

SIRONA DENTAL SYSTEMS, INC.
Form DEF 14A
January 28, 2009
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of the
Securities Exchange Act of 1934

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

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| <input type="checkbox"/> Preliminary Proxy Statement | <input type="checkbox"/> Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2)) |
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| <input type="checkbox"/> Definitive Additional Materials | |
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SIRONA DENTAL SYSTEMS, INC.

(Name of Registrant as Specified in its Charter)

Not Applicable

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

Payment of Filing Fee (Check the appropriate box):

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

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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):

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1) Amount Previously Paid:

2) Form, Schedule or Registration Statement No.:

3) Filing Party:

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January 28, 2009

Dear Stockholders:

You are cordially invited to attend the 2008 Annual Meeting of Stockholders of Sirona Dental Systems, Inc. (the Company), to be held on Wednesday, February 25, 2009, beginning at 11:00 a.m. at the offices of Kirkland & Ellis LLP, 200 East Randolph Drive, Chicago, IL 60601 (the AON Center).

Information about the meeting and the various matters on which the stockholders will vote is included in the Notice of Meeting and Proxy Statement which follow. Also included is a proxy card and postage-paid return envelope. Please sign, date and mail the enclosed proxy card in the return envelope provided, as promptly as possible, whether or not you plan to attend the meeting. A copy of the Company s 2008 Annual Report is also enclosed for your review.

I look forward to greeting you personally at the meeting.

Sincerely,

Jost Fischer
Chairman, President and Chief Executive Officer

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NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

February 25, 2009

TO THE STOCKHOLDERS OF SIRONA DENTAL SYSTEMS, INC.:

Notice is hereby given that the Annual Meeting of Stockholders of Sirona Dental Systems, Inc. (the Company) will be held on Wednesday, February 25, 2009, beginning at 11:00 a.m., at the offices of Kirkland & Ellis LLP, 200 East Randolph Drive, Chicago, IL 60601 (the AON Center), for the following purposes:

1. To elect four (4) directors to serve for three-year terms or until their respective successors are elected and qualified;
2. To approve an amendment of our Equity Incentive Plan (the 2006 Plan) to raise the number of shares of common stock issuable under the 2006 Plan to 4,550,000;
3. To approve an amendment of our 1996 Stock Option Plan (the 1996 Plan) to permit a stock option exchange offer program to exchange outstanding stock options under our 1996 Plan with a per-share exercise price equal to or greater than \$25.10 for stock options under our 2006 Plan on a value-for-value basis;
4. To vote on ratifying the selection of KPMG Deutsche Treuhand-Gesellschaft, Aktiengesellschaft, Wirtschaftspruefungsgesellschaft, Germany (KPMG) as the Company's independent auditor for the fiscal year ending September 30, 2009; and
5. To transact such other business as may properly come before the meeting or any adjournments thereof.

The Board of Directors recommends a FOR vote for each of proposals (1), (2), (3) and (4) above.

Only holders of record of Common Stock as of the close of business on January 5, 2009 are entitled to notice of and to vote at the meeting and any adjournments thereof.

If you attend the meeting at the AON Center, please proceed to the security desk on the south side of the building (the Randolph Drive entrance) and be prepared to show at least one form of photo identification.

Important Notice Regarding the Availability of Proxy Materials for the Annual Meeting of Stockholders to be Held on February 25, 2009: The 2008 Proxy Statement and the Company's 2008 Annual Report are available at www.sirona.com.

In accordance with Delaware law, a list of the holders of Common Stock entitled to vote at the 2008 Annual Meeting will be available for examination by any stockholder for any purpose germane to the Annual Meeting, during ordinary business hours, for at least 10 days prior to the Annual Meeting, at the offices of the Company, located at 30-30 47th Avenue, Suite 500, Long Island City, New York 11101.

YOU ARE CORDIALLY INVITED TO ATTEND THE MEETING. WHETHER OR NOT YOU PLAN TO ATTEND THE MEETING, PLEASE COMPLETE, DATE AND SIGN THE ENCLOSED PROXY AND RETURN IT PROMPTLY IN THE ENCLOSED ENVELOPE, WHICH NEEDS NO POSTAGE IF MAILED IN THE UNITED STATES. IF YOU LATER DESIRE TO REVOKE YOUR PROXY, YOU MAY DO SO AT ANY TIME BEFORE IT IS EXERCISED.

* * * *

By Order of the Board of Directors,

Jonathan Friedman
Secretary

Long Island City, New York

January 28, 2009

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Sirona Dental Systems, Inc.

