

SCM MICROSYSTEMS INC
Form PRE 14A
April 20, 2010

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

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 Pursuant to Section 240.14a-12

SCM MICROSYSTEMS, 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.

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Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

- (1) Title of each class of securities to which transaction applies:

- (2) Aggregate number of securities to which transaction applies:

- (3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (Set forth the amount on which the filing fee is calculated and state how it was determined):

- (4) Proposed maximum aggregate value of transaction:

- (5) Total fee paid:

Fee paid previously with preliminary materials.

Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

- (1) Amount Previously Paid:

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

- (3) Filing Party:

- (4) Date Filed:

SCM MICROSYSTEMS, INC.

d/b/a IDENTIVE GROUP

NOTICE OF

2010 ANNUAL MEETING OF STOCKHOLDERS

June 16, 2010

TO OUR STOCKHOLDERS:

You are cordially invited to attend the 2010 Annual Meeting of Stockholders of SCM Microsystems, Inc. d/b/a Identive Group (the Company), a Delaware corporation, to be held on June 16, 2010, at 10:00 a.m., local time, at the offices of Greenberg Traurig, LLP, One International Place, Boston, Massachusetts 02110, for the following purposes:

1. To elect one Class III director to serve until the expiration of the term of the Class III director or until his successor is duly elected and qualified or until he is removed or resigns;
2. To approve an amendment to the Company's Fourth Amended and Restated Certificate of Incorporation, as amended, to increase the number of authorized shares of Common Stock from 60,000,000 to 110,000,000 shares;
3. To approve an amendment to the Company's Fourth Amended and Restated Certificate of Incorporation, as amended, to change the name of the Company from SCM Microsystems, Inc. to Identive Group, Inc.;
4. To approve the Company's 2010 Bonus and Incentive Plan;
5. To ratify the appointment of Deloitte & Touche GmbH as the Company's independent registered public accountants for the fiscal year ending December 31, 2010; and
6. To transact such other business as may properly come before the meeting or any adjournments or postponements thereof.

The foregoing items of business are more fully described in the proxy statement accompanying this notice.

The Board of Directors of the Company recommends that you vote FOR the approval of each of the proposals outlined above and as more fully described in the accompanying proxy statement.

Only stockholders of record at the close of business on May 14, 2010 (the Record Date) are entitled to notice of and to vote at the 2010 Annual Meeting of Stockholders and any adjournments thereof. A list of stockholders entitled to vote at the Annual Meeting will be available for inspection at the U.S. headquarters of the Company.

All stockholders are cordially invited and encouraged to attend the Annual Meeting. In any event, to ensure your representation at the Annual Meeting, please carefully read the accompanying Proxy Statement. Regardless of whether you plan to attend the Annual Meeting, please vote your shares as soon as possible so that your shares will be voted in accordance with your instructions. For specific voting instructions, please refer to the instructions on the proxy card that was mailed to you. If you attend the Annual Meeting and vote by ballot, your proxy will be revoked automatically and only your vote at the Annual Meeting will be counted.

By Order of the Board of Directors of

SCM Microsystems, Inc. d/b/a Identive Group

Melvin Denton-Thompson

Chief Financial Officer and Secretary

Ismaning, Germany

May [], 2010

IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR THE STOCKHOLDER MEETING TO BE HELD ON JUNE 16, 2010. The proxy materials relating to the Annual Meeting, including the proxy statement and proxy card, are available at no cost on our websites at www.scmmicro.com or www.identive-group.com.

ALL STOCKHOLDERS ARE CORDIALLY INVITED TO ATTEND THE ANNUAL MEETING IN PERSON. IN ANY EVENT, TO ENSURE YOUR REPRESENTATION AT THE ANNUAL MEETING, WE URGE YOU TO SUBMIT YOUR PROXY AS PROMPTLY AS POSSIBLE BY FOLLOWING THE INSTRUCTIONS INCLUDED WITH THE PROXY CARD THAT WAS MAILED TO YOU. THANK YOU FOR ACTING PROMPTLY. If you plan to attend to attend the Annual Meeting and need directions to the location of the meeting, please telephone (949) 553-4251.

SCM MICROSYSTEMS, INC.

d/b/a/ IDENTIVE GROUP

PROXY STATEMENT

FOR

2010 ANNUAL MEETING OF STOCKHOLDERS

June 16, 2010

INFORMATION CONCERNING SOLICITATION AND VOTING

General

The Board of Directors of the Company is furnishing this Proxy Statement to you in connection with the solicitation of proxies for use at our 2010 Annual Meeting of Stockholders to be held on June 16, 2010, at 10:00 a.m., local time, at the offices of Greenberg Traurig LLP, One International Place, Boston, Massachusetts 02110, or any adjournment(s) or postponement(s) thereof, for the purposes set forth herein and in the accompanying Notice of our 2010 Annual Meeting of Stockholders.

These proxy solicitation materials are first being mailed on or about [May 19], 2010 to all our stockholders entitled to notice of and to vote at the Annual Meeting.

Record Date

Our Board of Directors has fixed the close of business on May 14, 2010 as the Record Date for the determination of our stockholders entitled to notice of, and to vote at, the Annual Meeting and any adjournment(s) or postponement(s) thereof.

Shares Outstanding

As of April 15, 2010 and the record date, we had issued and outstanding 43,034,782 shares of Common Stock, par value \$0.001 per share. In the U.S., our Common Stock is listed on the NASDAQ Global Market (symbol: INVE) and on the regulated market (Prime Standard) of the Frankfurt Stock Exchange (symbol: INV).

Voting Rights

Each stockholder of record on the record date will be entitled to one vote per share of Common Stock held on the Record Date on all matters submitted for consideration of, and to be voted upon by, the stockholders at the Annual Meeting. The election of directors shall be determined by a plurality of the votes cast: each stockholder will be entitled to vote for one nominee to our Board of Directors, and the nominee with the greatest number of votes will be elected to the Board of Directors. No stockholder will be entitled to cumulative votes at the Annual Meeting for the election of any members of our Board of Directors. The proposals to increase the number of shares of Common Stock authorized and the proposal to change the name of the Company require the affirmative vote of the holders of a majority of the outstanding Common Stock. The proposal to approve our 2010 Bonus and Incentive Plan and the proposal to ratify the appointment of Deloitte & Touche GmbH as our independent registered public accountants for the fiscal year ending December 31, 2010 require a majority of the votes cast.

