

POWER ONE INC  
Form DEF 14A  
March 26, 2004

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

**SCHEDULE 14A**

Proxy Statement Pursuant to Section 14(a) of  
the Securities Exchange Act of 1934 (Amendment No. )

Filed by the Registrant o

Filed by a Party other than the Registrant o

Check the appropriate box:

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

**POWER-ONE, INC.**

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(Name of Registrant as Specified In Its Charter)

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

Payment of Filing Fee (Check the appropriate box):

- No fee required.
- Fee computed on table below per Exchange Act Rules 14a-6(i)(4) and 0-11.  
(1) Title of each class of securities to which transaction applies:

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(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):

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(1) Amount Previously Paid:

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**740 Calle Plano  
Camarillo, California 93012**

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**Notice of Annual Meeting of Stockholders**

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*To Our Stockholders:*

**WHAT:** Our Annual Meeting of Stockholders for Fiscal Year 2003

**WHEN:** May 4, 2004 at 9:00 a.m., local time

**WHERE:** Westlake Village Inn  
31943 Agoura Road  
Westlake Village, California 91361

**WHY:** At this meeting, we plan to:

1. Elect four directors;
2. Approve the adoption of the Power-One 2004 Stock Incentive Plan;
3. Ratify the appointment of Deloitte & Touche LLP as independent auditors of

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Power-One, Inc. for the 2004 fiscal year; and,

4. Transact any other business which may properly be presented at the meeting or any adjournment.

Only stockholders of record at the close of business on March 12, 2004 will receive notice of the Annual Meeting and be eligible to vote at the meeting.

All stockholders are encouraged to attend the Annual Meeting. Whether or not you plan to attend, please promptly register your votes to ensure that your shares are represented at the Annual Meeting.

Please refer to the enclosed Proxy card for voting directions. Please vote as soon as possible. We have enclosed a postage-prepaid envelope for your convenience for return of the Proxy card.

By Order of the Board of Directors,

Randall H. Holliday  
*Secretary*

Camarillo, California  
March 26, 2004

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### PROPOSAL 1 ELECTION OF DIRECTORS

The Board of Directors of Power-One, Inc. seeks your Proxy for use at our Annual Meeting of Stockholders. We will hold the meeting according to our Notice of Annual Meeting, unless we adjourn to a later date and/or time.

This Proxy Statement and the accompanying Notice of Annual Meeting discuss the purposes of the Annual Meeting.

#### \* VOTING AND SOLICITATION

Each share of our common stock has one vote on all matters submitted to our stockholders at the Annual Meeting. Stockholders of record as of the close of business on March 12, 2004 will receive notice of and may vote at the Annual Meeting. Eligible stockholders may vote by marking, signing, and returning the proxy card.

There were 83,662,479 shares of our common stock outstanding as of March 12, 2004. The closing sale price on that date was \$12.25 per share. Our common stock is traded on the NASDAQ National Market® under the symbol "PWER."

We have hired Morrow & Co., Inc. for approximately \$10,000, plus out-of-pocket expenses, to help distribute proxy materials and secure votes. Power-One, Inc. will pay for this solicitation. We may also reimburse brokerage firms and other persons representing beneficial owners of shares for their reasonable expenses in sending solicitation materials to beneficial owners.

**Required Voting.** The presence at the Annual Meeting, in person or by proxy, of the holders of a majority of the outstanding shares of our common stock will constitute a quorum for the meeting.

Our inspector of elections will count all votes cast in person or by proxy at the Annual Meeting. The nominees for director receiving the most votes will be elected. For the purpose of determining whether the stockholders have approved matters other than the election of directors, abstentions will have the same effect as a negative vote.

Under NASDAQ rules, if you hold your shares in "street name" through a broker or other nominee, and you do not give your broker or nominee specific instructions on how to vote your shares, your broker or nominee will be permitted to exercise voting discretion with respect to the election of directors and ratification of the appointment of auditors but not with respect to the adoption of the 2004 Stock Incentive Plan.

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If you do not provide your broker or nominee with specific instructions on how to vote with respect to the 2004 Stock Incentive Plan, your votes will be deemed "broker non-votes" and, under Delaware law, they will be counted for general quorum purposes but will neither be counted in determining the number of shares necessary for approval of the 2004 Stock Incentive Plan nor treated as abstentions. Assuming a quorum is obtained, broker non-votes will thus have no effect on the outcome of the adoption of the 2004 Stock Incentive Plan.

**Revoking Your Proxy.** Any Proxy may be revoked at any time before it is actually voted at the Annual Meeting. Regardless of the method of voting used, you may revoke your Proxy by:

Delivering a written notice of revocation, dated later than the Proxy, before the vote is taken at the Annual Meeting.

Executing a later dated Proxy before the vote is taken at the Annual Meeting.

Voting in person at the Annual Meeting (your attendance at the meeting, by itself, does not revoke your earlier Proxy).

Any written notice of revocation, or later Proxy, should be delivered to our principal executive offices at Power-One, Inc., 740 Calle Plano, Camarillo, CA 93012, Attention: Corporate Secretary.

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### \* DEADLINE FOR STOCKHOLDER PROPOSALS FOR THE FISCAL 2004 ANNUAL MEETING

Any stockholder who intends to present a proposal at our Annual Meeting for fiscal year 2004 must deliver the proposal to us at our principal executive offices not later than November 25, 2004 for inclusion in our Proxy Statement and form of Proxy relating to the meeting.

Stockholder proposals to be presented at an Annual Meeting of Stockholders but not submitted for inclusion in our Proxy Statement for that meeting must be received by our Corporate Secretary not less than 90, nor more than 120 days prior to the meeting. However, if less than 100 days' notice from the date of the meeting is given to stockholders, then notice by the stockholder of any proposal need only be received within 10 days from the date on which notice of the meeting is given. Stockholder proposals must contain information required by our bylaws and comply with applicable legal requirements.

Our bylaws are available via the "Governance" link found under our main "Investor Relations" link at our website located at [www.power-one.com](http://www.power-one.com). Alternatively, any stockholder may obtain a copy of our bylaws by submitting a request to our Corporate Secretary at our principal executive offices.

Directors are to be elected at the Annual Meeting of Stockholders. In our Proxy Statement for fiscal 2002, we inadvertently transposed the order of classes of Directors to be elected. Last year we elected Class I Directors but should have elected Class III Directors. To correct the transposition, the Company will elect two of its three classes of Directors at this Annual Meeting. This process will return all Director Classes to their normal rotation in our Annual Meeting process.

The nominees proposed for election as Class III directors are Jon E.M. Jacoby and Mark Melliar-Smith. The nominees proposed for election as Class I Directors are Steven J. Goldman and Jay Walters. If re-elected, Mr. Jacoby and Mr. Melliar-Smith will serve until the Annual Meeting of Stockholders in 2006, or until their respective successors are elected and qualified. If re-elected, Mr. Goldman and Mr. Walters will serve until the Annual Meeting of Stockholders in 2007, or until their respective successors are elected and qualified.

There are no family relationships among any of our directors or executive officers, other than between Donna M. Schnopp (Koep) and Eddie K. Schnopp, both of whom are officers and are married.

Each nominee has indicated his willingness to serve if elected, but if any nominee should become unable to serve, we will vote the Proxies we receive for the election of such other person as our directors select. We are not aware of any reason why any of our nominees will be unable or will decline to continue to serve as a director. Background information on each nominee appears below.

