discretion to take additional factors into account (e.g., market conditions, total executive compensation, additional Company financial metrics or extraordinary individual contributions) and make adjustments to executive bonus compensation to the extent appropriate.

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Based primarily on the Company s financial results for fiscal year 2007 and individual executive performance, the Compensation Committee (under delegation of authority from the Board) approved the cash bonuses in the table below for our Named Executive Officers for fiscal year 2007 (paid in fiscal year 2008). In addition, the Compensation Committee adjusted bonuses upward for fiscal year 2007 (above the formulaic determination based on Company financial results and individual performance) in order to bring the total compensation for the Named Executive Officers to appropriately competitive levels.

Fiscal Year 2007 Cash Bonuses

Executive	Target Cash Bonuses As Percentage of Base Salary	Target Cash Bonuses Percentile	Actual Cash Bonuses As Percentage of Base Salary	Actual Cash Bonuses Percentile	Actual Cash Bonuses
Mark D. Dankberg	100%	50th	117%	80th - 90th	$ 640,000
Richard A. Baldridge	75%	50th	93%	60th - 70th	$ 390,000
Ronald G. Wangerin	57%	50th	64%	60th - 70th	$ 200,000
Steven R. Hart	50%	50th	58%	60th - 70th	$ 150,000
Mark J. Miller	40%	50th	50%	70th - 80th	$ 130,000

Equity-Based Compensation. Consistent with our belief that equity-based compensation is a key component for an effective executive compensation program at growth-oriented technology companies, our Board of Directors approved (upon recommendation of the Compensation Committee) long-term equity awards to our executive officers in fiscal year 2007. Upon the recommendation of our Board of Directors, the Company s stockholders approved amendments to the Company s equity plan in fiscal year 2007. This amended equity plan allowed the Compensation Committee to make significant changes to both our non-executive employee and executive equity compensation programs. The following table outlines the primary changes recently instituted by the Compensation Committee for the executive equity compensation program.

Executive Equity Compensation Program Changes