

COHU INC  
Form DEF 14A  
April 09, 2014

**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**SCHEDULE 14A INFORMATION**

**Proxy Statement Pursuant to Section 14(a) of the**

**Securities Exchange Act of 1934**

**(Amendment No. )**

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement

**Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material under Rule 14a-12

**COHU, INC.**

**(Name of registrant as specified in its charter)**

**(Name of person(s) filing proxy statement, if other than the registrant)**

Payment of Filing Fee (Check the appropriate box):

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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(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:



**COHU**

12367 Crosthwaite Circle  
Poway, California 92064-6817

**NOTICE OF ANNUAL MEETING OF STOCKHOLDERS**

**To Be Held On May 14, 2014**

**TO OUR STOCKHOLDERS:**

The Annual Meeting of Stockholders of Cohu, Inc. ( Cohu ) will be held at the Cohu corporate offices, located at 12367 Crosthwaite Circle, Poway, California 92064-6817 on Wednesday, May 14, 2014, at 8:00 a.m. Pacific Time, for the following purposes:

1. To elect two directors, for a term of three years.
2. Advisory vote to approve named executive officer compensation.
3. To ratify the appointment of Ernst & Young LLP as Cohu's independent registered public accounting firm for 2014.
4. To act upon such other matters as may properly come before the Meeting or any adjournment or postponement thereof.

Only stockholders of record of Cohu as of the close of business on March 21, 2014 will be entitled to vote at the meeting.

The holders of a majority of the outstanding shares of voting stock of Cohu entitled to vote at the meeting must be represented in person or by proxy to constitute a quorum for the Meeting, and therefore all stockholders are urged either to attend the meeting in person or to vote by proxy.

A complete list of the stockholders of record entitled to vote at the Meeting, arranged in alphabetical order and showing the address of each stockholder and the number of shares registered in the name of each stockholder, will be available at Cohu's corporate offices, for the examination of any stockholder during normal business hours for a period of ten days immediately prior to the meeting.

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Please sign, date and return the enclosed proxy in the envelope enclosed for your convenience. Alternatively, stockholders may vote by telephone or electronically via the internet. Please refer to the instructions included with the proxy for additional details. If you attend the meeting you may revoke your proxy and vote in person. You may also revoke your proxy by delivering a written notice to the Secretary of Cohu, or by submitting another duly signed proxy bearing a later date.

By Order of the Board of Directors,

Jeffrey D. Jones  
Secretary

Poway, California

April 9, 2014

**YOUR VOTE IS IMPORTANT**

IN ORDER TO INSURE YOUR REPRESENTATION AT THE ANNUAL MEETING, YOU ARE REQUESTED TO COMPLETE, SIGN AND DATE THE ENCLOSED PROXY AS PROMPTLY AS POSSIBLE AND RETURN IT IN THE ENCLOSED POSTAGE PREPAID ENVELOPE OR VOTE BY TELEPHONE OR VIA THE INTERNET.

**Cohu, Inc.**

12367 Crosthwaite Circle

Poway, California 92064-6817

**PROXY STATEMENT**

**GENERAL INFORMATION**

This proxy statement is furnished in connection with the solicitation by the Board of Directors of Cohu, Inc., a Delaware corporation ( Cohu or the Company ), of your proxy for use at the Annual Meeting of Stockholders to be held on Wednesday, May 14, 2014, at 8:00 a.m. Pacific Time at the Cohu corporate offices, located at 12367 Crosthwaite Circle, Poway, California 92064-6817 (the Meeting ). This proxy statement, the accompanying proxy card and the Cohu 2013 Annual Report are being mailed to all stockholders on or about April 9, 2014.

On March 21, 2014 the record date fixed by our Board of Directors (hereinafter sometimes referred to as the Board ), Cohu had outstanding 25,182,694 shares of Common Stock. Only stockholders of record as of the close of business on March 21, 2014 will be entitled to vote at the Meeting and any adjournment thereof.

**Voting Procedures**

As a stockholder of Cohu, you have a right to vote on certain business matters affecting Cohu. This Proxy Statement relates only to the solicitation of proxies from the stockholders with respect to the election of two Class 1 directors recommended by the board of directors, an advisory vote on executive compensation and ratification of the appointment of the Company s independent registered public accounting firm. Each share of Cohu s Common Stock you own entitles you to one vote for each proposal. For the election of directors, stockholders may cumulate their votes as described below.

**Methods of Voting**

You may vote by mail, by telephone, over the Internet or in person at the Meeting. Your shares will be voted in accordance with the instructions you indicate. If you are a stockholder of record and return a signed proxy card but do not specify how you want to vote your shares, your shares will be voted **FOR** the named nominees for director, **FOR** the advisory vote to approve executive compensation, **FOR** the ratification of the appointment of Ernst & Young LLP as Cohu s independent registered public accounting firm for 2014, and in the discretion of the proxies (as defined below) as to other matters that may properly come before the Meeting.