*NOMINEES FOR ELECTION AS CLASS III DIRECTORS*

<b>Name of Nominee</b>	<b>Age<sup>1</sup></b>	<b>Principal Occupation</b>	<b>Class</b>	<b>Year First Elected</b>	<b>Independence per Board Determination</b>
Jon E.M. Jacoby	65	Director of Stephens Group Inc.	III	1995	Independent per NASDAQ rules
Mark Melliar-Smith	58	President of MSC	III	2001	Independent per NASDAQ rules

<sup>1</sup> As of March 12, 2004.

<sup>2</sup> As of March 12, 2004

**Jon E.M. Jacoby.** Effective October 1, 2003, Mr. Jacoby retired from employment with Stephens Inc. and Stephens Group Inc. Prior to his retirement, Mr. Jacoby had been employed since 1963 by Stephens Inc. and Stephens Group Inc., firms collectively engaged in investment banking and other business activities. He currently serves as a director of Delta & Pine Land Company, Sangamo Biosciences and Eden Bioscience. He also remains a director of Stephens Group, Inc. He received his B.S. degree from the University of Notre Dame in Indiana and his M.B.A. degree from Harvard Business School in Boston.

**Mark Melliar-Smith.** Mr. Melliar-Smith is the President of MSC, a consulting and investment company based in Austin, Texas that specializes in early-stage high-technology start-up companies. From January 2002 to October 2003, Mr. Melliar-Smith was a Venture Partner with Austin Ventures, a venture capital firm focusing on the telecommunications, semiconductor and software businesses. Before these venture activities, Mr. Melliar-Smith was the President and Chief Executive Officer of International SEMATECH, a research and development consortium for the integrated circuit industry, from January 1997 to December 2001. Mr. Melliar-Smith is a member of the Board of Directors of Technitrol, Inc. and Molecular Imprints, Inc. Mr. Melliar-Smith received his B.S. and Ph.D. degrees in chemistry from Southampton University in England and his M.B.A. degree from Rockhurst College in Kansas City, Missouri.

*NOMINEES FOR ELECTION AS CLASS I DIRECTORS*

<b>Name of Nominee</b>	<b>Age<sup>2</sup></b>	<b>Principal Occupation</b>	<b>Class</b>	<b>Year First Elected</b>	<b>Independence per Board Determination</b>
Steven J. Goldman	46	Chairman of the Board and Chief Executive Officer of Power-One, Inc.	I	1988	Not Independent per NASDAQ rules
Jay Walters	56	President of New Horizon Services, LLC	I	2000	Independent per NASDAQ rules

**Steven J. Goldman.** Mr. Goldman, who joined us in 1982, became our Chief Executive Officer in 1990 and was named Chairman of the Board in February 1997. From 1990 to January 2000, Mr. Goldman also served as our President. He received his B.S. degree in electrical engineering from

the University of Bridgeport, Connecticut and his M.B.A. degree from Pepperdine University's Executive program in California.

**Jay Walters.** Mr. Walters serves as our Lead Director under Corporate Governance guidelines adopted in 2003. Mr. Walters is President of New Horizon Services, LLC, a technology consulting company, and has held that position since March 2000. From 1995 to 1997, Mr. Walters was Vice President and Chief Operating Officer of AT&T's Power Systems Business Unit, a position he continued to hold with

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Lucent Technologies following its spin-off from AT&T in 1995. In late 1997, he was appointed to the position of Vice President in Lucent's Network Products Group. Mr. Walters, who retired from Lucent in 1999, received his B.S. degree in nuclear engineering from the University of Wisconsin and his M.B.A. degree from Louisiana State University.

### CLASS II DIRECTORS

The following individuals are currently our Class II directors and will stand for re-election at the Annual Meeting in 2005.

Name of Director	Age <sup>3</sup>	Principal Occupation	Class	Year First Elected	Independence per Board Determination
Dr. Hanspeter Brändli	65	Owner and operator of HPB Management Services	II	1998	Independent per NASDAQ rules
Kendall R. Bishop	65	Retired Attorney	II	2000	Independent per NASDAQ rules

<sup>3</sup>

As of March 12, 2004.

**Dr. Hanspeter Brändli.** Dr. Brändli owns and operates HPB Management Services, a management services company. He received a diploma in physics in 1963 from the Federal Institute of Technology (ETH) in Zurich, Switzerland and a Ph.D. in physics from the University of Berne/Switzerland in 1968. Dr. Brändli is also President of the Board of Directors of our subsidiary Power-One Holding AG, Uster, and all other Swiss subsidiaries. Additionally, Dr. Brändli serves as a member of the Board of Directors of several Swiss companies which are not affiliated with the Company.

**Kendall R. Bishop.** Mr. Bishop retired as a corporate partner of the O'Melveny & Myers LLP law firm in January 2003, after 38 years of service. He received his B.A. degree from Stanford University and his J.D. degree from the University of California at Berkeley. O'Melveny & Myers LLP has performed legal services for the Company in the past and is expected to do so in the future. Since January 2002, Mr. Bishop has not participated directly or indirectly in any allocation of firm income or profits relating to any services provided to the Company. Mr. Bishop has not provided or participated in any legal services to Power-One since July 31, 2003 and provided only de minimis (less than 15 hours) legal services between January and July 30, 2003.

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### PROPOSAL 1 ELECTION OF DIRECTORS

#### \* DIRECTOR COMPENSATION

We pay each non-employee director as follows:

Annual retainer: \$20,000

Supplemental retainers:

Audit Committee- Chair: \$15,000

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Other Committee- Chair: \$5,000

Meeting fees (Board or Committee):

In person: \$3,000/day

Telephonic: \$1,000/day for meetings over two hours that involve substantial time and preparation.

Only one daily meeting fee is paid on days when multiple meetings of separate Committees, or Committee(s) and Board are held on the same day.

In addition to such compensation, Dr. Brändli received approximately \$12,000 in 2003 for serving on the boards of our Swiss subsidiaries.

All members of our Board (with the exception of Dr. Brändli due to Swiss income tax issues) received shares of Power-One common stock effective January 31, 2003 based upon the director's election to defer 100% of their eligible compensation under the 2001 Deferred Compensation Plan (described in detail on page 26). No compensation payable to our directors during 2003 was eligible for deferral.

We also reimbursed our directors for reasonable out-of-pocket expenses incurred in connection with attending board and committee meetings.

Our non-employee directors have also received, and are expected to continue to receive, options to purchase our common stock. Under the current 1996 Stock Incentive Plan (the "1996 Plan"), each non-employee director has been automatically granted options to purchase 40,000 shares of common stock upon becoming a Director. Additionally, for continued service, each non-employee director has been automatically granted options to purchase 10,000 shares of common stock at the close of trading on the day of the Annual Stockholders Meeting four years after the initial grant, as well as annually thereafter as of each Annual Stockholder Meeting. All such 1996 Plan automatic grants have been at an exercise price equal to the market price of the common stock on the grant date. All non-employee director options have a ten-year term and vest in equal annual installments over a four-year period with the first installment vesting on the first anniversary of the grant date.

### \* DIRECTOR ATTENDANCE AT MEETINGS AND AT ANNUAL MEETING

Each of our directors attended at least 75% of the aggregate number of Board meetings and meetings of committees on which he served in 2003.

It is our policy that all directors make every reasonable effort to attend annual stockholders meetings. Five of our six directors attended our 2003 Annual Stockholders Meeting.