30-30 47th Avenue

Suite 500

Long Island City, New York 11101

(718) 482-2011

PROXY STATEMENT

FOR

ANNUAL MEETING OF STOCKHOLDERS

To Be Held On February 25, 2009

We are sending you our proxy materials in connection with the solicitation of the enclosed proxy by the Board of Directors of Sirona Dental Systems, Inc. (the Company) for use at the 2008 Annual Meeting of Stockholders, and at any adjournments thereof.

Attending the Annual Meeting

The Annual Meeting will be held on February 25, 2009, at 11:00 a.m., at the offices of Kirkland & Ellis LLP, 200 East Randolph Drive, Chicago, IL 60601 (the AON Center) to consider the matters set forth in the Notice of Annual Meeting of Stockholders. This Proxy Statement and the form of proxy enclosed are being mailed to stockholders with the Company's Annual Report to Stockholders commencing on or about January 30, 2009.

Stockholders Entitled to Vote

Only stockholders of record of the Common Stock, par value \$0.01 per share, of the Company (the Common Stock) at the close of business on January 5, 2009 will be entitled to vote at the Annual Meeting. As of that date, a total of 54,865,995 shares of Common Stock were outstanding, each share being entitled to one vote. There is no cumulative voting.

Quorum

The presence at the Annual Meeting, in person or by proxy, of the holders of a majority of the shares of Common Stock will constitute a quorum for the transaction of business at the Annual Meeting. If, however, a quorum is not present or represented at the Annual Meeting, the stockholders entitled to vote thereat, present in person or represented by proxy, will have the power to adjourn the Annual Meeting, without notice other than announcement at the Annual Meeting, until a quorum shall be present or represented.

Shares owned by the Company are not voted and do not count for quorum purposes. In order to assure the presence of a quorum at the Annual Meeting, please vote your shares in accordance with the instructions described above, even if you plan to attend the Annual Meeting. Abstentions and broker non-votes are counted as present for purposes of establishing a quorum. A broker non-vote occurs when a broker or other nominee holding shares for a beneficial owner does not vote on a particular proposal because the broker or nominee does not have discretionary voting power and has not received instructions from the beneficial owner.

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Street Name Holders and Record Holders

If you own shares through a broker, the registered holder of those shares is the broker or its nominee. Such shares are often referred to as held in street name, and you, as the beneficial owner of those shares, do not appear in our stock register. For street name shares, there is a two-step process for distributing our proxy materials and tabulating votes. Brokers inform us how many of their clients own Common Stock in street name, and the broker forwards our proxy materials to those beneficial owners. If you receive our proxy materials, including a voting instruction card, from your broker, you should vote your shares by following the procedures specified on the voting instruction card. Shortly before the Annual Meeting, your broker will tabulate the votes it has received and submit a proxy card to us reflecting the aggregate votes of the street name holders. If you plan to attend the Annual Meeting and vote your street name shares in person, you should contact your broker to obtain a broker's proxy card and bring it to the Annual Meeting.

If you are the registered holder of shares, you are the record holder of those shares, and you should vote your shares as described below under How Record Holders Vote.

How Record Holders Vote

You can vote at the Annual Meeting in person or by proxy. We recommend that you vote by proxy even if you plan to attend the Annual Meeting. You can always attend the Annual Meeting and revoke your proxy by voting in person.

There are three ways to vote by proxy:

By telephone You can vote by touch tone telephone by calling toll-free 1-800-PROXIES (1-800-776-9437), 24 hours a day, 7 days a week, and following the instructions on our proxy card;

By Internet You can vote by Internet by going to the website www.voteproxy.com and following the instructions on our proxy card; or

By mail You can vote by mail by completing, signing, dating and mailing our enclosed proxy card.

By giving us your proxy, you are authorizing the individuals named on our proxy card, the proxies, to vote your shares in the manner you indicate. You may (i) vote for the election of all of our director nominees, (ii) withhold authority to vote for all of our director nominees, or (iii) vote for the election of one or more of our director nominees and withhold authority to vote for the other nominee(s), by so indicating on the proxy card. You may vote FOR or AGAINST or ABSTAIN from voting on (i) the proposal to amend our 2006 Plan to raise the number of shares issuable under the plan, (ii) the proposal to amend our 1996 Plan to permit a stock option exchange offer program to exchange outstanding stock options under the 1996 Plan and (iii) the ratification of the appointment of KPMG as the Company's independent auditor for fiscal year ending September 30, 2009.