Voting Procedures

If your shares are registered directly in your name with our transfer agent, American Stock Transfer & Trust Company LLC, you are considered the stockholder of record with respect to those shares. As the stockholder of record, you have the right to vote in person at the meeting. If you choose to do so, you can bring your proxy

card or vote using the ballot provided at the meeting. However, even if you plan to attend the Annual Meeting, we recommend that you vote your shares in advance as described below so that your vote will be counted if you later decide not to attend the Annual Meeting.

If you hold your shares in street name through a stockbroker, bank or other nominee rather than directly in your own name, you are considered the beneficial owner of shares held in street name. Because a beneficial owner is not a stockholder of record, you may not vote these shares in person at the meeting unless you obtain a legal proxy from the broker, bank or nominee that holds your shares, giving you the right to vote those shares at the meeting. If you wish to attend the Annual Meeting and vote in person, you will need to contact your broker, bank or nominee to obtain a legal proxy.

If any stockholder is unable to attend the Annual Meeting, the stockholder may vote by proxy as follows:

Internet. A stockholder can submit a proxy over the Internet by following the instructions provided in the Notice or on the separate proxy card.

Telephone. A stockholder can submit a proxy over the telephone by following the instructions provided on the separate proxy card.

Mail. A stockholder can submit a proxy by mail by completing, signing and returning the separate proxy card in the prepaid and addressed envelope included with the proxy materials.

You are urged to specify your choices on the proxy submitted by Internet, telephone or mail. If you are a stockholder of record and you submit a proxy, whether in person, by mail, by telephone or over the Internet, but do not specify how you want to vote on a proposal, in the absence of contrary instructions, the shares of Common Stock represented by such proxy will be voted FOR all proposals, and will be voted in the proxy holders discretion as to other matters that may properly come before the Annual Meeting. If you hold your shares through a broker, bank or other nominee and you do not provide instructions on how to vote, your broker or other nominee may have authority to vote your shares on your behalf on matters to be considered at the meeting.

Quorum; Abstentions; Broker Non-Votes

The required quorum for the transaction of business at the Annual Meeting is one-third (1/3) of the shares of our Common Stock issued and outstanding as of the Record Date. Shares voted FOR, AGAINST or WITHHELD from a matter voted upon by the stockholders at the Annual Meeting will be treated as being present at the Annual Meeting for purposes of establishing a quorum for the transaction of business, and will also be treated as shares represented and voting at the Annual Meeting with respect to any such matter.

Abstentions and broker non-votes are each included in determining the number of shares present and voting at the Annual Meeting for purposes of determining the presence or absence of a quorum, and each is tabulated separately. Abstentions with respect to any matter other than the election of directors (Proposal 1) will be treated as shares present or represented by proxy and entitled to vote on that matter and will thus have the same effect as negative votes. Under recent rule changes, the election of directors is no longer a routine matter as to which brokerage firms may vote in their discretion on behalf of clients who have not furnished voting instructions. Because the Company has a plurality voting standard, however, broker non-votes will not affect the outcome of the vote on this proposal.

If shares are not voted by the bank, broker or other financial institution which is the record holder of the shares and which does not receive voting instructions from the beneficial owners of those shares, or if shares are not voted in other circumstances in which proxy authority is defective or has been withheld with respect to any matter, these non-voted shares, or broker non-votes, are deemed not to be entitled to vote on the matter and accordingly are not counted for purposes of determining whether stockholder approval of that matter has been obtained with respect to Proposals 2, 3, and 4.

Vote Required

The election of directors at the Annual Meeting requires the affirmative vote of a plurality of the votes cast at the Annual Meeting.

The approval of amendments to the Certificate of Incorporation that would increase the number of shares of Common Stock authorized and change the name of the Company from SCM Microsystems, Inc. to Identive Group, Inc. requires the affirmative vote of a majority of the outstanding shares of Common Stock.

The approval of our 2010 Bonus and Incentive Plan and to ratify the appointment of Deloitte & Touche GmbH as our independent registered public accountants for the fiscal year ending December 31, 2010 requires the affirmative vote of a majority of the shares present in person or represented by proxy and entitled to vote at the Annual Meeting.

All votes will be tabulated by the inspector of elections appointed for the Annual Meeting. The inspector of elections will separately tabulate affirmative and negative votes, abstentions and broker non-votes.

Solicitation of Proxies

The cost of soliciting proxies will be borne by us. We may reimburse brokerage firms, banks and other persons representing the beneficial owners of shares for their expenses in forwarding solicitation materials to such beneficial owners. Solicitation of proxies by mail may be supplemented by telephone, telegram, facsimile or personal solicitation by our directors, officers or regular employees without additional compensation.

Revocability of Proxies

Your proxy is revocable at any time before it is voted at the Annual Meeting either by delivering to us a written notice of revocation or a duly executed proxy bearing a later date, or by attending the Annual Meeting and voting in person. If you have executed and returned a proxy and are present in person at the Annual Meeting and wish to vote at the Annual Meeting, you may elect to do so by notifying the Inspector of Elections, thereby suspending the power of the proxy holders to vote the proxy previously delivered by you. Attendance at the Annual Meeting, however, will not by itself revoke a proxy previously delivered to us.

Annual Report and Other Matters

Our Annual Report on Form 10-K for the fiscal year ended December 31, 2009, which was made available to stockholders with or preceding this proxy statement, contains financial and other information about our company, but is not incorporated into this proxy statement and is not to be considered a part of these proxy soliciting materials or subject to Regulations 14A or 14C or to the liabilities of Section 18 of the Securities Exchange Act of 1934, as amended, or Exchange Act.

Through our websites, www.scmmicro.com or www.identive-group.com, we make available free of charge all of our SEC filings, including our proxy statements (including this Proxy Statement), our Annual Reports on Form 10-K, our Quarterly Reports on Form 10-Q, and our Current Reports on Form 8-K, as well as Form 3, Form 4, and Form 5 Reports of our directors, officers, and principal stockholders, together with amendments to these reports filed or furnished pursuant to Section 13(a), 15(d), or 16 of the Exchange Act.

We will also provide, without charge to each stockholder of record as of the record date, copies of our Annual Report on Form 10-K for the fiscal year ended December 31, 2009, this Proxy Statement, and the related Proxy Card. Requests for copies may be made in writing directed to our executive offices at 1900 Carnegie Avenue, Building B, Santa Ana, California 92705, attn: Investor Relations, or by telephone at (949) 553-4251, or by e-mailing us at ir@scmmicro.com.