### \* STOCKHOLDER COMMUNICATIONS WITH THE BOARD OF DIRECTORS/ DIRECTOR NOMINEE RECOMMENDATIONS

Stockholders are welcome to communicate directly with our Board of Directors, and to make recommendations for director nominees. Stockholders interested in communicating directly with any or all non-employee directors, and stockholders interested in recommending director nominees, may do so by writing to:

Board of Directors  
Power-One, Inc.  
740 Calle Plano  
Camarillo, CA 93012  
Attn: Corporate Secretary

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All such correspondence will be logged in by the Corporate Secretary. Communications on matters other than as noted in the following sentences will be promptly forwarded to our Lead Director, currently Mr. Walters. Recommendations for director nominees will be sent to the Chair of our Nominating and Corporate Governance Committee. If the Lead Director is not the Chair of the Audit Committee, all matters relating to accounting or internal controls will be brought immediately to that Chair's attention. The applicable director who has received the

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communication will deliver a summary of all shareholder communications to the full Board at its next regularly scheduled meeting. Any director may review the correspondence log and request copies of any such correspondence.

### \* **DIRECTOR QUALIFICATIONS AND SKILLS**

Minimum qualifications for recommendation for a position on our Board of Directors, whether from our Nominating and Corporate Governance Committee, or from a stockholder, include:

a proven record of ethical and responsible service of not less than five (5) years in a corporate or comparable position involving substantial professional judgment and responsibility;

the ability to devote necessary time and attention to the position as a Director;

training and experience in a function or discipline relevant to the business and operations of the Company (e.g. technology, manufacturing, finance, international operations, marketing, or other areas which would enhance the effectiveness of the Board of Directors);

awareness of and allegiance to the interests of the shareholders of the Company;

fluency in English (written and spoken).

Specific skills or qualities that we believe are necessary for one or more of our Directors to possess are listed below. It should be noted that we do not expect that a single individual possess all listed skills, but rather that the Board as a whole include one or more individual(s) who possess one or more of the listed skills or qualities:

financial knowledge and experience which qualifies a director as a "financial expert" under applicable SEC criteria; and

in-depth knowledge, based upon prior employment as a senior officer, in a key area of a for-profit corporate entity, e.g. finance, operations, sales, marketing, strategic planning.

### \* **EVALUATION OF NOMINEES**

Nominees (including nominees recommended by security holders) are identified and evaluated by the Nominating and Corporate Governance Committee through review of resume or other summary of experience, personal interviews conducted by members of the Committee, and submission of such supplemental information as may be reasonably requested by the Committee.

### \* **COMMITTEE MEMBERSHIPS**

**Audit:** Mr. Walters (Chair), Mr. Melliar-Smith, Dr. Brändli and Mr. Bishop.

**Compensation:** Mr. Jacoby (Chair), Dr. Brändli and Mr. Walters.

**Nominating and Corporate Governance:** Mr. Melliar-Smith (Chair), Dr. Brändli and Mr. Bishop.

The Board dissolved the Technology Committee in 2003. No meetings of that Committee were held in 2003.

All members of the Audit Committee and of the Nominating and Corporate Governance



Committee are non-employee directors whom the Board has determined meet NASDAQ independence requirements.

**\* COMMITTEE RESPONSIBILITIES**

**Audit Committee**

Engages our independent auditors;

Reviews and oversees the services performed by our independent auditors;

Reviews the independence of the independent auditors; and,

Reviews and evaluates our accounting principles and our system of internal accounting controls.

The Audit Committee operates under an updated Charter adopted by the Board in 2003. A copy is attached as Appendix A to this Proxy Statement, and is also available via the "Governance" link found under our main "Investor Relations" link at our website located at [www.power-one.com](http://www.power-one.com).

**Compensation Committee**

Determines compensation of our executive officers;

Administers our Amended and Restated 1996 Stock Incentive Plan, 1997 Employee Stock Purchase Plan, 2001 Stock Option Plan, and will administer the 2004 Stock Incentive Plan if it is approved by our stockholders at the Annual Meeting;

Establishes the criteria for the awarding of bonuses;

Recommends to the Board of Directors adoption of other compensation plans as may from time to time be deemed to be in the best interests of the Company, including the 2004 Stock Incentive Plan. See "Compensation Committee Report on Executive Compensation" at page 28 below.

The Compensation Committee operates under the Charter adopted by the Board in 2003. A copy is available via the "Governance" link found under our main "Investor Relations" link at our website located at [www.power-one.com](http://www.power-one.com).

**Nominating and Corporate Governance Committee**

Establishes qualifications for board membership;

Evaluates shareholder nominees for director, if same are properly presented to the Corporation. See page 5 above under section noted "STOCKHOLDER COMMUNICATIONS WITH THE BOARD OF DIRECTORS/DIRECTOR NOMINEE RECOMMENDATIONS" for information on the process for presenting shareholder nominees;

Recommends director nominees to the Board both for the annual stockholders meeting and for the filling of any vacancies that occur between annual meetings;

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Assists the Board in devising a methodology for annually evaluating the Board's performance;

Recommends the size of the Board, committee structure and assignments and frequency of regular Board meetings; and,

Discusses and makes recommendations to the full Board on the Company's Corporate Governance Guidelines.

The Nominating and Corporate Governance Committee operates under the Charter adopted by the Board in 2003. A copy is available via the "Governance" link found under our main "Investor Relations" link at our website located at [www.power-one.com](http://www.power-one.com).

### \* MEETINGS IN 2003

Board of Directors:  
4 meetings

Audit Committee:  
6 meetings

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Compensation Committee:  
5 meetings  
3 actions by written consent

Nominating and Corporate Governance: The Committee was formed late October, 2003. No meetings were held in 2003. Its first meeting was held January 26, 2004.

### RECOMMENDATION

**THE BOARD OF DIRECTORS RECOMMENDS A VOTE FOR THE ELECTION OF THE CLASS III AND CLASS I DIRECTORS LISTED ABOVE. WE WILL VOTE PROXIES RECEIVED BY US IN FAVOR OF THE NOMINEES UNLESS A CONTRARY CHOICE IS INDICATED.**

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### PROPOSAL 2 APPROVAL OF 2004 STOCK INCENTIVE PLAN

At the Annual Meeting, stockholders will be asked to approve the Power-One, Inc. 2004 Stock Incentive Plan (the "2004 Plan"). This Plan was adopted by the Board of Directors on January 27, 2004, subject to stockholder approval.

We believe that incentives and stock-based awards motivate employees to focus on the objective of creating stockholder value and promoting the success of Power-One, Inc. We also believe that incentive compensation plans like the proposed 2004 Plan are an important tool for attracting, retaining and motivating participants in the plan.

We currently maintain the Power-One, Inc. Amended and Restated 1996 Stock Incentive Plan (the "1996 Plan") and the Power-One, Inc. 2001 Stock Option Plan (the "2001 Plan"). As of March 12, 2004, a total of 2,820,260 shares of Power-One, Inc. common stock were available for new award grants under the 1996 Plan, and a total of 330,858 shares of Power-One, Inc. common stock were available for new award grants

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under the 2001 Plan. Our authority to grant new awards under the 1996 Plan will expire on February 22, 2006. We will not grant any additional awards under the 2001 Plan if stockholders approve the 2004 Plan.

The Board of Directors approved the 2004 Plan based, in part, on a belief that the number of our shares currently available under the 1996 Plan and the 2001 Plan and the pending expiration of the 1996 Plan do not give us sufficient authority and flexibility to adequately provide for future incentives.