If you vote by proxy without indicating your instructions, your shares will be voted FOR:

The election of our four director nominees;

The proposal to amend our Equity Incentive Plan to raise the number of shares issuable under the plan;

The proposal to amend our 1996 Stock Option Plan to permit a stock option exchange offer program to exchange outstanding stock options under the 1996 Plan; and

The ratification of the appointment of KPMG as the Company's independent auditor.

Revocation of Proxies

A stockholder may revoke a proxy at any time prior to its exercise (i) by giving to the Company's Corporate Secretary a written notice of revocation of the proxy's authority, (ii) by submitting a duly elected proxy bearing a later date, or (iii) by attending the Annual Meeting and voting in person.

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The Vote Necessary for Action to be Taken

The nominees for director for three-year terms will be elected, provided that they receive the affirmative vote of a plurality of the shares present at the Annual Meeting, whether in person or by proxy. This means that, if a quorum is present, the four persons receiving the greatest number of votes will be elected to serve as directors. As a result, withholding authority to vote for a director nominee, or abstentions, and broker non-votes with respect to the election of directors will not affect the outcome of the election of directors.

The affirmative vote of a majority of the Common Stock present in person or represented by proxy at the Annual Meeting and entitled to vote on the proposal is required to approve all other matters. Abstentions will be treated as being present and entitled to vote on the matter and, therefore, will have the effect of votes against the proposal. A broker non-vote is treated as not being entitled to vote on the matter and, therefore, is not counted for purposes of determining whether the proposal has been approved.

Other Matters

As of the date of this Proxy Statement, the Board of Directors of the Company does not know of any business that will be presented for consideration at the Annual Meeting other than the matters described in this Proxy Statement. If any other matters are properly brought before the Annual Meeting, the persons named in the enclosed form of proxy will vote the proxies in accordance with their best judgment.

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PROPOSAL 1 ELECTION OF DIRECTORS

The Board of Directors of the Company is currently composed of ten members divided into three classes. The members of each class are elected to serve three-year terms with the term of office of each class ending in successive years. Nicholas W. Alexos, David K. Beecken, Jost Fischer and Arthur D. Kowaloff are the directors in the class whose term expires at the Annual Meeting. The nominating committee has recommended to the Board of Directors and the Board of Directors has approved the nomination of Mr. Alexos, Mr. Beecken, Mr. Fischer and Mr. Kowaloff for re-election and the four nominees have indicated a willingness to serve. The members of the two other classes of directors will continue in office for their existing terms. Upon the expiration of the term of a class of directors, the nominees for such class will generally be elected for three-year terms at the annual meeting of stockholders held in the year in which such term expires. A plurality of the shares of Common Stock present and voting at the Annual Meeting is necessary to elect the nominees for director.

The persons named as proxies in the enclosed form of proxy will vote the proxies received by them for the election of Mr. Alexos, Mr. Beecken, Mr. Fischer and Mr. Kowaloff, unless otherwise directed. In the event that any of the nominees become unavailable for election at the Annual Meeting, the persons named as proxies in the enclosed form of proxy may vote for a substitute nominee in their discretion as recommended by the Board of Directors.

Information concerning the nominees and incumbent directors whose terms will continue after the Annual Meeting is set forth below.

<p>Nicholas W. Alexos (Nominee for new term expiring at 2011 Annual Meeting)</p>	<p>Age 45, has served as a Director since the exchange transaction (the Exchange¹ Mr. Alexos serves as Chairman of the Finance Committee and member of the Nominating Committee of our Board of Directors. Mr. Alexos currently serves as a Managing Director of Madison Dearborn Partners, LLC, a private equity investment firm based in Chicago that invests in management buyout and other private equity transactions across a broad spectrum of industries. Prior to co-founding Madison Dearborn Partners in 1993, Mr. Alexos was with First Chicago Venture Capital for four years. Previously, he was with The First National Bank of Chicago. Mr. Alexos concentrates on investments in the health care industry and, in addition to serving on the Board of Luxco Manager,² currently serves on the Boards of Directors of Pierre Holding Corp., Boys and Girls Clubs of Chicago and Children's Inner City Educational Fund. Mr. Alexos received a B.B.A. from Loyola University and an M.B.A. from the University of Chicago Graduate School of Business. Mr. Alexos is also a Certified Public Accountant.</p>
<p>David K. Beecken (Nominee for new term expiring at 2011 Annual Meeting)</p>	<p>Age 62, has served as a Director since the Exchange and has served as Chairman of the Audit Committee and as a member of the Nominating Committee of our Board of Directors. Mr. Beecken currently serves as a Partner of Beecken Petty O'Keefe & Company, which is the General Partner of Beecken Petty O'Keefe Fund II, an investment limited</p>

¹ On June 20, 2006, the Company completed the Exchange as a result of which the Company acquired all of the issued and outstanding share capital of Sirona Holding GmbH (Sirona) and a promissory note issued by Sirona to Sirona Holdings Luxco S.C.A. (Luxco) in the original principal amount of EUR 150,992,464, in exchange for 36,972,480 shares of the Company's Common Stock.