Stockholder Proposals for 2011 Annual Meeting of Stockholders

Pursuant to Rule 14a-8 under the Exchange Act, stockholder proposals for inclusion in our proxy materials for the 2011 Annual Meeting must be received at Identive Group, 1900 Carnegie Avenue, Building B, Santa Ana, California 92705, Attention: Secretary, by January 19, 2011, before we begin to print and send our proxy materials for the 2011 Annual Meeting.

In addition, our bylaws establish an advance notice procedure with regard to nominations for the election of directors and business proposals to be brought before an annual meeting of stockholders by any stockholder (other than matters included in our proxy materials in accordance with Rule 14a-8 under the Exchange Act). Such a proposal will be considered at the 2011 Annual Meeting if we receive notice of such proposal at Identive Group, Inc., 1900 Carnegie Avenue, Building B, Santa Ana, California 92705, Attention: Secretary, not later than the close of business on the tenth day following the day on which notice of the date of the 2011 Annual Meeting is mailed or public disclosure is made. A stockholder's notice to the Secretary must set forth as to each matter (other than with notices regarding nominations for the election of directors) the stockholder proposes to bring before the 2011 Annual Meeting: (i) a brief description of the business desired to be brought before the 2011 Annual Meeting, (ii) the name and address, as they appear on the Company's books, of the stockholder proposing such business, (iii) the class and number of shares of the Company which are beneficially owned by the stockholder, and (iv) any material interest of the stockholder in such business. For a description of the notice requirements regarding nominations for the election of directors, see the section entitled "Policy for Director Recommendations and Nominations" below.

PROPOSAL NO. 1

ELECTION OF CLASS III DIRECTOR

Our Board of Directors is divided into three director classes with staggered three-year terms. Currently there are seven directors and no vacancies on the Board of Directors. Three directors serve in Class I (whose terms expire at the 2011 Annual Meeting), three directors serve in Class II (whose terms expire at the 2012 Annual Meeting) and one director serves in Class III (whose term expires at the 2010 Annual Meeting).

The director elected at the Annual Meeting of Stockholders will serve for a term ending on the date of the third annual meeting after his election when his successor has been elected and duly qualified or upon the date of his earlier resignation or removal. Stockholders may not cumulate votes in the election of directors.

Set forth below is information about directors nominated for election at the Annual Meeting and each of the other incumbent directors:

Name	Age(1)	Position	Director Since
CLASS I DIRECTORS			
Steven Humphreys	49	Director	1996
Dr. Hans Liebler	41	Director	2008
Daniel S. Wenzel	32	Director	2010
CLASS II DIRECTORS			
Ayman S. Ashour	50	Chief Executive Officer and Chairman of the Board	2010
Lawrence Midland	68	Executive Vice President and Director	2009
Simon Turner	58	Director	2000
CLASS III DIRECTORS			
Felix Marx	43	Chief Operating Officer and Director	2007

(1) Ages shown are as of April 30, 2010

NOMINEES

The Nominating Committee of the Board of Directors has recommended, and the Board of Directors has proposed, that Felix Marx be elected as a Class III director at the Annual Meeting. Unless otherwise instructed, the proxy holders named in the enclosed proxy will vote the proxies received by them for Mr. Marx, who currently serves as a Class III director of the Company. In the event that Mr. Marx is unable or declines to serve as a director at the time of the Annual Meeting, the proxies received by the proxy holders named in the enclosed proxy will be voted for any nominee who is subsequently designated by the Board of Directors to fill the vacancy. We do not expect, however, Mr. Marx will decline to serve as a director at the Annual Meeting, as he has agreed to serve if elected.

BUSINESS EXPERIENCE OF DIRECTORS

Class III Directors Nominated for Election at the 2010 Meeting

Felix Marx has served as Chief Operating Officer since March 1, 2010 and has served as a director of the Company since October 2007. Mr. Marx joined the Company as Chief Executive Officer in October 2007. Previously, from 2003 to November 2007, Mr. Marx held a variety of management positions with NXP Semiconductors, a specialty semiconductor manufacturer for the smart card industry. Most recently, he served as General Manager of NXP's Near Field Communication business. Prior to this, Mr. Marx served as General Manager of NXP's Contactless & Embedded Security business. From 2002 to 2003, Mr. Marx was a business consultant with Team Training Austria. Prior to this, he worked for several years in the data and voice networking sector, where he held various sales, marketing, product management and business line management positions with companies including Global One Telecommunications and Ericsson. He holds a bachelor's degree in engineering from the Technical Academy in Vienna, a postgraduate degree in Business Administration of the University of Commerce in Vienna and a Master of Advanced Studies in Knowledge Management from Danube University in Austria. Mr. Marx brings to the Board significant experience with the technologies, market drivers and industry participants in the contactless reader market as a result of his years at NXP and as CEO of the Company.

Class I Directors Whose Terms Expire in 2011

Steven Humphreys has served as a director of the Company since July 1996 and as Chairman of the Board of Directors from April 2000 to March 2007, a position he also held from July 1996 to December 1996. Mr. Humphreys also has served as an executive officer of the Company, as President from July 1996 to December 1996 and as President and Chief Executive Officer from December 1996 to April 2000. Since October 2008, Mr. Humphreys has served as Chief Executive Officer and President of Klear Corporation, a maker of wire audio technology. From October 2001 to October 2003, he served as Chairman of the Board and Chief Executive Officer of ActivCard Corporation (now called ActivIdentity), a provider of digital identity solutions, for which he has served as a director since March 2008. Previously, Mr. Humphreys was President of Caere Corporation, an optical character recognition software and systems company. Prior to Caere, he spent ten years with General Electric Company in a variety of positions. Since October 2003, Mr. Humphreys also has served as Chairman of Robotic Innovations International, Inc., an acquirer and developer of technologies for broad-based applications of robotics, service automation and automated companion devices. Currently, Mr. Humphreys also serves as a director of HeadThere, Inc., a communications robotics device company, and Ready Solar, Inc., a provider of standardized residential solar systems. He also is a director of several privately held companies and a limited partner and advisor to several venture capital firms. Additionally, Mr. Humphreys was elected to the school board of the Portola Valley Public School District in 2007, and has served on the board of Summit Preparatory Public Charter High School since 2003. Mr. Humphreys holds a B.S. degree from Yale University and M.S. and M.B.A. degrees from Stanford University. He brings his experience as an executive officer at several technology companies and his knowledge of the U.S. investment markets to the Board.