The Board of Directors has also approved the following amendments to the 1996 Plan that will be effective if stockholders approve the 2004 Plan:

In no case (except due to an adjustment to reflect a stock split or similar event or any repricing that may be approved by stockholders) will any adjustment be made to a stock option or stock appreciation right award under the 1996 Plan (by amendment, cancellation and regrant, exchange or other means) that would constitute a repricing of the per share exercise or base price of the award. A similar no-repricing provision is included in the 2004 Plan. Although the authority to grant new awards under the 2001 Plan will terminate if stockholders approve the 2004 Plan, if stockholders approve the 2004 Plan we will similarly not reprice any option granted under the 2001 Plan (except due to an adjustment to reflect a stock split or similar event or any repricing that may be approved by stockholders).

The "evergreen" provision will be terminated. See footnote (3) on page 20 for a description of this provision. No additional shares will become available for award grant purposes under the 1996 Plan pursuant to the "evergreen" provision of the 1996 Plan. This amendment will not affect shares that became available for award grant purposes under the 1996 Plan by operation of such "evergreen" provision on or before January 27, 2004.

In light of the fact that members of our Board of Directors will be eligible for award grants under the 2004 Plan, no additional awards will be granted pursuant to the automatic non-employee director award grant provisions of the 1996 Plan.

If stockholders do not approve the 2004 Plan, the foregoing amendments to the 1996 Plan will not be effective and the 2001 Plan will continue in effect. As noted above, we will not grant any additional awards under the 2001 Plan if stockholders approve the 2004 Plan. However, we will continue to have the authority to grant awards under the 1996 Plan, within the existing 1996 Plan share limits, regardless of whether stockholders approve the 2004 Plan. The termination of our ability to grant new awards under the 2001 Plan will not affect any awards outstanding under the 2001 Plan.

### Summary Description of the 2004 Stock Incentive Plan

The principal terms of the 2004 Plan are summarized below. The following summary is qualified in its entirety by the full text of the 2004 Plan, which appears as Appendix B to this Proxy Statement.

**Purpose.** The purpose of the 2004 Plan is to promote the success of Power-One, Inc. and the interests of our stockholders by providing an additional means for us to attract, motivate, retain and reward directors, officers, employees and other eligible persons. We seek to achieve those objectives under the 2004 Plan through the grant of awards and incentives for high levels of individual performance and improved financial performance of the company. Equity-based awards are also intended to further align the interests of award recipients and our stockholders.

**Administration.** Our Board of Directors or one or more committees appointed by our Board of Directors will administer the 2004 Plan. Our Board of Directors has delegated general administrative authority for the 2004 Plan to the Compensation Committee. A committee may delegate some or all of its authority with respect to the 2004 Plan to another committee of directors, and certain limited award grant authority to grant awards to employees may be delegated to one or more officers of the company. The appropriate acting body, be it the Board of Directors, a committee within its delegated authority, or an officer within his or her delegated authority, is referred to in this proposal as the "Administrator".

The Administrator has broad authority under the 2004 Plan with respect to award grants including, without limitation, the authority:

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to select participants and determine the type(s) of award(s) that they are to receive;

to determine the number of shares that are to be subject to awards and the terms and conditions of awards, including the price (if any) to be paid for the shares or the award;

to cancel, modify, or waive the corporation's rights with respect to, or modify, discontinue, suspend, or terminate any or all outstanding awards, subject to any required consents;

to accelerate or extend the vesting or exercisability or extend the term of any or all outstanding awards;

subject to the other provisions of the 2004 Plan, to make certain adjustments to an outstanding award and to authorize the conversion, succession or substitution of an award; and

to allow the purchase price of an award or shares of Power-One, Inc. common stock to be paid in the form of cash, check, or electronic funds transfer, by the delivery of already-owned shares of our common stock or by a reduction of the number of shares deliverable pursuant to the award, by services rendered by the recipient of the award, by notice and third party payment or cashless exercise on such terms as the Administrator may authorize, or any other form permitted by law.

**No Repricing.** In no case (except due to an adjustment to reflect a stock split or similar event or any repricing that may be approved by stockholders) will any adjustment be made to a stock option or stock appreciation right award under the 2004 Plan (by amendment, cancellation and regrant, exchange or other means) that would constitute a repricing of the per share exercise or base price of the award.

**Eligibility.** Persons eligible to receive awards under the 2004 Plan include officers or employees of Power-One, Inc. or any of our subsidiaries, directors of Power-One, Inc., and certain consultants and advisors to Power-One, Inc. or any of our subsidiaries.

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Currently, approximately 460 officers and employees of Power-One, Inc. and our subsidiaries (including all of our named executive officers), and each of our five (5) non-employee directors, are considered eligible under the 2004 Plan at the present time.

**Authorized Shares; Limits on Awards.** The maximum number of shares of Power-One, Inc. common stock that may be issued or transferred pursuant to awards under the 2004 Plan is 4,750,000 shares. The following other limits are also contained in the 2004 Plan:

The maximum number of shares that may be delivered pursuant to options qualified as incentive stock options granted under the plan is 1,000,000 shares;

The maximum number of shares subject to those options and stock appreciation rights that are granted during any calendar year to any individual under the plan is 500,000 shares;

The maximum number of shares subject to all awards that are granted during any calendar year to any individual under the plan is 500,000 shares. This limit does not apply, however, to shares delivered in respect of compensation earned but deferred;

The maximum number of shares that may be delivered pursuant to awards granted under the plan, other than in the circumstances described in the next sentence, is 2,500,000 shares. This limit does not apply, however, to the following: (1) shares delivered in respect of compensation earned but deferred, and (2) shares delivered pursuant to option or stock appreciation right grants the per share exercise or base price, as applicable, of which is at least equal to the fair market value of a share of Power-One, Inc. common stock at the time of grant of the award;

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The maximum number of shares that may be delivered pursuant to awards granted to non-employee directors under the plan is 500,000 shares. This limit does not apply, however, in respect of compensation earned but deferred; and

"Performance-Based Awards" under Section 5.2 of the 2004 Plan payable only in cash and not related to shares and granted to a participant in any one calendar year will not provide for payment of more than \$1,000,000.

To the extent that an award is settled in cash or a form other than shares, the shares that would have been delivered had there been no such cash or other settlement will not be counted against the shares available for issuance under the 2004 Plan. In the event that shares are delivered in respect of a dividend equivalent, stock appreciation right, or other award, only the actual number of shares delivered with respect to the award will be counted against the share limits of the 2004 Plan. Shares under awards which expire or for any reason are cancelled or terminated, are forfeited, fail to vest, or for any other reason are not paid or delivered under the 2004 Plan will return to the 2004 Plan and again become available for subsequent awards under the 2004 Plan. Shares that are exchanged by a participant or withheld by the company as full or partial payment in connection with any award under the 2004 Plan, as well as any shares exchanged by a participant or withheld by the company to satisfy the tax withholding obligations related to any award under the 2004 Plan, will be available for subsequent awards under the 2004 Plan. In addition, the 2004 Plan generally provides that shares issued in connection with awards that are granted by or become obligations of the company through the assumption of awards (or in substitution for awards) in connection with an acquisition of another company will not count against the shares available for issuance under the 2004 Plan.

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**Types of Awards.** The 2004 Plan authorizes stock options, stock appreciation rights, restricted stock, stock bonuses and other forms of awards granted or denominated in Power-One, Inc. common stock or units of Power-One, Inc. common stock, as well as cash bonus awards. The 2004 Plan retains flexibility to offer competitive incentives and to tailor benefits to specific needs and circumstances. Any award may be paid or settled in cash.