² In this Proxy Statement, when we use the term Luxco Manager we are referring to Sirona Holdings S.A. which is the manager of Luxco. Please see Security Interests of Certain Beneficial Owners and Management for further information regarding Luxco Manager.

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partnership focused exclusively on private equity investments in healthcare. Prior to co-founding Beecken Petty O Keefe in April 1996, Mr. Beecken was Senior Managing Director of ABN AMRO Incorporated, a broker dealer, from February 1993 to March 1996. From 1989 to February 1993, Mr. Beecken was a Senior Vice President Managing Director of First National Bank of Chicago. Mr. Beecken also serves on the Boards of Directors of DentalCare Partners, Inc., Scrips Products Corporation and Spryance, Inc. Mr. Beecken received a B.A. from the University of the South, an M.Sc. from the London School of Economics and an M.B.A. from the University of Chicago.

Simone Blank
(Term expiring at 2009 Annual Meeting)

Age 45, has served as our Executive Vice President and Chief Financial Officer and as a Director since the Exchange and, prior to that time, served as Executive Vice President and Chief Financial Officer of Sirona since July 1999. Prior to July 1999, Ms. Blank was an engagement manager in the merger and acquisition transaction group of PricewaterhouseCoopers after having gained extensive global financial experience as a certified public accountant and tax advisor. While working for PricewaterhouseCoopers, she was responsible for the financial due diligence team in the initial leveraged buy out of Sirona. Ms. Blank holds a Masters Degree in Economics from the University of Duisburg, Germany.

Jost Fischer
(Nominee for new term expiring at 2011 Annual Meeting)

Age 54, has served as our Chairman, President and Chief Executive Officer and as a Director since the Exchange and, prior to that time, had served as President and Chief Executive Officer of Sirona since April 2002. From 1999 to 2001, Mr. Fischer was President and Chief Executive Officer of Hoermann Group, an international conglomerate in the telecommunication and automotive industry. Prior to joining Hoermann, he held two senior management positions with PWA (a European paper group), as Senior Vice President Strategy and as President and Chief Executive Officer of PWA's printing division from 1990 to 1994 before serving as President and Chief Executive Officer of PWA Dekor, the global market leader for decorative paper, from 1994 to 1997. From 1985 to 1990, Mr. Fischer was with Veka Group, where he led globalization of the private German building supplies producer. From 1982 to 1985, he served as Controller for two divisions of TRW Inc. Europe. Mr. Fischer holds a Masters Degree in Economics from the University of Saarbruecken, Germany.

William K. Hood
(Term expiring at 2010 Annual Meeting)

Age 85, has served as a Director since 2002. Prior to the Exchange, Mr. Hood served as Chairman of our Board of Directors between June 2004 and June 2006 and was Chairman of the Audit Committee of the Board of Directors from February 2002 until June 2006. Mr. Hood is currently a member of the Audit Committee of the Board of Directors. He also has served as a member of the Executive Compensation Committee since May 2002 and as a member of the Nominating Committee since August 2004. Mr. Hood has been retired since 1996. From 1989 to 1996, Mr. Hood served as a Consultant to Harlyn Products, Inc. and as a member of its Board of Directors. From 1983 to 1988, he was Senior Vice President of American Bakeries Company. From 1981 to 1983, Mr. Hood served as Dean of the Chapman University School of Business Management. From 1972 to 1980, he was President and Chief Executive Officer of Hunt Wesson Foods, Inc. Mr. Hood is a Trustee of Chapman University.