**Voting by Mail.** By signing and returning the proxy card in the enclosed prepaid and addressed envelope, you are authorizing the individuals named on the proxy card (known as proxies ) to vote your shares at the Meeting in the manner you indicate. We encourage you to sign and return the proxy card even if you plan to attend the Meeting. In this way, your shares will be voted if you are unable to attend the Meeting. If you receive more than one proxy card, it

is an indication that your shares are held in multiple accounts. Please sign and return all proxy cards to ensure that all of your shares are voted.

**Voting by Telephone.** To vote by telephone, please follow the instructions included on your proxy card. If you vote by telephone, you do not need to complete and mail your proxy card.

**Voting over the Internet.** To vote over the Internet, please follow the instructions included on your proxy card. If you vote over the Internet, you do not need to complete and mail your proxy card.

**Voting in Person at the Meeting.** If you plan to attend the Meeting and vote in person, we will provide you with a ballot at the Meeting. If your shares are registered directly in your name, you are considered the stockholder of record and you have the right to vote in person at the Meeting. If your shares are held in the name of your broker or other nominee, you are considered the beneficial owner of shares held in street name. If you wish to vote such shares at the Meeting, you will need to bring with you to the Meeting a legal proxy from your broker or other nominee authorizing you to vote such shares.

### **Revoking Your Proxy**

You may revoke your proxy at any time before it is voted at the Meeting. In order to do this, you must:

enter a new vote over the Internet, by telephone or by signing and returning another proxy card bearing a later date;

provide written notice of the revocation to Cohu's Secretary; or

attend the Meeting and vote in person.

## **Quorum Requirement**

A quorum, which is a majority of the outstanding shares entitled to vote as of the record date, March 21, 2014, must be present in order to hold the Meeting and to conduct business. Your shares are counted as being present at the Meeting if you appear in person at the Meeting or if you vote your shares over the Internet, by telephone or by submitting a properly executed proxy card. Proxies marked as abstaining on any matter and broker non-votes (as described below) will be counted as present for the purpose of determining a quorum.

## **Votes Required for the Proposals**

For Proposal No. 1, the nominees receiving the highest number of votes, in person or by proxy, will be elected as directors. You may vote for the nominee for election as a director or you may withhold your vote. In the election of directors, stockholders may, as provided for in the Cohu Amended and Restated Certificate of Incorporation, cumulate their votes, giving one candidate a number of votes equal to the number of directors to be elected multiplied by the number of votes to which the stockholder's shares are normally entitled, or distribute the stockholder's votes on the same principle among as many candidates as the stockholder thinks fit. A stockholder may not cumulate his or her votes for a candidate unless a stockholder has given notice at the Meeting (whether by proxy or in person) prior to the voting, of his or her intention to cumulate his or her votes. If any stockholder gives such notice, all stockholders may then cumulate their votes. Management of Cohu is hereby soliciting discretionary authority to cumulate votes represented by proxies if cumulative voting is invoked.

The affirmative vote of a majority of Cohu common shares cast at the Meeting, in person or by proxy, is required for approval of the advisory vote on executive compensation (Proposal No. 2) and the ratification of the appointment of the Company's independent registered public accounting firm (Proposal No. 3), as described herein. If you return a proxy card that withholds your vote or abstains from voting on a proposal, your shares will be counted as present for the purpose of determining a quorum, but will not be counted in the vote on that proposal.

## **Broker Non-Votes**

Broker non-votes are shares held by brokers or nominees for which voting instructions have not been received from the beneficial owners or the persons entitled to vote those shares and for which the broker or nominee does not have discretionary voting power under rules applicable to broker-dealers. If your broker holds your shares in its name and you do not instruct your broker how to vote, your broker will nevertheless have discretion to vote your shares on our sole routine matter the ratification of the appointment of the Company's independent registered public accounting firm (Proposal No. 3). Your broker will not have discretion to vote on any of the other matters, which are non-routine matters, absent direction from you. Accordingly, shares subject to a broker non-vote will not be considered entitled to vote with respect to proposals No. 1 and No. 2 and will not affect the outcome of these proposals. We encourage you to provide instructions to your broker regarding the voting of your shares.

## **Abstentions**

Abstentions will have no effect on the election of directors (Proposal No.1). Abstentions will be treated as being present and entitled to vote on the approval of the advisory vote on executive compensation (Proposal No. 2) and the ratification of the appointment of the Company's independent registered public accounting firm (Proposal No. 3) and, therefore, will have the effect of votes against these proposals.

## **Voting Confidentiality**

Proxies, ballots and voting tabulations are handled on a confidential basis to protect your voting privacy. Such information will not be disclosed except as required by law.



## **Voting Results**

Final voting results will be announced at the Meeting and will be posted shortly after the Meeting on our website at [www.cohu.com](http://www.cohu.com). Voting results will also be published in a Current Report on Form 8-K to be filed with the Securities and Exchange Commission ( SEC ) within four business days of the Meeting. After the reports are filed, you may obtain a copy by:

visiting our website at [www.cohu.com](http://www.cohu.com);

contacting our Investor Relations department at 858-848-8100; or

viewing our Form 8-K on the SEC 's website at [www.sec.gov](http://www.sec.gov).