A stock option is the right to purchase shares of Power-One, Inc. common stock at a future date at a specified price per share (the "exercise price"). The per share exercise price of an option generally may not be less than the fair market value of a share of Power-One, Inc. common stock on the date of grant. The maximum term of an option is ten years from the date of grant. An option may either be an incentive stock option or a nonqualified stock option. Incentive stock option benefits are taxed differently from nonqualified stock options, as described under "Federal Income Tax Consequences of Awards Under the 2004 Plan" below. Incentive stock options are also subject to more restrictive terms and are limited in amount by the U.S. Internal Revenue Code and the 2004 Plan. Incentive stock options may only be granted to employees of Power-One, Inc. or a subsidiary.

A stock appreciation right is the right to receive payment of an amount equal to the excess of the fair market value of share of Power-One, Inc. common stock on the date of exercise of the stock appreciation right over the base price of the stock appreciation right. The base price will be established by the Administrator at the time of grant of the stock appreciation right and generally cannot be less than the fair market value of a share of Power-One, Inc. common stock on the date of grant. Stock appreciation rights may be granted in connection with other awards or independently. The maximum term of a stock appreciation right is ten years from the date of grant.

The per share exercise price of an option or the per share base price of a stock appreciation right may, however, be less than the fair market value of a share of Power-One, Inc. common stock on the date of grant in the case of (1) awards granted retroactively in tandem with or as a substitution for another award, or (2) if the option or stock appreciation right will be counted against the plan's limit on full-value awards (that is, the limit on the number of shares that can be issued under the 2004 Plan in respect of awards other than options and stock appreciation rights).

The other types of awards that may be granted under the 2004 Plan include, without limitation, stock bonuses, restricted stock, performance stock, stock units, dividend equivalents, or similar rights to purchase or acquire shares, and cash awards granted consistent with Section 5.2 of the 2004 Plan as described below.

**Performance-Based Awards.** The Administrator may grant awards that are intended to be performance-based awards within the meaning of Section 162(m) of the U.S. Internal Revenue Code ("Performance-Based Awards"). Performance-Based Awards are in addition to any of the other types of awards that may be granted under the 2004 Plan (including options and stock appreciation rights which may also qualify as performance-based awards for Section 162(m) purposes). Performance-Based Awards may be in the form of restricted stock, performance stock, stock units, other rights, or cash bonus opportunities.

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The vesting or payment of Performance-Based Awards (other than options or stock appreciation rights) will depend on the absolute or relative performance of Power-One, Inc. on a consolidated, subsidiary, segment, division, or business unit basis. The Administrator will establish the criterion or criteria and target(s) on which performance will be measured. The Administrator must establish criteria and targets in advance of applicable deadlines under the U.S. Internal Revenue Code and while the

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attainment of the performance targets remains substantially uncertain. The criteria that the Administrator may use for this purpose will include one or more of the following: earnings per share, cash flow (which means cash and cash equivalents derived from either net cash flow from operations or net cash flow from operations, financing and investing activities), total stockholder return, gross revenue, revenue growth, operating income (before or after taxes), net earnings (before or after interest, taxes, depreciation and/or amortization), return on equity or on assets or on net investment, cost containment or reduction, or any combination thereof. These terms are used as applied under generally accepted accounting principles or in the financial reporting of Power-One, Inc. or our subsidiaries. The performance measurement period with respect to an award may range from three months to ten years. Performance targets will be adjusted to mitigate the unbudgeted impact of material, unusual or nonrecurring gains and losses, accounting changes or other extraordinary events not foreseen at the time the targets were set unless the Administrator provides otherwise at the time of establishing the targets.

Performance-Based Awards may be paid in stock or in cash (in either case, subject to the limits described under the heading "Authorized Shares; Limits on Awards" above). Before any Performance-Based Award (other than an option or stock appreciation right) is paid, the Administrator must certify that the performance target or targets have been satisfied. The Administrator has discretion to determine the performance target or targets and any other restrictions or other limitations of Performance-Based Awards and may reserve discretion to reduce payments below maximum award limits.

**Deferrals.** The Administrator may provide for the deferred payment of awards, and may determine the other terms applicable to deferrals. The Administrator may provide that deferred settlements include the payment or crediting of interest or other earnings on the deferred amounts, or the payment or crediting of dividend equivalents where the deferred amounts are denominated in shares.

**Acceleration of Awards; Possible Early Termination of Awards.** Generally, and subject to limited exceptions set forth in the 2004 Plan, certain events may result in then-outstanding awards under the 2004 Plan becoming fully vested or paid, as applicable. Such awards then may terminate or be terminated in such circumstances. Events which may cause such results might include: (i) if any person acquires more than 20% of the outstanding common stock or combined voting power of Power-One, Inc.; (ii) if certain changes in a majority of our Board of Directors occur over a period of not longer than two years; (iii) if stockholders prior to a transaction do not continue to own more than 50% of the voting securities of Power-One, Inc. (or a successor or a parent) following a reorganization, merger, statutory share exchange or consolidation or similar corporate transaction involving Power-One, Inc. or any of our subsidiaries; (iv) a sale or other disposition of all or substantially all of Power-One, Inc.'s assets or the acquisition of assets or stock of another entity by us or any of our subsidiaries; or (v) if Power-One, Inc. is dissolved or liquidated. The Administrator also has the discretion to establish other change in control provisions with respect to awards granted under the 2004 Plan. For example, the Administrator could provide for the acceleration of vesting or payment of an award in connection with a change in control event that is not described above and provide that any such acceleration shall be automatic upon the occurrence of any such event.

**Transfer Restrictions.** Subject to certain exceptions contained in Section 5.7 of the 2004 Plan, awards under the 2004 Plan are not transferable by the recipient other than by will or the laws of descent and distribution and are generally exercisable, during the recipient's lifetime, only by the recipient. Any amounts payable or shares issuable pursuant to an award

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will be paid only to the recipient or the recipient's beneficiary or representative.

**Adjustments.** As is usual in incentive plans like our 2004 Plan, certain reorganizations, mergers, combinations, recapitalizations, stock splits, or other similar events may have an impact under the 2004 Plan. Such events might (i) involve a change to the number of our shares outstanding, (ii) payment of extraordinary dividends, or (iii) distributions of property to our stockholders. Such events could impact outstanding awards made under the 2004 Plan (e.g. have an impact on exercise or purchase prices of awards, and performance targets under certain types of performance-based awards), and/or might impact a given share limit, and/or the number and kind of shares available under the 2004 Plan.

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**No Limit on Other Authority.** The 2004 Plan does not limit the authority of the Board of Directors or any committee to grant awards or authorize any other compensation, with or without reference to our common stock, under any other plan or authority.

**Termination of or Changes to the 2004 Plan.** The Board of Directors may amend or terminate the 2004 Plan at any time and in any manner. Stockholder approval for an amendment will be required only to the extent then required by applicable law or any applicable listing agency or required under Sections 162, 422 or 424 of the U.S. Internal Revenue Code to preserve the intended tax consequences of the plan. For example, stockholder approval will be required for any amendment that proposes to increase the maximum number of shares that may be delivered with respect to awards granted under the 2004 Plan. Adjustments as a result of stock splits or similar events will not, however, be considered an amendment requiring stockholder approval. Unless terminated earlier by the Board of Directors, the authority to grant new awards under the 2004 Plan will terminate on January 26, 2014. Outstanding awards, as well as the Administrator's authority with respect thereto, generally will continue following the expiration or termination of the plan. Generally speaking, outstanding awards may be amended by the Administrator (except for a repricing), but the consent of the award holder is required if the amendment (or any plan amendment) materially and adversely affects the holder.