Dr. Hans Liebler has served as a director of the Company since June 2008. Since July 2006, Dr. Liebler has served as a partner of Lincoln Vale European Partners, an investment management company that he co-founded which is focused on strategic long-term investments in European small- and mid-cap companies, and which is currently the second largest stockholder of the Company. Currently, he also serves on the investment committee of Lincoln Vale. From September 2002 to July 2006, Dr. Liebler managed an investment fund he had conceived for Allianz AG, applying a private equity approach to European publicly listed companies. Previous to this, from September 1996 to September 2002, he worked as a management consultant for McKinsey & Company, initially in the company's Madrid and New York offices and subsequently as co-leader of McKinsey's German Corporate Finance practice. From 1993 to 1995, Dr. Liebler was an investment banker for S.G. Warburg in London. Since 1998, Dr. Liebler has also served as an adjunct professor at the European Business School in Germany. He holds a Master's degree in Business Administration from the University of Munich in Germany and a Ph.D in Finance from the University of St. Gallen in Switzerland. Mr. Liebler's experience as a professional investment manager provides the Board with financial expertise and an investor's perspective.

Daniel S. Wenzel. Daniel Wenzel has served as a director of the Company since January 2010. He was appointed to the Board of Directors following the completion of the Company's business combination with Bluehill ID. He is a founding partner of Bluehill ID and previously served on the board of directors of Bluehill ID since the company's founding in March 2007. Mr. Wenzel has served since September 2005 as a partner at Mountain Partners AG, a German-Swiss investment group that he co-founded in September 2005 and for which he is responsible for strategic direction and expansion. Mountain Partners AG currently is the largest single stockholder of the Company. Previously, Mr. Wenzel was Chief of Staff responsible for all strategy projects and merger and acquisition transactions and financing at ACG AG from 2001 to September 2005, during which time he successfully achieved the spin-off and the sale of the most important division of the technology group. Prior to this, he worked with Dresdner Bank Latin America in 1998, BNP Paribas in 1999 and Bain & Company in 2000. Currently Mr. Wenzel also serves on the board of several European investment firms, including Mountain Super Angel AG, BH Capital Management AG, Illimani Holding AG, Rosenberg Venture AG, Cleantech Invest AG, Taishan Invest AG, and in the last five years has also served on the board of Wildspitz Immobilien AG, Mountain Cleantech AG, Omnis Mundi AG, Taishan Capital Management AG and TCC Trans Clinic Consultants GmbH. Mr. Wenzel completed his studies at the WHU, Otto Beisheim Graduate School of Business Management, the Helsinki School of Economics, Finland and the Universidad Adolfo Ibañez, Chile, where he obtained a master's degree (Diplom- Kaufmann) in business administration. Because of his experience as an investment professional, Mr. Wenzel brings significant knowledge of the capital markets and technology trends to the Board.

Class II Directors Whose Terms Expire in 2012

Ayman S. Ashour. Ayman Ashour has served as Chief Executive Officer and Chairman of the Board of Directors since March 1, 2010. He joined the Company as Executive Chairman of the Board in January 2010 following the completion of the Company's business combination with Bluehill ID AG (Bluehill ID), a Swiss technology firm that he founded in March 2007 and for which he served as CEO and President of the Board of Directors, responsible for executing Bluehill ID's acquisition growth strategy, until the combination with the Company. Prior to this, from July 2000 to December 2009 Mr. Ashour was the founder and Principal of Newton International Management, a strategy consulting firm focused on the security and identification technology industry, where he provided strategy consulting to business clients. From February 2001 to October 2005, Mr. Ashour was a consultant and later COO and CEO of the Identification Technology business of ASSA ABLOY AB, where he was responsible for the worldwide development of one of the largest and most successful RFID companies, comprised of well known brands such as Sokymat, HID and Indala. From 1997 to 2000, he served as Divisional Managing Director, Williams Plc in the Asia Pacific region where he was responsible for Chubb Security, Kidde & Yale brands and managed the global operations of Guardforce International and the Chubb Physical Security Group. From 1990 to 1997, Mr. Ashour was with Williams Plc, where he served as Marketing Director of Kidde Group, Senior Vice President of Kidde-Fenwal, Inc. and as President of Kidde Fire Fighting, Inc. Mr. Ashour holds a bachelor's degree in Electronic and Electrical Engineering from the University of Manchester in the U.K. He serves on the Board of Directors of Advanced Digital Security Solutions Inc and BH Capital Management AG, which is the third largest stockholder of the Company. In addition, Mr. Ashour is currently a partner in the following private companies, each based in Newton, Massachusetts: Newton International Management, LLC., Trade-3, LLC. and tSecu LLC; as well as Verifier Security, based in Florida. He is currently an Adjunct Lecturer for the MBA program at the Sawyer Business School at Suffolk University in Boston. Mr. Ashour's brings to the Board his many years of experience in the RFID and secure ID industry and his intimate knowledge of the day to day operations of the Company.

Lawrence W. Midland has served as a director of the Company since May 2009. He was appointed to the Board of Directors and as an Executive Vice President of the Company and President of the Hirsch subsidiary following the completion of the merger of the Company and Hirsch. Previously, Mr. Midland was President of Hirsch Electronics Corporation, which he co-founded in August 1981, and for which he served as a director. Mr. Midland became President and Chairman of the Board of Hirsch in March 1986 and held those positions continuously until the completion of the merger. Mr. Midland previously served as president of several companies which were all sold profitably, including Retirement Inns of America, Pension Properties Trust, a California REIT, and Pension Administrative Services. Previously Mr. Midland also held various sales positions

in investment related activities following his employment as a field engineer with Shell Oil Company. He holds a B.S. degree in Physics (With Distinction) from the University of Oklahoma and an M.B.A. degree from Pepperdine University. Mr. Midland brings an intimate understanding of the Hirsch business and the overall U.S. government market to the Board.