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<p>Arthur D. Kowaloff</p> <p>(Nominee for new term expiring at 2011 Annual Meeting)</p>	<p>Age 61, has served as a Director since 2004. Mr. Kowaloff has been a member of the Audit Committee of our Board of Directors since October 2004. Since the Exchange he has served on the Finance Committee and Nominating Committee of our Board of Directors. From October 2004 until the Exchange he served on the Executive Compensation Committee of our Board of Directors, and was Chairman of the Special Litigation Committee from November 2004 until the Exchange. Mr. Kowaloff has been retired since 2003. From 1998 to 2003, Mr. Kowaloff served as a Managing Director of BNY Capital Markets, Inc. From 1991 to 1998, he was Chief Operating Officer and Senior Managing Director of Patricof & Company Capital Corporation. Prior to that, Mr. Kowaloff was an attorney at the New York City firm of Willkie Farr & Gallagher, where he served as Senior Partner and Executive Committee Member and specialized in corporate and securities law and mergers and acquisitions. Mr. Kowaloff is currently President and Director of the PBP Foundation of New York, a Director of the Orange County Capital Development Corporation and a member of the Board of Directors of the Orange County Regional Medical Center. Mr. Kowaloff holds a Juris Doctor degree from Yale Law School.</p>
<p>Harry M. Jansen Kraemer, Jr.</p> <p>(Term expiring at 2010 Annual Meeting)</p>	<p>Age 54, has served as a Director since the Exchange and is the Chairman of the Nominating Committee and member of the Executive Compensation Committee of our Board of Directors. Mr. Kraemer currently serves as an Executive Partner of Madison Dearborn Partners, LLC, a private equity investment firm based in Chicago that invests in management buyout and other private equity transactions across a broad spectrum of industries and serves as Clinical Professor of Management & Strategy at Northwestern University's Kellogg School of Management. Mr. Kraemer was the Chairman, President and Chief Executive Officer of Baxter International Inc. until April 2004. Mr. Kraemer had been a Director of Baxter International since 1995, Chairman of the Board since January 1, 2000, President since 1997 and Chief Executive Officer since January 1, 1999. Mr. Kraemer is active in business, education and civic affairs. He serves on the board of directors of Science Applications International Corporation (SAIC) and on the board of trustees of Lawrence University, Northwestern University, the Conference Board and NorthShore University HealthSystem. He is a member of the Dean's Advisory Board of Northwestern University's Kellogg School of Management, the Dean's Advisory Board of Johns Hopkins Bloomberg School of Public Health, and the Advisory Board of LEK Consulting. He is a member of the Commercial Club of Chicago, the Chicago Council on Global Affairs, the Executives Club of Chicago and the Economics Club of Chicago. He is a past member of the Business Roundtable, the Business Council and the Healthcare Leadership Council. Mr. Kraemer received a B.A. from Lawrence University and an M.B.A. from the Kellogg School of Management at Northwestern University and is a certified public accountant.</p>
<p>Timothy D. Sheehan</p> <p>(Term expiring at 2009 Annual Meeting)</p>	<p>Age 37, has served as a Director since the Exchange and is a member of the Nominating Committee of our Board of Directors. Mr. Sheehan currently serves as a Partner of Beecken Petty O'Keefe & Company, which is the General Partner of Beecken Petty O'Keefe Fund II, an investment limited partnership focused exclusively on private equity</p>

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investments in healthcare. From 1995 to 2007, Mr. Sheehan served as a Director at Madison Dearborn Partners, LLC, a private equity investment firm based in Chicago that invests in management buyout and other private equity transactions across a broad spectrum of industries. Prior to joining Madison Dearborn Partners in July 1995, Mr. Sheehan was with Salomon Brothers, Inc. from July 1993 to July 1995. Mr. Sheehan serves or has served on the Board of Directors of VWR International, Team Health Holdings, Valitas Health Services, and Path Lab Holdings.

Jeffrey T. Slovin

(Term expiring at 2010 Annual Meeting)

Age 44, has served as our Executive Vice President and Chief Operating Officer of U.S. Operations since the Exchange and, prior to that time, served as Schick Technologies, Inc.'s (Schick's) Chief Executive Officer since June 15, 2004 and as Schick's President since December 1999. He has also served as a Director since December 1999. In addition, from November 2001 to June 15, 2004, Mr. Slovin served as Schick's Chief Operating Officer. From 1999 to November 2001, Mr. Slovin was a Managing Director of Greystone & Co., Inc. From 1996 to 1999, he served in various executive capacities at Sommerset Investment Capital LLC, including Managing Director, and as President of Sommerset Realty Investment Corp. During 1995, Mr. Slovin was a Manager at Fidelity Investments Co. From 1991 to 1994, he was Chief Financial Officer of SportsLab U.S.A. Corp. and, from 1993 to 1994, was also President of Sports and Entertainment Inc. From 1987 to 1991, Mr. Slovin was an associate at Bear Stearns & Co., specializing in mergers and acquisitions and corporate finance. Mr. Slovin is currently a member of the Board of Fellows of the Harvard School of Dental Medicine, and a member of the Young President's Organization. Mr. Slovin holds an M.B.A. degree from Harvard Business School.