**Proxy Solicitation Costs**

Cohu will bear the entire cost of proxy solicitation, including the preparation, assembly, printing, mailing and distribution of the proxy materials. Cohu's officers, directors and regular employees will not receive additional compensation for such proxy solicitation services. Cohu has not engaged an outside solicitor in connection with this proxy solicitation. We will reimburse brokerage firms and other custodians for their reasonable out-of-pocket expenses for forwarding the proxy materials to you.

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**IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR THE STOCKHOLDER MEETING TO BE HELD ON MAY 14, 2014**

**This Proxy Statement and Cohu's Fiscal Year 2013 Annual Report are both available at [www.proxydocs.com/cohu](http://www.proxydocs.com/cohu).**

**PROPOSAL NO. 1****ELECTION OF DIRECTORS**

The Cohu Amended and Restated Certificate of Incorporation divides the directors into three classes whose terms expire at successive annual meetings over a period of three years. One class of directors is elected for a term of three years at each annual meeting with the remaining directors continuing in office. At the Meeting, two Class 1 directors are to be elected for a term expiring in 2017. The shares represented by proxies in the accompanying form will be voted by the proxy holders for the election of the nominees named below. In the event the election of directors is to be by cumulative voting, the proxy holders will vote the shares represented by proxies in such proportions as the proxy holders see fit. Should the nominee decline or become unable to accept nomination or election, which is not anticipated, the proxies will be voted for such substitute nominee as may be designated by a majority of the Board of Directors. There is no family relationship between the nominees, other directors or any of Cohu's named executive officers.

The following paragraphs provide information as of the date of this proxy statement about each member of our Board, including the nominees. The information presented includes information the director has given us about his age, all positions he holds, his principal occupation and business experience for the past five years, and the names of other publicly-held companies on which he currently serves as a director or has served as a director during the past five years. In addition to the information presented below regarding the nominee's specific experience, qualifications, attributes and skills that led our Board to the conclusion that each nominee should serve as a director, we also believe that our director nominees have a reputation for integrity, honesty and adherence to high ethical standards. Each nominee has demonstrated business acumen and an ability to exercise sound judgment, as well as a commitment of service to Cohu and our Board.

**Required Vote**

The nominees receiving the highest number of votes cast will be elected as Director. *Brokers do not have discretion to vote on this proposal without your instruction. If you do not instruct your broker how to vote on this proposal, your broker will deliver a non-vote on this proposal.*

**Recommendation of the Board**

**The Board of Directors recommends a vote FOR the nominees named below.**

**Directors Whose Term Expires in 2017 (if elected) - Class 1**

<b>Name</b>	<b>Age</b>	<b>Principal Occupation</b>	<b>Director Since</b>
Robert L. Ciardella	61	Cofounder and retired President of Asymtek (a subsidiary of Nordson Corporation) from 1983 until 2006. Asymtek designs, develops, manufactures and sells semiconductor and circuit board assembly equipment. We believe Mr. Ciardella's qualifications to sit on our Board of Directors include his more than 20 years of executive experience in the semiconductor equipment industry, including his knowledge of operations, product development and business strategy. Mr. Ciardella was appointed Lead Independent Director of the Board on March 12, 2010 and was most recently appointed as Lead Independent Director on March 26, 2013.	2003

William E.  
Bendush

65 Retired Senior Vice President and Chief Financial Officer of Applied Micro Circuits Corporation (AMCC), a communications semiconductor company from 1999 to 2003. Mr. Bendush has been a Director of Microsemi Corp. since 2003 and was a director of Conexant Systems, Inc. We believe Mr. Bendush's qualifications to sit on our Board of Directors include his executive experience in the semiconductor industry and his experience with financial accounting matters for complex global organizations as well as his knowledge of business strategy. Mr. Bendush qualifies as an audit committee financial expert under SEC guidelines.

2011

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**INFORMATION CONCERNING OTHER DIRECTORS NOT STANDING FOR ELECTION**
**Directors Whose Terms Expire in 2015 - Class 2**

<b>Name</b>	<b>Age</b>	<b>Principal Occupation</b>	<b>Director Since</b>
Harry L. Casari	77	Retired Partner, Ernst & Young LLP. Mr. Casari is also a director of SPY Inc. (formerly Orange 21), since 2004. We believe Mr. Casari's qualifications to sit on our Board of Directors include his background in public accounting, auditing and his experience with financial accounting matters for complex global organizations as well as his knowledge of business strategy. Mr. Casari qualifies as an audit committee financial expert under SEC guidelines.	1995
Harold Harrigian	79	Retired Partner and Director of Corporate Finance, Crowell, Weedon & Co., a provider of financial services. Mr. Harrigian is also a former partner, Arthur Young & Company (predecessor of Ernst & Young LLP). We believe Mr. Harrigian's qualifications to sit on our Board of Directors include his knowledge and experience with financial accounting matters, finance, capital structure and his years of experience providing strategic advisory services to complex organizations. Mr. Harrigian qualifies as an audit committee financial expert under SEC guidelines.	1998