**Federal Income Tax Consequences of Awards under the 2004 Plan.** The U.S. federal income tax consequences of the 2004 Plan under current federal law, which is subject to change, are summarized in the following discussion of the general tax principles applicable to the 2004 Plan. This summary is not intended to be exhaustive and, among other considerations, does not describe state, local, or international tax consequences.

With respect to nonqualified stock options, the company is generally entitled to deduct and the participant recognizes taxable income in an amount equal to the difference between the option exercise price and the fair market value of the shares at the time of exercise. With respect to incentive stock options, the company is generally not entitled to a deduction nor does the participant recognize income at the time of exercise, although the participant may be subject to the U.S. federal alternative minimum tax.

The current federal income tax consequences of other awards authorized under the 2004 Plan generally follow certain basic patterns: stock appreciation rights are taxed and deductible in substantially the same manner as nonqualified stock options; nontransferable restricted stock subject to a substantial risk of forfeiture results in income recognition equal to the excess of the fair market value over the price paid (if any) only at the time the restrictions lapse (unless the recipient elects to accelerate recognition as of the date of grant); bonuses, cash and stock-based performance awards, dividend equivalents, stock units, and other types of awards are generally subject to tax at the time of payment; and compensation otherwise effectively deferred is taxed when paid. In each of the foregoing cases, the company will

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generally have a corresponding deduction at the time the participant recognizes income.

If an award is accelerated under the 2004 Plan in connection with a "change in control" (as this term is used under the U.S. Internal Revenue Code), the company may not be permitted to deduct the portion of the compensation attributable to the acceleration ("parachute payments") if it exceeds certain threshold limits under the U.S. Internal Revenue Code (and certain related excise taxes may be triggered). Furthermore, the aggregate compensation in excess of \$1,000,000 attributable to awards that are not "performance-based" within the meaning of Section 162(m) of the U.S. Internal Revenue Code may not be permitted to be deducted by the company in certain circumstances.

**Specific Benefits under the 2004 Stock Incentive Plan.** Power-One, Inc. has not approved any awards that are conditioned upon stockholder approval of the 2004 Plan.

As described in more detail under "DIRECTOR COMPENSATION" on page 5 above, we have had a program of automatic stock option grants to our directors under the terms of the 1996 Plan. If stockholders approve the 2004 Plan, automatic award grants in connection with the Annual Meeting will not be made to our non-employee directors under the 1996 Plan. We do, however, expect to implement a program of recurring award grants to non-employee directors by granting awards to our non-employee directors under the 2004 Plan in the near term following the Annual Meeting. However, we have not determined whether the terms of these grants will be consistent with past grants to our non-employee directors, whether there will be a restricted stock component to the grants, or whether there will be other changes to the non-employee director award grant structure. The 2004 Plan would give us the authority to determine the specific terms and conditions of the awards at the time of grant.

Other than awards to non-employee directors in connection with the Annual Meeting, the type and terms of which have not been finalized, we are not currently considering any other specific award grants under the 2004 Plan. If the 2004 Plan had been in existence in fiscal 2003, Power-One, Inc. expects that its award grants for fiscal 2003 would not have been substantially different from those actually made in that year under the 1996 Plan and the 2001 Plan. For information regarding stock-based awards granted to Power-One, Inc.'s named executive officers

during fiscal 2003, see the material under the heading "Executive Officer Compensation" starting on page 22.

The closing market price for a share of Power-One, Inc.'s common stock as of March 12, 2004 was \$12.25 per share.

**Vote Required for Approval of the 2004 Stock Incentive Plan.** The Board of Directors believes that the adoption of the 2004 Plan will promote the interests of Power-One, Inc. and our stockholders and will help us and our subsidiaries continue to be able to attract, retain and reward persons important to our success.

All members of our Board of Directors are eligible for awards under the 2004 Plan and thus have a personal interest in the approval of the 2004 Plan.

## RECOMMENDATION

**THE BOARD OF DIRECTORS RECOMMENDS THAT YOU VOTE "FOR" APPROVAL OF THE 2004 STOCK INCENTIVE PLAN AS DESCRIBED ABOVE AND SET FORTH IN APPENDIX B HERETO.**

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## PROPOSAL 3 RATIFICATION OF INDEPENDENT AUDITORS PRINCIPAL ACCOUNTANT FEES AND SERVICES

The Audit Committee has appointed Deloitte & Touche LLP, independent auditors, to audit our consolidated financial statements for the fiscal year 2004. This appointment is being presented to the stockholders for ratification at the meeting. If the stockholders fail to ratify the selection, the Audit Committee will consider whether or not to retain that firm. Even if the stockholders ratify the selection, the Audit Committee, in its discretion, may direct the appointment of a different independent firm at any time during the year if it determines that such a change would be in the best interests of the Company and its stockholders.

Deloitte & Touche LLP has audited our consolidated financial statements since 1993. Consistent with applicable requirements, in 2003 the Company and Deloitte & Touche LLP assigned a new audit partner for the purposes of applicable audit partner rotation.

Representatives of Deloitte & Touche LLP are expected to be present at the meeting. They will have the opportunity to address the audience at the meeting and will be available to answer appropriate questions from stockholders.

### Pre-Approval Policies and Procedures

The Audit Committee has adopted a policy and procedures for the pre-approval of audit and non-audit services rendered by our independent public accountants, Deloitte & Touche LLP. The policy generally permits pre-approval annually of certain specific services in the defined categories of audit services, audit-related services, and tax services up to specified annual budget amounts, and sets requirements for specific case-by-case pre-approval of discrete projects, such as those which may have a material effect on our operations or services over certain amounts. Pre-approval may be given as part of the Audit Committee's approval of the scope of the engagement of our independent auditor or on an individual basis. The pre-approval of services may be delegated to one or more of the Audit Committee's members, but the decision must be presented to the full Audit Committee at its next scheduled meeting. The policy prohibits retention of the independent public accountants to perform the prohibited non-audit functions defined in Section 201 of the Sarbanes-Oxley Act or the rules of the SEC and also considers whether proposed services are compatible with the independence of the public accountants.

### Fees Paid to Independent Public Accountants

SEC rules effective May 6, 2003 require that our Audit Committee pre-approve all audit and permissible non-audit services provided by our independent auditors, with certain limited exceptions. Our Audit Committee has concluded that the audit-related and tax services provided to us by Deloitte & Touche LLP are compatible with maintaining auditor independence. During 2002 and 2003, the Company retained Deloitte & Touche LLP to provide services only in the following categories and amounts:



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SERVICES	2003	2002
Audit Fees <sup>(1)</sup>	\$ 952,807	\$ 952,648
Audit Related Fees <sup>(2)</sup>	\$ 176,831	\$ 89,281
Tax Fees <sup>(3)</sup>	\$ 850,151	\$ 807,814
Total	\$ 1,979,789	\$ 1,849,743

- (1) Audit fees consisted of audits of the Company's annual financial statements, statutory audits, reviews of the Company's quarterly financial statements and consents related to Security and Exchange commission filings.
- (2) Audit related fees consisted of Sarbanes-Oxley Act, Section 404 advisory services, due diligence associated with acquisitions and financial accounting and reporting consultations.
- (3) Tax fees consisted of a) tax compliance fees in connection with Federal, state and local income tax return assistance, assistance with tax returns filings in certain foreign

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jurisdictions, requests for technical advice from taxing authorities, assistance with tax audits and appeals and preparation of expatriate tax returns, and b) tax planning and advice fees in connection with tax advice related to structuring certain proposed acquisitions and disposals and tax advise related to intra-group restructuring items.