Timothy P. Sullivan

(Term expiring at 2009 Annual Meeting)

Age 51, has served as a Director since the Exchange and is the Chairman of the Executive Compensation Committee and member of the Finance Committee and Nominating Committee of our Board of Directors. Mr. Sullivan currently serves as a Managing Director of Madison Dearborn Partners, LLC, a private equity investment firm based in Chicago that invests in management buyout and other private equity transactions across a broad spectrum of industries. Prior to co-founding Madison Dearborn Partners in 1993, Mr. Sullivan was with First Chicago Venture Capital for three years after having served in the U.S. Navy. Mr. Sullivan concentrates on investments in the health care industry and, in addition to serving on the Board of Luxco Manager, currently serves on the Board of VWR International, Inc. In addition, he is on the Board of Trustees of Northwestern University, Stanford Business School Trust, Cristo Rey Jesuit High School, Northlight Theatre and the Investment Committee of the Archdiocese of Chicago. Mr. Sullivan received a B.S. from the United States Naval Academy, an M.S. from the University of Southern California and an M.B.A. from the Stanford University Graduate School of Business.

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In addition to Mr. Fischer, Ms. Blank and Mr. Slovin, our executive officers include Mr. Theo Haar and Mr. Jonathan Friedman. Information concerning the business experience of Mr. Haar and Mr. Friedman follows.

Theo Haar (Executive Vice President)	Age 61, has served as an Executive Vice President since October 2007 and, prior to that time, served as Executive Vice President Human Resources and Services since July 1999. In May 1998, Mr. Haar joined Sirona as Human Resources Director after acquiring 31 years of experience in various Human Resources management functions, including with ITT for 17 years, and later with Porsche for 11 years. Since joining Sirona in 1998 he has taken a decisive role in completing the carve-out of our business from Siemens and in executing subsequent organizational restructurings.
Jonathan I. Friedman (General Counsel and Secretary)	Age 38, has served as our General Counsel since September 2007, and was appointed Secretary in October 2007. From 2001 to 2007 Mr. Friedman was Chief Legal Officer and Secretary of National Medical Health Card Systems, Inc., a NASDAQ listed pharmacy benefit manager. In this role Mr. Friedman's primary focus was on corporate acquisitions and financings, general corporate transactions, Exchange Act reporting, corporate governance, intellectual property matters and regulatory compliance. Prior to his tenure at National Medical Health Card Systems, Inc., Mr. Friedman served as Vice President and Deputy General Counsel to a publicly traded company and was an associate at a major New York City law firm. In each of those roles, Mr. Friedman's emphasis was on public and private securities offerings, mergers and acquisitions, commercial transactions, technology licensing, regulatory compliance and securities law. Mr. Friedman holds a J.D. (graduating <i>cum laude</i>) from St. John's University School of Law, where he was also the Articles and Notes Editor of the Law Review.

THE BOARD OF DIRECTORS RECOMMENDS A VOTE IN FAVOR OF THE NOMINEES.

Table of Contents**Board Committees and Meetings**

During fiscal 2008, the Board of Directors held four (4) meetings. All of the members of our Board attended the 2007 Annual Meeting of stockholders. The Company has no policy regarding director attendance at its Annual Meeting. The table below sets forth the membership of the Audit Committee, the Executive Compensation Committee and the Nominating Committee of the Board. The Board has determined that Messrs. Hood, Kowaloff and Beecken are independent directors, as such term is defined in Rule 4200(a)(15) of the NASDAQ Marketplace Rules. The following table provides membership information as of September 30, 2008 for each of our Board committees:

Name	Audit	Compensation	Nominating
Nicholas W. Alexos			X
David K. Beecken	X*		X
Simone Blank			
Jost Fischer			
William K. Hood	X	X	X
Arthur D. Kowaloff	X		X
Harry M. Jansen Kraemer, Jr.		X	X*
Timothy D. Sheehan			X
Jeffrey T. Slovin			
Timothy P. Sullivan		X*	X

* Committee Chairperson

Below is a description of each committee of our Board and information regarding committee meetings held in fiscal 2008.