**Directors Whose Terms Expire in 2016 - Class 3**

<b>Name</b>	<b>Age</b>	<b>Principal Occupation</b>	<b>Director Since</b>
James A. Donahue	65	Chairman, President and Chief Executive Officer of Cohu since March 12, 2010; President and Chief Executive Officer of Cohu from June, 2000 to March, 2010; President and Chief Operating Officer of Cohu from October, 1999 to June, 2000; President of Delta Design, Inc., a wholly owned subsidiary of Cohu from May, 1983 to December, 2010. Mr. Donahue previously served as a director of Standard Microsystems Corporation (SMSC). We believe Mr. Donahue's qualifications to sit on our Board of Directors include his more than 30 years of executive experience in the semiconductor equipment industry and broad knowledge of business development and strategy, corporate governance and international operations.	1999
Steven J. Bilodeau	55	Retired Chairman, President and Chief Executive Officer of SMSC, a semiconductor manufacturer, from 1999 until October, 2008. Mr. Bilodeau previously served as the Non-Executive Chairman of SMSC and also previously served as a director of NuHorizons Electronic Corp, Conexant Systems, Inc. and Gennum Corporation. We believe Mr. Bilodeau's qualifications to sit on our Board of Directors include his 30 years of executive experience in the high technology and semiconductor industries and his knowledge of international operations, business strategy and corporate governance.	2009



## PROPOSAL NO. 2

### ADVISORY VOTE TO APPROVE NAMED EXECUTIVE COMPENSATION

At last year's Meeting, we provided our stockholders with the opportunity to cast an advisory vote regarding the compensation of our named executive officers as disclosed in the proxy statement for the 2013 Annual Meeting of Stockholders. At our 2013 Annual Meeting, our stockholders overwhelmingly approved the proposal, with 96.7% of the votes cast voting in favor of the proposal. This year we are again asking our stockholders to vote **FOR** the compensation of our named executive officers as disclosed in this Proxy Statement.

#### Compensation Program and Philosophy

As described under the **Compensation Discussion and Analysis** section of this proxy statement, the Compensation Committee has structured our executive compensation program to achieve the following key objectives:

pay for performance;

to attract, motivate and retain talented executive officers;

to motivate progress toward Company-wide financial and personal objectives while balancing rewards for short-term and long-term performance; and

to align the interests of our executive officers with those of stockholders.

We urge stockholders to read the **Compensation Discussion and Analysis** beginning on page 17 of this proxy statement, which describes in more detail how our executive compensation policies and procedures operate and are designed to achieve our compensation objectives, as well as the Summary Compensation Table and other related compensation tables and narrative, which provide detailed information on the compensation of our named executive officers. The Compensation Committee and the Board of Directors believe that the policies and procedures articulated in the **Compensation Discussion and Analysis** are effective in achieving our goals and that the compensation of our named executive officers reported in this proxy statement has contributed to the Company's recent and long-term success.

#### Required Vote

A majority of the votes cast is required to approve Proposal No. 2. *Brokers do not have discretion to vote on this proposal without your instruction. If you do not instruct your broker how to vote on this proposal, your broker will deliver a non-vote on this proposal.*

#### Recommendation

For the above reasons, we are asking our stockholders to indicate their support for the compensation of our named executive officers as described in this Proxy Statement by voting in favor of the following resolution:

RESOLVED, that the stockholders approve, in a non-binding vote, the compensation of the Company's named executive officers as disclosed pursuant to the Compensation Discussion and Analysis section, the tabular disclosure

regarding such compensation, and the accompanying narrative disclosure set forth in the Proxy Statement relating to the Company's 2014 Annual Meeting of Stockholders.

Even though this say-on-pay vote is advisory and therefore will not be binding on the Company, the Compensation Committee and the Board value the opinions of our stockholders. Accordingly, to the extent there is a significant vote against the compensation of our named executive officers, we will consider our stockholders' concerns and the Compensation Committee will evaluate what actions may be necessary or appropriate to address those concerns.

**The Board of Directors recommends that you vote FOR approval, on an advisory basis, of the resolution on executive compensation.**



**PROPOSAL NO. 3**

**RATIFICATION OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

The Audit Committee of the Board has appointed Ernst & Young LLP as Cohu's independent registered public accounting firm for the fiscal year ending December 27, 2014. Ernst & Young LLP served as Cohu's independent registered public accounting firm for the fiscal year ended December 28, 2013 and also provided certain tax and other audit-related services. See "Principal Accounting Fees and Services" on page 16. Representatives of Ernst & Young LLP are expected to attend the Meeting, where they will be available to respond to appropriate questions and, if they desire, to make a statement.

Our Board recommends that the stockholders approve the ratification of the appointment of Ernst & Young LLP as Cohu's independent registered public accounting firm for the fiscal year ending December 27, 2014. If the appointment is not ratified, the Board will consider whether it should select another independent registered public accounting firm.