Simon Turner has served as a director of the Company since July 2000. Since his retirement from DSG international plc in December 2008, Mr. Turner has provided consultancy services to large retail companies, including PC manufacturer ACER Group. From January 2006 to December 2008, Mr. Turner served as Group Sourcing Director for consumer electronic retailer DSG international plc. From January 2002 to January 2006, Mr. Turner was Managing Director of the PC World Group of DSG, responsible for operations at PC World, PC World Business and Genesis Communications in the UK and PC City in Europe. From February 1999 to January 2002, Mr. Turner was Managing Director of PC World, a large UK reseller of PCs and PC-related equipment. From December 1996 to February 1999, Mr. Turner was Managing Director of Philips Consumer Electronics, UK and Ireland. Prior to that, he also served as Senior Vice President of Philips Media, Commercial Director of Belling and Company and Group Marketing Manager at Philips Consumer Electronics. Since October 2007, Mr. Turner also has served as a non-executive director of Yorkshire Building Society, the UK's third largest member-owned savings and loan institution, and since June 2009 he has served as a director of Net Retail B.V. Mr. Turner holds a B.S. degree from the University of Surrey. Mr. Turner's background in management with large technology retailers provides the Board with financial expertise and insight into the global retail sales environment.

To our knowledge, there are no family relationships between any of our directors and any other of our directors or executive officers.

Director Independence

Our Board of Directors has reviewed the independence of each of our directors and each director nominee and considered whether any director or nominee has had a material relationship with the Company or our management that could compromise his ability to exercise independent judgment in carrying out his duties and responsibilities. As a result of this review, our Board of Directors affirmatively determined that each non-employee director nominee and all of our non-employee directors are independent under the corporate governance standards of the Marketplace Rules of the NASDAQ Stock Market and Rule 10A-3 of the Securities Exchange Act of 1934, as amended (the Exchange Act).

In connection with the determination of independence of Daniel S. Wenzel, the Board of Directors considered Mr. Wenzel's relationship with the Company's largest stockholder, Mountain Partners AG, of which Mr. Wenzel is a co-founder and partner. The Board of Directors determined that such relationship would not compromise Mr. Wenzel's ability to exercise independent judgment in carrying out his duties and responsibilities. In agreeing to serve as a member of our Board of Directors, Mr. Wenzel must act independently of Mountain Partners AG in discharging his fiduciary duties to stockholders of the Company and also is obligated not to disclose to Mountain Partners AG or use for his own benefit any confidential information that he may obtain during his service on the Board of Directors. Mr. Wenzel disclaims shared voting or dispositive power over any securities held by Mountain Partners AG.

In connection with the determination of independence of Dr. Hans Liebler, the Board of Directors considered Dr. Liebler's relationship with one of the Company's largest stockholders, Lincoln Vale European Partners, of which Dr. Liebler is a founder and member of the investment committee. The Board of Directors determined that such relationship would not compromise Dr. Liebler's ability to exercise independent judgment in carrying out his duties and responsibilities. In agreeing to serve as a member of our Board of Directors, Dr. Liebler must act independently of Lincoln Vale European Partners in discharging his fiduciary duties to stockholders of the Company and also is obligated not to disclose to Lincoln Vale European Partners or use for his own benefit any confidential information that he may obtain during his service on the Board of directors. Dr. Liebler disclaims shared voting or dispositive power over any securities held by the fund.

BOARD MEETINGS AND COMMITTEES

Board Leadership Structure

In accordance with the Company's Bylaws, the Board of Directors elects all officers of the Company, including our Chief Executive Officer and our Chairman, and each of these positions may be held by the same person or may be held by two persons. Currently, Ayman S. Ashour serves as the Company's Chairman and Chief Executive Officer of the Company. The Board of Directors believes that combining the Chairman and Chief Executive Officer roles fosters clear accountability, effective decision-making, and alignment on corporate strategy and provides an effective leadership model for the Company. In light of the active involvement by all independent directors, the Board of Directors has not specified a lead independent director at this time. The Board of Directors believes that the current structure of the Board of Directors is appropriate to effectively manage the affairs of the Company and the best interests of the Company's stockholders.

The Board of Directors' Role in Risk Oversight

The Board has an active role, as a whole and also at the committee level, in overseeing management of the Company's risks. The Board regularly reviews information regarding the Company's credit, liquidity and operations, as well as the risks associated with each. The Company's Compensation Committee is responsible for overseeing the management of risks relating to the Company's executive compensation plans and arrangements. The Audit Committee oversees management of financial risks. The Nominating Committee manages risks associated with the independence of the Board of Directors and potential conflicts of interest. While each committee is responsible for evaluating certain risks and overseeing the management of such risks, the entire Board of Directors is regularly informed through committee reports about such risks.

Board Meeting Attendance

Our Board of Directors held ten meetings in 2009, of which nine were physical meetings and one was a telephonic meeting. During 2009, we had four standing committees: an Audit Committee, a Compensation Committee, a Nominating Committee and a Strategic Advisory Committee. Each current committee, with the exception of the Strategic Advisory Committee, has a written charter which is available on the Corporate Governance page within the Investor Relations section of our website at www.scmmicro.com and www.identive-group.com. The Strategic Advisory Committee has not yet met and has not yet adopted a charter. The Board of Directors may choose to amend its committee charters from time to time. All members of our Board committees are appointed by the Board of Directors and are non-employee directors. From time to time the Board of Directors may choose to create additional committees. Each of our directors attended at least 75% of the meetings of the Board of Directors and applicable committee meetings during 2009, except for Mr. Turner, who attended 65% of the Board of Directors and applicable committee meetings.

During each physical Board of Directors' meeting and additionally as needed, our independent directors meet without Company management present to address any issues they determine to be appropriate.

Communications with the Board of Directors

Although we do not have a formal policy regarding communications between our stockholders and our Board of Directors, stockholders may communicate with the Board of Directors by sending an email to ir@scmmicro.com or by writing to the Board of Directors at: Identive Group, Inc., 1900 Carnegie Avenue, Building B, Santa Ana, California 92705, Attention: Investor Relations. The Investor Relations staff will forward such communication to the Board of Directors or to any individual director or directors to whom the communication is directed as applicable, if the communication is relevant to the Company's business and financial operations, policies or corporate philosophy. If the communication is unduly hostile, threatening, illegal or similarly inappropriate, or advertisements, solicitations for periodicals or other subscriptions, and other similar communications are received, the Investor Relations staff has the authority to discard the communication or take appropriate legal action regarding the communication.

Director Attendance at Stockholder Meetings

We do not have a policy regarding director attendance at stockholder meetings. One director attended the 2009 Annual Meeting of Stockholders.