Audit Committee. Our Audit Committee is currently composed of three directors, Messrs. Beecken (who serves as Chairman), Hood and Kowaloff, all of whom are independent directors as such term is defined in Rule 4200(a)(15) of the NASDAQ Marketplace Rules, and as required by the Audit Committee Charter. In addition, our Board has determined that each of Messrs. Hood and Kowaloff is an audit committee financial expert, as defined by the SEC.

The primary function of the Audit Committee is to serve as an independent and objective party to oversee our accounting and financial reporting processes and internal control system; to pre-approve all auditing and non-auditing services to be provided by our independent auditor; to review and oversee the audit efforts of our independent auditor; and to provide an open avenue of communication among the independent auditor, financial and senior management and our Board. The Audit Committee has responsibility and authority, among other matters, to review with our management any financial information filed with the SEC or disseminated to the public; to establish and maintain procedures for receiving and treating complaints regarding accounting, internal accounting controls and auditing matters, and for the confidential anonymous submission by employees of concerns regarding these matters; to appoint, determine funding for and oversee our independent auditor; to review, in consultation with the independent auditor and our accounting personnel, the integrity of our financial reporting processes; and to review in advance any proposed transaction between us and any related party. A copy of our Audit Committee Charter can be found on our corporate website at www.sirona.com. The Audit Committee met seven times during the fiscal year ended September 30, 2008.

Executive Compensation Committee. The Executive Compensation Committee has oversight responsibility relating to the compensation of our executive officers and directors and the administration of awards under our 2006 Equity Incentive Plan. Because the Company is a controlled company within the meaning of the NASDAQ Marketplace Rules, we are not required to have an executive compensation committee that is

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comprised solely of independent directors. The Executive Compensation Committee met five times during the fiscal year ended September 30, 2008. A copy of our Executive Compensation Committee Charter can be found on our corporate website at www.sirona.com.

In October 2007, the Executive Compensation Committee retained compensation consultant Pearl Meyer & Partners (PM&P) to provide advice and recommendations with respect to the competitiveness of compensation of those persons that were named executive officers in fiscal 2007 (Mr. Fischer, Ms. Blank, Mr. Slovin and Mr. Haar) and to recommend changes to the Company's compensation program for 2008. The Executive Compensation Committee sought to develop a more unified compensation plan for the new combined company of Sirona and Schick. In addition, the Executive Compensation Committee sought to develop a compensation structure for Sirona's top executives that would be more typical of a public company. The Sirona executives were previously compensated under a private-equity model more typical of a private company where long-term equity incentive significantly outweighs short-term compensation such as base salary and annual bonuses. The Executive Compensation Committee did not include a competitive benchmark and review of the compensation of Mr. Friedman, our General Counsel and Corporate Secretary, in the scope of the consulting assignment since he only recently became an executive officer of the Company. Based on its review of PM&P findings, the Executive Compensation Committee decided to modify certain of its executive compensation programs to be consistent and competitive with the peer group in fiscal 2008, as is described in Compensation Discussion and Analysis below.

Further, in May 2008, the Executive Compensation Committee retained PM&P to provide advice and recommendations with respect to competitive benchmarking of our non-employee director compensation system within our peer group and with respect to specific compensation decisions concerning our non-employee directors. The Executive Compensation Committee met privately with PM&P and directed it to perform competitive benchmarking of the compensation of our non-employee directors against a peer group of public companies and to make specific recommendations about elements of non-employee director compensation including annual fees and retainers, committee membership fees, committee chair fees and meeting fees. Based on its review of PM&P findings, the Executive Compensation Committee decided to modify its compensation of non-employee directors to be consistent and competitive with the peer group beginning in fiscal 2009, as is described in Compensation of Directors below.

In fiscal 2008, our chief executive officer and our chief financial officer were invited to several meetings of the Executive Compensation Committee to see presentations made by PM&P and to discuss and make recommendations regarding the Company's compensation practices. The Executive Compensation Committee is authorized to decide whether or not to accept, reject or modify any of our management's proposals regarding compensation. The Executive Compensation Committee, working with PM&P, made the final determination of the composition of the peer group, after reviewing a recommendation from the Company's management. The Executive Compensation Committee, after review and consideration of PM&P's recommendations, made all determinations of the form and amount of executive and non-employee director compensation. The finance and human resources departments of the Company provided calculations used in determining whether bonus targets had been met, which calculations were reviewed and approved by the Executive Compensation Committee.