### AUDIT COMMITTEE REPORT\*

The Audit Committee of the Board of Directors is responsible for monitoring the integrity of Power-One, Inc.'s consolidated financial statements, its system of internal controls and the independence and performance of its independent auditors. Subject to stockholder ratification, the Committee also recommends the selection of the Company's independent auditors.

The Audit Committee is composed of four non-employee directors who the Board believes all meet the current NASDAQ independence requirements and operates under a written charter most recently amended and restated by the Board of Directors in 2003.

The Board believes that all Audit Committee members possess experience or have backgrounds which make each qualified to serve on the Committee. The Board believes and the Committee has determined that all members are able to read and understand fundamental financial statements, including the Company's balance sheet, income statement, and cash flow statement. Additionally, the Committee, in concert with the Board of Directors, has determined that the Chair, Mr. Jay Walters, qualifies as a member of the Audit Committee who meets the NASDAQ listing requirement under Rule 4350(d)(2)(A) as having the requisite past employment experience which provides him with the required financial sophistication. The determination of Mr. Walters' qualifications under the applicable NASDAQ Rule is based upon Mr. Walters' relevant education, including an M.B.A. degree with relevant finance and accounting coursework, and his positions and responsibilities while employed with Lucent Technologies, including reviewing and approving business unit operating and financial results with a business of comparable size, business focus and complexity as that of the Company.

The Board has determined that there is no audit committee financial expert currently serving on the Committee. The Nominating and Corporate Governance Committee is actively engaged in a search for, but has not yet found, a director candidate who, if approved for membership on the Board of Directors, will meet all applicable NASDAQ and SEC requirements, including classification as an audit committee financial expert per applicable SEC requirements.

The Audit Committee has approved and adopted procedures that meet all requirements of Rule 10A-3(b)(3) under the Securities and Exchange Act of 1934, as amended, regarding receipt and handling of complaints and anonymous employee submissions.

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If we intend to incorporate this specific section by reference in any of our filings pursuant to the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, we will specifically incorporate this section by name in such reference in a given

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filing. Otherwise, any general statement about incorporating this proxy statement by reference into any such filing will not apply to this section. This section shall not be deemed soliciting material or otherwise deemed filed under either such Acts.

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Any person desiring to submit any complaint to the Company regarding accounting, internal accounting controls, or auditing matters should address such complaint to:

Chairman of the Audit Committee  
Power-One, Inc.  
740 Calle Plano  
Camarillo, CA 93012  
Attn: Corporate Secretary

All such correspondence will be logged in by the Corporate Secretary and promptly forwarded to the Chairman of the Audit Committee. The Chairman will provide a summary of all communications to the Audit Committee, and will direct and oversee such additional actions or inquiries as the Chairman deems appropriate in light of a given complaint.

Management is responsible for the Company's financial reporting process, including its system of internal controls, and for the preparation of consolidated financial statements in accordance with generally accepted accounting principles. The independent auditors are responsible for auditing such financial statements. The responsibility of the Audit Committee is to monitor and review these processes. We are not, however, professionally engaged in the practice of accounting or auditing. We rely on the information provided to us and on the representations made by management and the independent auditors. The Audit Committee will retain independent experts to advise and consult directly with the Audit Committee if the Audit Committee desires an independent opinion or review of any information provided or any representations made by management and the independent auditors.

The Committee held six meetings during fiscal 2003. The Committee approved the fees to be paid to the independent auditors for their audit of our consolidated financial statements for FY2003. The Committee discussed with the independent auditors the overall scope and plans for their audit. The Committee met with the independent auditors, with and without management present, to discuss the results of their examinations and their evaluations of the Company's system of internal controls.

In carrying out our responsibilities, we reviewed and discussed with management and the Company's auditors all financial statements prior to their issuance. We were advised by management and the auditors that all of the financial statements were prepared in accordance with generally accepted accounting principles. As part of our review, we discussed with management the quality and acceptability of the accounting principles, the reasonableness of significant judgments and the clarity of the disclosures in the financial statements. We also sought the Company's auditors' judgment on these matters.

We discussed with the independent auditors matters required to be discussed under generally accepted auditing standards, including, among other things, matters related to the conduct of the audit of the consolidated financial statements and the matters required to be discussed by Statement on Auditing Standards No. 61, as amended (Communication with Audit Committees).

The independent auditors also provided to us the written disclosures and the letter required by Independence Standards Board Standard No. 1 (Independence Discussions with Audit Committees), and we discussed with the independent auditors their independence from Power-One, Inc. We considered whether the auditors' provision of services to the Company beyond those rendered in connection with their audit and review of the consolidated financial statements was compatible with maintaining their independence. The Audit Committee has established policies to review and pre-approve any non-audit services proposed to be provided by the independent auditors, and to review and

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pre-approve the scope, workplan and fees for the audit services to be provided by the independent auditors.

Based on our review and these meetings, discussions and reports, and subject to the limitations on our role and responsibilities referred to above and in the Audit Committee Charter, we recommended to the Board of Directors that Power-One, Inc.'s audited consolidated financial statements for the fiscal year ended December 31, 2003 be included in the Annual Report on Form 10-K. We have also appointed Deloitte & Touche LLP to serve as the Company's independent auditors for fiscal 2004, subject to stockholder ratification.

Jay Walters, Chairman;  
Kendall R. Bishop,  
Mark Melliar-Smith,  
Dr. Hanspeter Brändli

### RECOMMENDATION

**THE BOARD OF DIRECTORS RECOMMENDS A VOTE FOR THE RATIFICATION OF DELOITTE & TOUCHE LLP AS POWER-ONE, INC.'S INDEPENDENT AUDITORS FOR 2004. WE WILL VOTE PROXIES RECEIVED BY US IN FAVOR OF THE RATIFICATION OF DELOITTE & TOUCHE LLP UNLESS A CONTRARY CHOICE IS INDICATED.**

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### EQUITY COMPENSATION PLAN INFORMATION

Power-One, Inc. currently maintains three equity compensation plans: the 1996 Plan, the 2001 Plan, and the Power-One, Inc. Employee Stock Purchase Plan. The 1996 Plan and the Employee Stock Purchase Plan have each been approved by Power-One, Inc.'s stockholders. Stockholders are also being asked to approve a new equity compensation plan, the 2004 Plan, as described above.

The following table sets forth, for each of Power-One, Inc.'s equity compensation plans, the number of shares of common stock subject to outstanding options and rights, the weighted-average exercise price of outstanding options, and the number of shares remaining available for future award grants as of December 31, 2003.

#### Equity Compensation Plan Information as of December 31, 2003

	(a)	(b)	(c)
Plan Category	Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights	Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights	Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected in Column (a))
Equity compensation plans approved by security holders	10,628,469	\$ 10.04 <sup>(1)</sup>	11,656,072 <sup>(2)(3)</sup>
Equity compensation plans not approved by security holders <sup>(4)</sup>	2,090,492	\$ 6.06	193,508 <sup>(4)</sup>
<b>Total</b>	<b>12,718,961</b>	<b>\$ 9.39<sup>(1)</sup></b>	<b>11,849,580</b>

(1) Weighted average exercise price of outstanding options; excludes restricted stock units and shares related to Employee Stock Purchase Plan.