Committees of the Board of Directors

The Board of Directors currently has Audit, Compensation, Nominating and Strategic Advisory Committees. All members of these committees are appointed by the Board of Directors and are non-employee directors. From time to time the Board of Directors may choose to create additional committees.

The following table sets forth the current composition of our standing Board committees:

Name of Director	Audit Committee	Compensation Committee	Nominating Committee	Strategic Advisory Committee
Steven Humphreys	Member	Member		Chair
Dr. Hans Liebler		Chair		Member
Simon Turner	Chair		Member	Member
Daniel Wenzel	Member	Member	Chair	

Audit Committee. The Audit Committee of our Board of Directors, established in accordance with Section 3(a)(58)(A) of the Securities Exchange Act of 1934, as amended (the Exchange Act), assists our Board of Directors in fulfilling its responsibility for oversight of the quality and integrity of our financial reporting processes, system of internal control, process for monitoring compliance with laws and regulations, audit process and standards of business conduct. The Internal Audit and Sarbanes-Oxley Compliance personnel of the Company report directly to the Audit Committee. Currently, the Audit Committee consists of Messrs. Humphreys, Turner and Wenzel. Mr. Turner has served as Chairman of the Audit Committee since April 2004.

Our Board of Directors has determined that each member of the Audit Committee is an independent director within the standards of the Marketplace Rules of the NASDAQ Stock Market and the requirements set forth in Rule 10A-3(b)(1) under the Exchange Act. Our Board of Directors has further determined that at least two members of the Audit Committee, Steven Humphreys and Simon Turner, are financial experts as defined by Item 407(d)(5) of Regulation S-K in the Exchange Act. The Audit Committee held four physical meetings and three telephonic meetings during 2009.

In discharging its duties, our Audit Committee, among its other duties:

Recommends to the Board of Directors the selection of the independent auditors and their compensation, evaluates the independent auditors and, where appropriate, recommends the replacement of the independent auditors;

Meets with management and the independent auditors to review and discuss the annual financial statements and the report of the independent auditors thereon and, to the extent the independent auditors or management brings any such matters to the attention of the Audit Committee, to discuss significant issues encountered in the course of the audit work, if any, such as restrictions on the scope of activities or access to required information;

Meets quarterly with management and the independent auditors to review and discuss the quarterly financial statements;

Meets at least quarterly with the Auditors in order to ensure sufficient independence is maintained from management and to provide the opportunity for the auditors to brief the members of the Audit Committee in confidence;

Reviews significant changes to our accounting principles and practices proposed by the independent auditors or management;

Meets with management and the independent auditors to review and discuss reports on the adequacy and effectiveness of our internal controls;

Meets annually with management to review the risk assessment of the Company prepared by Management; and

Reviews all related party transactions and approved interested parties in such transactions.

See Report of the Audit Committee of the Board of Directors below for more information.

Compensation Committee. The Compensation Committee has responsibility for and authority to (i) review and approve corporate goals and objectives relevant to chief executive officer compensation, evaluate the chief executive officer's performance in light of those goals and objectives, and set the chief executive officer's compensation level based on this evaluation; (ii) develop, review and approve compensation policies and practices applicable to the Company's officers who are deemed to be executive officers of the Company for SEC reporting purposes, including the criteria upon which executive compensation is based, the specific relationship of corporate performance to executive compensation and the composition of benefits; (iii) make recommendations to the Board of Directors with respect to the Company's incentive compensation and equity-based compensation plans; (iv) review the compensation and benefits offered to non-employee directors and recommend changes to the Board of Directors as appropriate; and (v) administer and evaluate the Company's incentive, equity-based and other executive compensation programs, including approving guidelines, making grants and awards and establishing annual award levels for employee stock options, units, restricted shares and other incentive and equity-based awards under such programs, interpreting and promulgating rules relating to the plans, modifying or canceling grants or awards, designating eligible participants and imposing limitations and conditions on grants or awards.

The Compensation Committee is authorized to delegate any portion of its authority to subcommittees. Currently, the Compensation Committee consists of Messrs. Humphreys, Liebler and Wenzel, and Mr. Liebler serves as Chairman. The Board of Directors has determined that each member of the Compensation Committee is independent within the meaning of the SEC and NASDAQ Stock Market, Inc. director independence standards. The Compensation Committee held four physical meetings during 2009.

Nominating Committee. The Nominating Committee assists in identifying individuals qualified to become members of the Board of Directors. Currently, the Nominating Committee consists of Messrs. Turner and Wenzel, with Mr. Wenzel serving as the committee's Chairman. The Board of Directors has determined that each of the members of the Nominating Committee is independent within the meaning of the NASDAQ Stock Market, Inc. director independence standards. The Nominating Committee held two physical meetings during fiscal 2009.

Strategic Advisory Committee. The Strategic Advisory Committee was created by the Board of Directors in June 2009 to oversee the three- to five-year strategic plan of the Company. Currently, three non-employee members of the Board of Directors, Messrs. Humphreys, Liebler and Turner, serve on the Strategic Advisory Committee and Mr. Humphreys serves as Chairman. Additionally, up to three industry experts who are neither employees nor directors of our Company may serve on the Strategic Advisory Committee, although no such outside advisors currently serve. Currently, the Board of Directors is working to identify and evaluate such outside advisors to serve on the committee. The Strategic Advisory Committee held no meetings during 2009.

Other Corporate Governance Resources

The Company's Corporate Governance Guidelines, the Company's Code of Business Conduct and Ethics and committee charters are available on the Corporate Governance page within the Investor Relations section of our website at www.scmmicro.com and www.identive-group.com.

POLICY FOR DIRECTOR RECOMMENDATIONS AND NOMINATIONS

The primary role of the Nominating Committee is to develop and recommend to the Board of Directors criteria for identifying and evaluating director candidates and to establish a procedure for consideration of director candidates recommended by our stockholders. The Nominating Committee periodically assesses the appropriate size of the Board of Directors and whether any vacancies are expected due to retirement or otherwise. In the event that vacancies are anticipated, the Nominating Committee seeks to identify and evaluate potential candidates at meetings of the Nominating Committee, which can take place at any point during the year.