**Required Vote**

A majority of the votes cast is required to approve Proposal No. 3. *If you hold your shares through a broker and you do not instruct the broker on how to vote on this routine proposal, your broker will nevertheless have authority to vote your shares on this routine proposal in your broker's discretion.*

**Recommendation of the Board**

**The Board of Directors recommends a vote FOR the ratification of the appointment of Ernst & Young LLP as Cohu's independent registered public accounting firm for the fiscal year ending December 27, 2014.**

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**BOARD OF DIRECTORS AND COMMITTEES**
***Director Independence***

Cohu has adopted standards for director independence pursuant to NASDAQ listing standards and SEC rules. An independent director means a person other than an officer or employee of Cohu or its subsidiaries, or any other individual having a relationship that, in the opinion of the Board, would interfere with the exercise of independent judgment in carrying out the responsibilities of a director. To be considered independent, the Board must affirmatively determine that neither the director nor an immediate family member of the director has had any direct or indirect material relationship with Cohu within the last three years.

The Board has considered relationships, transactions and/or arrangements with each of the directors, and has concluded that none of the non-employee directors has any relationships with Cohu that would impair his independence. The Board has determined that each member of the Board, other than Mr. Donahue, is an independent director under applicable NASDAQ listing standards and SEC rules. Mr. Donahue is an employee of Cohu and, as such, he did not meet the independence standards. In addition, the Board has also determined that:

all directors who serve on the Audit, Compensation and Nominating and Governance committees are independent under applicable NASDAQ listing standards, Internal Revenue Code requirements and SEC rules, and

all members of the Audit and Compensation Committee meet the additional independence requirements as required by NASDAQ listing standards and SEC rules.

***Board Structure and Committee Composition***

As of the date of this proxy statement, our Board has six directors and the following three committees: (1) Audit, (2) Compensation and (3) Nominating and Governance. The membership during 2013 and the function of each of the committees are described below. Each of the committees operates under a written charter adopted by the Board. All of the committee charters are available on Cohu's website at [www.cohu.com/investors/corporategovernance](http://www.cohu.com/investors/corporategovernance). During 2013, the Board held twelve meetings. Each director attended at least 75% of all Board and applicable committee meetings. Directors are encouraged to attend annual meetings of Cohu stockholders. All of our directors attended the last annual meeting of stockholders held on May 15, 2013.

The Cohu, Inc. Corporate Governance Guidelines provide that the Cohu Nominating and Governance Committee shall nominate an independent director to serve as the Lead Independent Director, the selection of whom shall be subject to approval by a vote of the majority of the independent directors.

The table below breaks down current committee membership for each committee and each director.

<b>Name of Director</b>	<b>Audit</b>	<b>Compensation</b>	<b>Nominating and Governance</b>
<b><u>Independent Directors:</u></b>			
William E. Bendush	Chair	X	
Steven J. Bilodeau	X	X	Chair
Harry L. Casari	X	Chair	

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Robert L. Ciardella <sup>(1)</sup>	X		X
Harold Harrigian	X		X
<u>Other Director:</u>			
James A. Donahue			
Number of Meetings in 2013	7	6	2

(1) Lead Independent Director  
*Audit Committee*

Cohu has a separately designated standing Audit Committee established in accordance with the Securities Exchange Act of 1934, as amended. The Audit Committee assists the Board in fulfilling its responsibilities for general oversight of the integrity of Cohu's financial statements, Cohu's compliance with legal and regulatory requirements, the independent registered public accounting firm's qualifications and independence, risk assessment and risk management. Among other

things, the Audit Committee prepares the Audit Committee report for inclusion in the annual proxy statement; annually reviews the Audit Committee charter and the committee's performance; appoints, evaluates and approves the fees of Cohu's independent registered public accounting firm; reviews and approves the scope of the annual audit, the audit fee and the financial statements; reviews Cohu's disclosure controls and procedures, internal controls, including such controls over financial reporting, information security policies and corporate policies with respect to financial information and earnings guidance; oversees investigations into complaints concerning financial matters; and reviews other risks that may have a significant impact on Cohu's financial statements. The Audit Committee works closely with management as well as Cohu's independent registered public accounting firm. The Audit Committee has the authority to obtain advice and assistance from, and receive appropriate funding from Cohu for, outside legal, accounting or other advisors as the Audit Committee deems necessary in order to carry out its duties.

The report of the Audit Committee is included herein on page 15 and the charter of the Audit Committee is available at [www.cohu.com/investors/corporategovernance](http://www.cohu.com/investors/corporategovernance).

### ***Compensation Committee***

The Compensation Committee discharges the Board's responsibilities relating to compensation of Cohu's executives and directors and, among other things, reviews and discusses the Compensation Discussion and Analysis with management, and produces an annual compensation committee report for inclusion in Cohu's proxy statement; provides general oversight of Cohu's compensation structure, including Cohu's equity compensation plans and benefits programs; and retains and approves the terms of the retention of any compensation consultants and other compensation experts. Other specific duties and responsibilities of the Compensation Committee include reviewing and approving objectives relevant to executive officer compensation, participating in the evaluation of the performance and determining the compensation of executive officers, including equity awards, in accordance with those objectives; approving employment agreements for executive officers; approving and amending Cohu's equity and non-equity incentive compensation and related performance goals and measures and stock-related programs (subject to stockholder approval, if required); approving any changes to non-equity based benefit plans involving a material financial commitment by Cohu; recommending director compensation to the Board; monitoring director and executive stock ownership; and annually evaluating its performance and its charter.