(2)

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Includes shares reserved but not yet issued under the 1996 Stock Incentive Plan and the Employee Stock Purchase Plan. Of this number, 2,967,185 were available under our 1996 Plan and 8,688,887 were available under our Employee Stock Purchase Plan. The shares available under the 1996 Plan are, subject to certain other limits under that plan, generally available for any type of award authorized under the 1996 Plan including stock options, stock appreciation rights, restricted stock, stock bonuses, and performance shares.

(3)

Securities available under the 1996 Stock Incentive Plan have been subject to increase pursuant to an "evergreen" formula. Under this formula, securities available for future issuance have been increased by 20% of the difference between (i) the number of shares outstanding on each December 31 and (ii) the largest number of shares outstanding on any previous December 31, provided that no decrease in the number of shares available is ever required as a result of the formula. This adjustment, if any, has been effected each December 31 and the numbers in the table above reflect the adjustment per the formula for the 1996 Stock Incentive Plan as of December 31, 2003. However, no additional shares will become available pursuant to this "evergreen" provision if stockholders approve the 2004 Plan. This table does not reflect the 4,750,000 additional shares that will be available under the 2004 Plan if stockholders approve the 2004 Plan.

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(4)

The 2001 Stock Option Plan (the "2001 Plan") was adopted in September 2001, per applicable regulations and exchange listing rules, as an equity compensation plan not approved by security holders. The 2001 Plan is administered by our Compensation Committee. Awards under the 2001 Plan may only be nonstatutory stock options. No awards under the 2001 Plan may be made to any Director of the Company or to any person who is an officer within the meaning of Section 16 of the Securities Exchange Act of 1934, as amended. The maximum term of options granted under the 2001 Plan is 10 years after the initial date of the award. No award under the 2001 Plan can be made after September 28, 2011. Options granted under the 2001 Plan have been granted at the "Fair Market Value" (i.e. the closing price of our stock on the date the option is granted). No more than 2,500,000 shares of Common Stock may be issued in respect of awards under the 2001 Plan (subject to anti-dilution adjustments). Subject to approval of the Compensation Committee for an alternative arrangement for a given option grant, no award may vest and become exercisable more quickly than 25% per year. Generally, awards that are not yet exercisable will terminate upon the date an Eligible Employee is no longer employed by the Company, and those that are exercisable will remain exercisable for ninety (90) days after the end of employment. As noted above under Proposal 2, we will not make any future awards under the 2001 Plan if the stockholders approve the adoption of the 2004 Plan.

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### EXECUTIVE OFFICER COMPENSATION

#### SUMMARY COMPENSATION TABLE

The following table provides information for our last three fiscal years regarding all compensation paid to or earned by our Chief Executive Officer and each of our four other most highly compensated executive officers who served as executive officers of Power-One, Inc. as of December 31, 2003 (the "Top 5 Compensated Executive Officers"):

Officers		Annual Compensation			Long-Term Compensation <sup>(1)</sup>		All Other Compensation
Name and Position	Year	Salary <sup>(1)(2)</sup>	Bonus	Other Annual Compensation <sup>(3)</sup>	Restricted Stock Award <sup>(7)</sup>	Options (Shares)	
Steven J. Goldman, Chairman and Chief Executive Officer	2003	\$ 360,464	\$	115,352	\$ 275,000	175,000	*
	2002	\$ 353,532					*
	2001	\$ 381,266				180,000 <sup>(4)</sup>	*

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William T. Yeates, President and Chief Operating Officer	2003	\$ 299,520	\$	95,846	\$ 1,131,000	75,000	*
	2002	\$ 293,760					*
	2001	\$ 308,842				825,000 <sup>(4)</sup>	*
Randall H. Holliday, Secretary and General Counsel	2003	\$ 225,004	\$	21,354	\$ 50,000	70,000	*
	2002	\$ 218,080					*
	2001	\$ 225,438				115,000 <sup>(4)</sup>	*
Dennis R. Roark, Executive Vice President <sup>(5)</sup>	2003	\$ 176,728	\$	56,396	\$ 125,000	100,000	*
	2002	\$ 172,839					*
	2001	\$ 191,142				145,000 <sup>(4)</sup>	*
Eddie K. Schnopp, Senior Vice President Finance, Treasurer and Chief Financial Officer	2003	\$ 156,416	\$	50,056	\$ 175,000	70,000	*
	2002	\$ 153,408					*
	2001	\$ 168,150				145,000 <sup>(4)</sup>	*
Donna M. Schnopp (Koep), Senior Vice President Human Resources <sup>(6)</sup>	2003	\$ 120,224	\$	38,475	\$ 110,000	70,000	*
	2002	\$ 117,912					*
	2001	\$ 139,184				145,000 <sup>(4)</sup>	*

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Less than \$50,000 or 10% of the total salary and bonus for the year indicated.

- (1) For 2001, salary includes deferred amounts in accordance with the 2001 Deferred Compensation Plan, as discussed on page 26. The following represents the amounts each officer elected to defer and respective percentage of salary each officer deferred from October 22, 2001 through December 31, 2001: Goldman \$31,194 (50%), Yeates \$25,920 (50%), Holliday \$5,841 (15%), Schnopp \$13,536 (50%) and Roark \$15,251 (50%). There were no increases in base salary for any executive officers during 2001.
- (2) For 2002, salary includes deferred amounts in accordance with the 2001 Deferred Compensation Plan, as discussed on page 26. The following represents the amounts each officer elected to defer and respective percentage of salary each officer deferred from January 1, 2002 through October 20, 2002: Goldman \$149,038 (50%), Yeates \$123,840 (50%), Holliday \$27,520 (15%), Schnopp \$64,672 (50%) and Roark \$72,863 (50%). There were no increases in base salary for any executive officers during 2002. The differences in salary from 2001 to 2002 reflect adjustments relating to use of earned and accrued vacation benefits, or the election to take unpaid time-off, during mandatory facility closures the Company implemented in 2002.
- (3) This amount represents the "premium portion" described below in our summary of the 2001 Deferred Compensation Plan, as discussed on page 27.
- (4) Option Grants in 2001 include standard grants with annual vesting, and "contingent vesting" grants, which grants vest on earlier of (i) the third anniversary of grant or (ii) at such time as 20-day average trading price of the Company's common stock exceeds a stated "target price" in a given grant.
- (5) Mr. Roark was formerly reported as an executive officer for Section 16(a) purposes. Due to realignment of responsibilities in 2003, Mr. Roark ceased to be subject to Section 16(a) reporting.

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(6) Due to realignment of responsibilities in 2003, Ms. Schnopp became subject to Section 16(a) reporting and is included in this table as one of our executive officers.

(7) The amount shown in this column represents the market value of the shares of the Company's common stock subject to the restricted stock and restricted stock units ("RSUs") awarded to the reported officers in fiscal 2003, based on the closing price of the Company's common stock on the date of grant(s).

Awards of shares of restricted Company common stock were made on January 8, 2003 to the following named officers:

(i) Mr. Goldman, 45,681 shares; (ii) Mr. Yeates, 29,069 shares; (iii) Mr. Holliday, 8,305 shares, (iv) Mr. Roark, 20,764 shares; (v) Mr. Schnopp, 29,069 shares; (vi) Ms. Schnopp, 13,289 shares. Ms. Schnopp was also awarded 3,654 shares of restricted Company common stock on July 21, 2003. Mr. Yeates was awarded RSUs covering 100,000 shares of the Company's common stock on December 17, 2003.

The grant date market value of the shares subject to these awards was: (i) January 8, 2003, \$6.02; (ii) July 21, 2003, \$