Candidates may come to the attention of the Board of Directors through current Board members, professional search firms, stockholders or other parties. All candidates are evaluated based on a review of the individual's qualifications, skills, independence and expertise. The Nominating Committee will consider candidates submitted by stockholders as nominees for election as Directors of the Company. Stockholders wishing to have the Nominating Committee consider a candidate should submit the name(s) and supporting information to Corporate Secretary, Identive Group, Inc., 1900 Carnegie Avenue, Building B, Santa Ana, California 92705 and should include the following information: (a) the name(s) and address(es) of the stockholder(s) making the recommendation and of the persons to be nominated; (b) a representation that the stockholder is a holder of record of stock of the Company entitled to vote for the election of Directors on the date of such notice and intends to appear in person or by proxy at the meeting to nominate the person or persons specified in the notice; (c) a description of all arrangements or understandings between the stockholder and each nominee and any other person or persons (naming such person or persons) pursuant to which the nomination or nominations are to be made by the stockholder; (d) such other information regarding each nominee proposed by such stockholder as would be required to be included in the proxy statement filed pursuant to the proxy rules of the SEC, had the nominee been nominated, or intended to be nominated, by the Board of Directors; (e) the consent of each nominee to serve as a director of the Company if so elected; and (f) appropriate biographical information and a statement as to the qualifications of the candidate. Written notice of a nomination must be received by us within the timeframe described under "Stockholder Proposals for 2011 Annual Meeting of Stockholders" above.

As part of its selection process, the Nominating Committee may consider recommendations of director candidates with diverse backgrounds and experience who are expected to enhance the quality of the Board of Directors, serve stockholders' long-term interests and contribute to our overall corporate goals. Pursuant to our Corporate Governance Guidelines, we endeavor to have a Board of Directors representing diverse experience at policy-making levels in various areas that are relevant to our global activities. While the Nominating Committee has not established specific minimum criteria for candidates, the philosophy of the committee is that directors should possess the highest personal and professional ethics, integrity and values, informed judgment, and sound business experience and be committed to representing the long-term interests of our stockholders. Candidates must also have an inquisitive and objective perspective, the ability to make independent analytical inquiries, practical wisdom and mature judgment. In evaluating candidates, the Nominating Committee may consider a candidate's work experience related to our business, general professional experience and overall expected contributions to the Board of Directors in relation to other directors already serving on the Board of Directors. When evaluating existing directors for nomination for re-election, the Nominating Committee may also consider the directors' past Board of Directors and committee meeting attendance and participation.

The Nominating Committee evaluates shareholder-recommended candidates using the same process and the same criteria it uses to evaluate candidates from other sources.

The Nominating Committee has the authority to retain outside counsel, experts, and other advisors as it determines appropriate to assist it in the full performance of its functions, including sole authority to retain and terminate any search firm used to identify director candidates, and to approve the search firm's fees and other retention terms.

CORPORATE GOVERNANCE

The Company and our Board of Directors regularly review and evaluate the Company's corporate governance practices. The Company's corporate governance documents are posted on the investor relations page of our website at www.scmmicro.com and www.identive-group.com.

Corporate Governance Guidelines

The Board of Directors has adopted Corporate Governance Guidelines that include, without limitation, guidelines relating to board composition, director qualifications and selection process, director independence, board committees and auditor independence. The Corporate Governance Guidelines are available on the Corporate Governance page within the Investor Relations section of our website at www.scmmicro.com and www.identive-group.com. The Nominating Committee and the Board of Directors review the Corporate Governance Guidelines annually and the Board of Directors may amend the Corporate Governance Guidelines at any time.

Code of Conduct and Ethics

The Board of Directors has adopted a Code of Conduct and Ethics for all of our employees, including our Chief Executive Officer, Chief Financial Officer and any other principal accounting officer, and for the members of our Board of Directors. Our Code of Conduct and Ethics is posted on the Corporate Governance page within the Investor Relations section of our website, at www.scmmicro.com and www.identive-group.com. The Board of Directors may amend the Code of Conduct and Ethics at any time and has the sole authority to approve any waiver of the Code of Conduct and Ethics relating to the activities of any of our senior financial officers, other executive officers and directors.

COMPENSATION OF DIRECTORS

Annual Cash Compensation

During 2009, the Company's non-employee directors were paid in the currency of the country of their residence, using a fixed exchange rate of 0.93 per U.S. dollar for our German-based directors and £0.63 per U.S. dollar for our UK-based director. During 2009, each non-employee member of our Board of Directors was eligible to receive the following cash compensation:

an annual retainer of \$20,000 for each member of the Board of Directors, except for the Chairman, who is eligible to receive an annual retainer of \$40,000;

an additional annual retainer of \$5,000 for service on the Audit Committee of the Board of Directors, except for the Chairman, who is eligible to receive an annual retainer of \$10,000;

an additional annual retainer of \$2,000 for service on the Compensation, Nominating or Strategic Advisory Committees of the Board of Directors, except for the Chairman of such committees, who are each eligible to receive an annual retainer of \$4,000; and

meeting fees of \$1,000 for physical attendance at each Board of Directors meeting and \$500 for attendance at telephonic board meetings lasting more than 60 minutes.

Additionally, we reimburse our non-employee directors for all reasonable out-of-pocket expenses incurred in the performance of their duties as directors, which in practice primarily consist of travel expenses associated with Board of Directors or committee meetings or with committee assignments.

Equity Compensation

During 2009, each of our non-employee directors was eligible to receive option awards under the terms of the Company's 2007 Stock Option Plan. Under this plan, new members of the Board of Directors receive an initial option grant to purchase 10,000 shares of the Company's Common Stock. Continuing members of the Board of Directors who have served for at least six months receive an annual option grant to purchase 5,000 shares of the Company's Common Stock, awarded on the date of our Annual Meeting of Stockholders. Both of these option grants vest 1/12th per month over the one-year period following the date of grant.

During 2009, each of our non-employee directors received an annual grant of 5,000 options for shares of the Company's Common Stock. All such annual grants were made on October 29, 2009, the date of our 2009 Annual Meeting, at an exercise price of \$2.73 per share, which was the NASDAQ closing price on that day. Mr. Morgan received an initial option grant to purchase 10,000 shares of the Company's Common Stock upon joining the Board of Directors. His grant was made on April 30, 2009 at an exercise price of \$2.37, which was the NASDAQ closing price on that day.