The report of the Compensation Committee is included herein on page 26. The charter of the Compensation Committee is available at [www.cohu.com/investors/corporategovernance](http://www.cohu.com/investors/corporategovernance).

### ***Nominating and Governance Committee***

The Nominating and Governance Committee identifies individuals qualified to become Board members and recommends to the Board candidates to be nominated for election as directors at Cohu's annual meeting consistent with criteria the Committee deems appropriate, as approved by the Board; develops Cohu's Corporate Governance Guidelines for approval by the Board, and reviews and recommends updates to such Guidelines, as appropriate; oversees the organization of the Board to discharge the Board's duties and responsibilities properly and efficiently; identifies best practices; and recommends corporate governance principles, including giving proper attention and making effective responses to stockholder concerns regarding corporate governance. Other specific duties and responsibilities of the Nominating and Governance Committee include annual assessment of the size and composition of the Board; developing membership qualifications for Board committees; defining specific criteria for director independence; monitoring compliance with Board and Board committee membership criteria; annually reviewing and recommending directors for continued service; coordinating and assisting management and the Board in recruiting new members to the Board; annually, and together with the Compensation Committee and the Lead Independent Director, provides input to the performance evaluation of the Chairman of the Board and CEO; reviewing and recommending proposed changes to Cohu's charter or Bylaws and Board committee charters; periodically assessing and recommending action with respect to stockholder rights plans or other stockholder protections; recommending

Board committee assignments; reviewing and approving any employee director or executive officer standing for election for outside for-profit boards of directors; reviewing governance-related stockholder proposals and recommending Board responses; overseeing the evaluation of the Board and management and conducting a preliminary review of director independence and the financial literacy and expertise of Audit Committee members. The Chairman of the Nominating and Governance Committee receives communications directed to non-employee directors.

The charter of the Nominating and Governance Committee is available at [www.cohu.com/investors/corporategovernance](http://www.cohu.com/investors/corporategovernance).

## ***Board Leadership Structure, Risk Oversight***

### ***Board Leadership Structure***

Our Board is currently comprised of five independent directors and one employee director. Our corporate governance principles provide that the Board will fill the Chairman and Chief Executive Officer positions based upon the Board's view of what is in Cohu's best interests at any point in time. Given his long tenure with and status within Cohu, our Board believes Mr. Donahue possesses detailed and in-depth knowledge of the issues, opportunities, and challenges facing Cohu and we believe he is best positioned to develop agendas that ensure that the Board's time and attention are focused on the most critical matters. We also believe his combined role enables decisive leadership, ensures clear accountability, and enhances Cohu's ability to communicate its message and strategy clearly and consistently to its stockholders, employees, and customers. Our Board believes that Mr. Donahue's service as both Chairman and Chief Executive Officer, in combination with Mr. Ciardella's service as Lead Independent Director, is in the best interests of Cohu and its stockholders.

The Cohu, Inc. Corporate Governance Guidelines provide that the Cohu Nominating and Governance Committee shall nominate an independent director to serve as the Lead Independent Director, the selection of whom shall be subject to approval by a vote of the majority of the independent directors. Although annually elected, the Lead Independent Director is generally expected to serve for more than one year.

The specific responsibilities of the Lead Independent Director include presiding at executive sessions of directors and at board meetings where the Chairman is not present, calling meetings of Independent Directors, serving as a liaison between the independent directors and the Chairman/CEO and performing such other duties and responsibilities as the Board may determine.

### ***Risk Oversight***

Our Board oversees our risk management process. The Board focuses on general risk management strategy, the most significant risks facing Cohu, and ensures that appropriate risk mitigation strategies are implemented by management. The Board is also apprised of particular risk management matters in connection with its general oversight and approval of corporate matters. Cohu's management is responsible for day-to-day risk management. This responsibility includes identifying, evaluating, and addressing potential risks that may exist at the enterprise, strategic, financial, operational, and compliance and reporting levels.

### ***Stockholder Nominees***

The policy of the Nominating and Governance Committee is to consider properly submitted stockholder nominations for candidates for membership on the Board as described below under "Identifying and Evaluating Nominees for Directors." In evaluating such nominations, the Nominating and Governance Committee seeks to achieve a balance of knowledge, experience and capability on the Board and to address the membership criteria set forth under "Director Qualifications." Any stockholder nominations proposed for consideration by the Nominating and Governance Committee should include the nominee's name and qualifications for Board membership and should be addressed to:

Corporate Secretary

Cohu, Inc.

12367 Crosthwaite Circle

Poway, CA 92064-6817

In addition, the Bylaws of Cohu permit stockholders to nominate directors for consideration at an annual stockholder meeting. For a description of the process for nominating directors in accordance with Cohu's Bylaws, see "Stockholder Proposals - 2015 Annual Meeting" on page 34.

*Director Qualifications*

Cohu's Corporate Governance Guidelines are available at [www.cohu.com/investors/corporategovernance](http://www.cohu.com/investors/corporategovernance) and contain Board membership criteria that apply to nominees recommended by the Nominating and Governance Committee for a position on Cohu's Board. Under these criteria, members of the Board should have the highest professional and personal ethics and values, consistent with longstanding Cohu values and standards. They should have relevant experience at the policy-making level in business, government, education, technology and/or public interest. They should also be committed to enhancing stockholder value and should have sufficient time to carry out their duties and to provide insight and practical wisdom, based on their experience. Their service on other boards of public companies should be limited to a number that permits them, given their individual circumstances, to responsibly perform all director duties. Each director will seek to represent the diverse interests of all stockholders.