Director Compensation Changes in 2010

To support the cost reduction efforts of the Company, in February 2010, Mr. Wenzel agreed not to accept any compensation for his service on the Board of Directors during 2010. Additionally, Mr. Humphreys and Dr. Liebler agreed not to accept any compensation for their service on the Board of Directors during 2010, beginning April 1, 2010.

Director Compensation for Fiscal 2009

The following Director Compensation Table sets forth summary information concerning the compensation paid to our non-employee directors in fiscal 2009 for services to the Company.

Name	Fees Earned or Paid in		Total (\$)
	Cash	Option Awards (1)	
Werner Koepf Chairman (2)	\$ 54,000	\$ 8,202	\$ 62,202
Steven Humphreys (3)	\$ 34,500	\$ 8,202	\$ 42,702
Dr. Hagen Hultzsich (4)	\$ 12,167		\$ 12,167
Dr. Hans Liebler (5)	\$ 33,333	\$ 8,202	\$ 41,535
Douglas Morgan (6)	\$ 22,917	\$ 13,367	\$ 36,284
Simon Turner (7)	\$ 40,500	\$ 8,202	\$ 48,702

- (1) The amounts in this column represent the aggregate grant date fair value of awards calculated in accordance with financial accounting standards with respect to the fiscal year in accordance with ASC Topic 718, *Compensation-Stock Compensation*. The grant date fair value of the options awards is calculated using the Black-Scholes-Merton valuation model using the following assumptions: a dividend rate of zero, an interest rate for the expected life of the option at the date of grant, an expected option life of 4.00 years, and volatility based on historical averages at the date of grant. See Note 4 to the Consolidated Financial Statements for the period ended December 31, 2009 for more information about how the Company accounts for stock-based compensation.
- (2) Mr. Koepf received a fee of \$40,000 for his service as Chairman of the Board of Directors in 2009. He also received a fee of \$2,000 for his service as a member of the Compensation Committee, a fee of \$4,000 for his service as Chairman of the Nominating Committee and a prorated fee of \$1,000 for his service as a member of the Strategy Committee during 2009. Additionally, he received a fee of \$1,000 for each physical Board meeting and \$500 for each telephonic Board meeting attended, amounting to \$7,000. Mr. Koepf had 30,000 options outstanding as of December 31, 2009, of which 25,833 were exercisable. Mr. Koepf resigned from the Board of Directors and all Board committees effective December 29, 2009.
- (3) Mr. Humphreys received a fee of \$20,000 for his service as a director in 2009. He also received a fee of \$5,000 for his service as a member of the Audit Committee, a fee of \$2,000 for his service as a member of the Nominating Committee and a prorated fee of \$2,000 for his service as Chairman of the Strategy Committee during 2009. Additionally, he received a fee of \$1,000 for each physical Board meeting and \$500 for each telephonic Board meeting attended, amounting to \$5,500. Mr. Humphreys had 61,415 options outstanding as of December 31, 2009, of which 57,248 were exercisable.
- (4) Dr. Hultzsich resigned from the Board of Directors effective April 30, 2009. He received a prorated fee of \$6,667 for his service as a director in 2009. He also received a prorated fee of \$1,700 for his service as a member of the Audit Committee and a prorated fee of \$1,300 for his service as Chairman of the Compensation Committee during 2009. Additionally, he received a fee of \$1,000 for each physical Board meeting and \$500 for each telephonic Board meeting attended, amounting to \$2,500. Dr. Hultzsich had no options outstanding as of December 31, 2009.
- (5) Dr. Liebler received a fee of \$20,000 for his service as a director in 2009. He also received a fee of \$3,333 for his service as a member of the Compensation Committee during 2009 and as Chairman of the Compensation Committee from April 30, 2009; \$2,000 for his service as a member of the Nominating Committee and a prorated fee of \$1,000 for his service as a member of the Strategy Committee during 2009. Additionally, he received a fee of \$1,000 for each physical Board meeting and \$500 for each telephonic Board meeting attended, amounting to \$7,000. Dr. Liebler had 15,000 options outstanding as of December 31, 2009, of which 10,833 were exercisable.
- (6) Mr. Morgan joined the Board effective April 30, 2009, was appointed to the Audit and Compensation Committees effective June 2, 2009 and the Strategy Committee at its inception on July 1, 2009. He received a prorated fee of \$13,333 for his service as a director in 2009. He also received a prorated fee of \$2,918 for his service as a member of the Audit Committee, a prorated fee of \$1,167 for his service as a member of the Compensation Committee and a prorated fee of \$1,000 for his service as a member of the Strategy

Committee during 2009. Additionally, he received a fee of \$1,000 for each physical Board meeting and \$500 for each telephonic Board meeting attended, amounting to \$4,500. Mr. Morgan had 10,000 options outstanding as of December 31, 2009, of which 6,666 were exercisable.

- (7) Mr. Turner received a fee of \$20,000 for his service as a director in 2009. He also received \$10,000 for his service as Chairman of the Audit Committee, \$2,000 for his service as a member of the Compensation Committee, \$2,000 for his service as a member of the Nominating Committee and a prorated fee of \$1,000 for his service as a member of the Strategy Committee during 2009. Additionally, he received a fee of \$1,000 for each physical Board meeting and \$500 for each telephonic Board meeting attended, amounting to \$5,500. Mr. Turner had 55,000 options outstanding as of December 31, 2009, of which 50,833 were exercisable.

Vote Required

At the Annual Meeting, the nominee receiving the highest number of affirmative votes of the shares present in person or represented by proxy at the Annual Meeting and entitled to vote on the election of directors will be elected to our Board of Directors. Abstentions and votes withheld from or against any director will be counted for purposes of determining the presence or absence of a quorum, but have no other legal effect under Delaware law in the election of directors. Stockholders may not cumulate votes in the election of directors.

Recommendation of the Board of Directors

The Board of Directors recommends a vote FOR the election of the Class III nominee listed above.

PROPOSAL NO. 2

APPROVAL OF AMENDMENT TO INCREASE THE NUMBER OF AUTHORIZED SHARES OF COMMON STOCK

We are asking you to approve an amendment to the Company's Fourth Amended and Restated Certificate of Incorporation, as amended (the Certificate of Incorporation) to increase the number of shares of Common Stock authorized for issuance. The proposed amendment was adopted, subject to stockholder approval, by the Board of Directors on April [19], 2010. The Certificate of Incorporation currently authorizes up to 60,000,000 shares of Common Stock for issuance, of which 43,034,782 have been issued and are outst