### ***Identifying and Evaluating Nominees for Directors***

Our Nominating and Governance Committee uses a variety of methods for identifying and evaluating nominees for director. The Nominating and Governance Committee assesses the appropriate size of the Board, and whether any vacancies on the Board are expected due to retirement or otherwise. In the event that vacancies are anticipated, or otherwise arise, the Nominating and Governance Committee considers various potential candidates for director. Candidates may come to the attention of the Nominating and Governance Committee through current Board members, professional search firms, stockholders or other persons. These candidates are evaluated at regular or special meetings of the Nominating and Governance Committee, and may be considered at any point during the year. As described above, the Nominating and Governance Committee also considers properly submitted stockholder nominations for candidates for the Board. Following verification of the stockholder status of persons proposing candidates, recommendations are aggregated and considered by the Nominating and Governance Committee at a regularly scheduled meeting. If any materials are provided by a stockholder in connection with the nomination of a director candidate, such materials are forwarded to the Nominating and Governance Committee. The Nominating and Governance Committee also reviews materials provided by professional search firms or other parties in connection with a nominee who is not proposed by a stockholder. In evaluating such nominations, the Nominating and Governance Committee seeks to achieve a balance of knowledge, experience and capability on the Board. While we do not have a formal diversity policy, the Board believes it is important for the Board to have diversity of knowledge base, professional experience and skills, and the Board and Nominating and Governance Committee takes these qualities into account when considering director nominees.

### ***Executive Sessions***

Executive sessions of independent directors, without management present, are held at least three times a year. The sessions may be scheduled or held on an impromptu basis, and are chaired by the Lead Independent Director or in the absence of the Lead Independent Director the Chairman of the Nominating and Governance Committee or another independent director. Any independent director can request that an additional executive session be initiated or scheduled.

### ***Communications with the Board***

Individuals may communicate with the Board, including the non-employee directors, by submitting an e-mail to Cohu's Board at [corp@cohu.com](mailto:corp@cohu.com) or by sending a letter to the Cohu Board of Directors, c/o Corporate Secretary, Cohu, Inc., 12367 Crosthwaite Circle, Poway, California 92064-6817.

### ***Compensation of Directors***

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

Directors who are employees of Cohu do not receive any additional compensation for their services as directors. During fiscal 2013, non-employee directors received an annual retainer, and Board committee Chairs and members received annual fees, all paid quarterly, as set forth below.

<b><u>Annual Retainer:</u></b>	
Chairman of the Board (non-employee)	\$ 60,000
Other Directors	\$ 40,000
Lead Independent Director	\$ 10,000
<b><u>Annual Fees for Committee Chairs:</u></b>	



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Audit Committee	\$ 16,000
Compensation Committee	\$ 10,000
Nominating and Governance Committee	\$ 8,000
<u>Annual Fees for Other Committee Members:</u>	
Audit Committee	\$ 8,000
Compensation Committee	\$ 5,000
Nominating and Governance Committee	\$ 4,000

In addition to the retainers and fees noted above, non-employee directors are reimbursed for out-of-town travel and other reasonable out-of-pocket expenses related to attendance at Board and committee meetings.

Under the terms and conditions of the Cohu, Inc. 2005 Equity Incentive Plan (the 2005 Plan ) members of the Board may make an annual irrevocable election to defer receipt of all or a portion of their cash-based non-employee director fees (including, as applicable, any annual retainer fee, committee fee and any other compensation payable with respect to their service as a member of the Board). In the event that a director makes such an election, the Company will grant deferred stock units in lieu of cash, with an initial value equal to the deferred cash, which will be settled at a future date through the issuance of Cohu common stock.

### ***Equity Compensation***

Non-employee directors participate in the 2005 Plan that provides for grants of non-qualified stock options or other forms of equity compensation to non-employee directors, as authorized by the Board. Cohu's stock ownership guidelines provide that independent directors should accumulate, over time, a minimum of 10,000 shares of Cohu stock and should not sell any Cohu shares until these ownership guidelines are met and once met subsequent sales, if any, should not reduce their Cohu stock ownership below these minimum guideline amounts.

On September 11, 2013, the Compensation Committee, after examination of market data, including an analysis prepared by the compensation consulting firm Compensia, decided that no adjustments were necessary to the current equity compensation for non-employee directors. The current equity compensation for non-employee directors is:

#### Initial appointment to the Board:

10,000 Stock Options

3,300 Restricted Stock Units (RSUs)

#### Annual grants:

7,500 Restricted Stock Units (RSUs)

Each RSU represents a contingent right to receive one share of Cohu Common Stock upon vesting. The exercise price for all options granted to non-employee directors is 100% of the fair market value of the shares on the grant date. Assuming continued service on the Board, the stock options and RSUs granted to non-employee directors upon their initial appointment to the Board will vest and become exercisable or shares are issued, as the case may be, in three equal annual installments beginning one year after the date of grant. The annual option and RSU awards vest and become exercisable or shares are issued, as applicable, upon the one-year anniversary of the award. Exercisability of some or all options or RSUs may be accelerated upon a change in control, as defined in the 2005 Plan. The options expire no later than ten years after the date of grant.

On May 15, 2013, 7,500 RSUs were awarded to each of Messrs. Bendush, Bilodeau, Casari, Ciardella and Harrigian. Cohu will issue to each recipient, assuming continued service as a director, shares of Cohu Common Stock at the end of the one-year RSU vesting period.

### ***Medical Benefits***

Cohu directors who are retired officers of Cohu and certain other retired Cohu officers and their spouses receive medical benefits consisting of reimbursement of health insurance premiums and other medical costs not covered by insurance. These benefits are not offered to other retired Cohu employees.



## 2013 DIRECTOR COMPENSATION

The following table provides information on compensation for Cohu's non-employee directors for fiscal 2013.

Name	Fees Earned or Paid in Cash Deferred		Stock Awards (\$) <sup>(2)</sup>	Option Award (\$)	Non-Equity Plan Compensation (\$)	Change in Pension Value and Non-qualified Deferred Compensation Earnings (\$)	All Other Compensation (\$)	Total (\$)
	Paid in Cash (\$)	in Form of Stock Units (\$) <sup>(1)</sup>						
William E. Bendush	61,000		77,175					138,175
Steven J. Bilodeau		61,000	77,175					138,175
Harry L. Casari	58,000		77,175					135,175
Robert L. Ciardella	62,000		77,175					139,175
Harold Harrigian	52,000		77,175					129,175

- (1) The amounts in this column represent the dollar amount of retainers and fees deferred under the 2005 Plan, at the election of the Director, of 0%, 50% or 100% of such Director's annual retainers and fees. The deferred amount is credited in the form of deferred stock unit ( DSU ) awards and ultimately payable in shares of Cohu common stock, if the Director ceases to be a Director for any reason, or upon the occurrence of a change in control of Cohu. As of December 28, 2013, Messrs. Bilodeau and Ciardella had 21,401 and 2,639 DSUs, respectively.
- (2) Amounts shown do not reflect compensation actually received by the directors. Instead, the amounts shown above are the grant date fair value for stock awards issued in the form of RSUs granted in fiscal 2013. The assumptions used to calculate the grant date fair value of the stock awards are set forth in Note 4, Employee Benefit Plans, included in Part IV, Item 15(a) of Cohu's Annual Report on Form 10-K for the year ended December 28, 2013 filed with the SEC. The derived grant date fair value for the stock award is recognized, for financial statement purposes, over the number of days of service required for the award to vest in full. As of December 31, 2013, Messrs. Bilodeau, Casari, Ciardella and Harrigian each had 7,500 RSUs outstanding and Mr. Bendush had 8,600 RSUs outstanding.

### CORPORATE GOVERNANCE

Cohu has adopted Corporate Governance Guidelines (the Guidelines ) that outline, among other matters, the role and functions of the Board, the responsibilities of various Board committees, selection of new directors and director independence. The Guidelines are available, along with other important corporate governance materials, on our website at [www.cohu.com/investors/corporategovernance](http://www.cohu.com/investors/corporategovernance). As the operation of the Board is a dynamic process, the Board regularly reviews new or changing legal and regulatory requirements, evolving best practices and other developments, and the Board may modify the Guidelines, as appropriate, from time to time.

### CODE OF BUSINESS CONDUCT AND ETHICS

Cohu has adopted a Code of Business Conduct and Ethics (the Code of Conduct ). The Code of Conduct applies to all of Cohu's directors and employees including its principal executive officer, principal financial officer and principal

accounting officer. The Code of Conduct, among other things, is designed to promote:

1. Honest and ethical conduct, including the ethical handling of actual or apparent conflicts of interest between personal and professional relationships;
2. Full, fair, accurate, timely and understandable disclosure in reports and documents that Cohu files with, or submits to, the SEC and in other public communications made by Cohu;
3. Compliance with applicable governmental laws, rules and regulations;
4. The prompt internal reporting of violations of the Code of Conduct to an appropriate person or persons identified in the Code of Conduct; and
5. Accountability for adherence to the Code of Conduct.

The Code of Conduct is available at [www.cohu.com/investors/corporategovernance](http://www.cohu.com/investors/corporategovernance).

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**SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT**

The following table sets forth certain information regarding beneficial ownership of Cohu's Common Stock as of February 18, 2014 by (i) each stockholder who has reported or is known by Cohu to have beneficial ownership of more than 5% of our common stock; (ii) each director of Cohu; (iii) each named executive officer included in the 2013 Summary Compensation Table ; and (iv) all directors and executive officers as a group.

<b>Name and address of beneficial owner</b>	<b>Beneficially owned</b>		<b>Total</b>	<b>Percent of class <sup>(2)</sup></b>
	<b>common stock</b>	<b>Common stock equivalents <sup>(1)</sup></b>		
DePrince, Race & Zollo, Inc.				