Compensation Committee Interlocks and Insider Participation. None of the members of the Executive Compensation Committee is an officer or employee, or former officer or employee, of our Company or any of our subsidiaries. No interlocking relationship existed during the fiscal year ended September 30, 2008 between the members of our Board of Directors or Executive Compensation Committee and the board of directors or compensation committee of any other company, nor had any such interlocking relationship existed in the past.

Nominating Committee. The Nominating Committee was established by resolution of our Board on August 3, 2004. The function of the Nominating Committee is to establish criteria for selecting candidates for nomination to our Board, actively seek candidates who meet those criteria, and to recommend nominees to our Board. The Nominating Committee will consider director candidates who have relevant business experience, are

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accomplished in their respective fields and who possess the skills and expertise to make a significant contribution to our Board, us and our stockholders. Director nominees should have relevant business or other experience, knowledge about issues affecting us and the ability and willingness to apply sound and independent business judgment. Because the Company is a controlled company within the meaning of the NASDAQ Marketplace Rules, we are not required to have a nominating committee that is comprised solely of independent directors. The Nominating Committee will consider nominees for election or appointment to our Board that are recommended by stockholders, provided that a complete description of the nominees' qualifications, experience and background, together with a statement signed by each nominee in which he or she consents to act as such, accompanies the recommendations. Such recommendations should be submitted in writing to the attention of the Nominating Committee, c/o Corporate Secretary, Sirona Dental Systems, Inc., 30-30 47th Avenue, Suite 500 Long Island City, NY 11101 and should not include self-nominations. A copy of our Nominating Committee Charter can be found on our corporate website at www.sirona.com.

Attendance at Board and Committee Meetings. Each of our directors attended all meetings of the Board and all meetings held by all committees of the Board on which such director served during the fiscal year.

Code of Ethics

On June 2, 2004, by resolution of our Board, we adopted a code of ethics governing the conduct of our personnel, including our principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions. A copy of the current code of ethics is available on our website at www.sirona.com. In addition, a free copy of the code may be obtained by stockholders upon request by contacting Jonathan Friedman, General Counsel of the Company, at (718) 482-2011.

In the event that any amendment is made to the code of ethics, and such amendment is applicable to our principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions, we shall disclose the nature of any such amendment on our website within four business days following the date of the amendment. In the event that we grant a waiver, including an implicit waiver, from a provision of the code of ethics, to our principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions, we shall disclose the nature of any such waiver, including the name of the person to whom the waiver is granted and the date of such waiver, on our website within four business days following the date of the waiver. Our website address is www.sirona.com.

Stockholder Communications with the Board of Directors

Historically, we have not adopted a formal process for stockholder communications with our Board. Nevertheless, every effort has been made to ensure that the views of stockholders are heard by our Board or individual directors, as applicable, and that appropriate responses are provided to stockholders in a timely manner. We believe our responsiveness to stockholder communications to our Board has been excellent, and to date, we have not considered it necessary to adopt a formal process. Nevertheless, during the upcoming year the Board will continue to monitor whether it would be appropriate to adopt a formal process for stockholder communications with the Board.

Report of the Audit Committee of the Board of Directors

In executing its responsibilities, the Audit Committee has reviewed and discussed our audited financial statements with our management. The Audit Committee has also discussed with the Company's independent auditor the overall scope and plans for their audits of the Company. Furthermore, the Audit Committee has discussed with our independent auditor the matters required to be discussed by SAS 61, as amended. In addition, the Audit Committee has received written disclosures and a letter from our independent auditor delineating all relationships between them and us, consistent with Independence Standards Board Standard No. 1 (Independence Discussions with Audit Committee), and has discussed with them matters pertaining to their

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independence. The Audit Committee also considered whether the additional services unrelated to audit services performed by KPMG during the fiscal year ended September 30, 2008 were compatible with maintaining their independence in performing their audit services. In addition, the Audit Committee met with the independent auditor, with and without management present, to discuss the results of their examinations, their evaluations of the Company's internal controls, and the overall quality of the Company's financial reporting.

Based upon the reviews and discussions referred to above, the Audit Committee recommended to our Board of Directors that the audited financial statements be included in our Annual Report on Form 10-K for the fiscal year ended September 30, 2008 for filing with the SEC. The Audit Committee and Board of Directors have also recommended the selection of KPMG as our independent auditor for the fiscal year ending September 30, 2009.

From the members of the Audit Committee of Sirona Dental Systems, Inc.:

David K. Beecken, Chairman

William K. Hood

Arthur D. Kowaloff

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PROPOSAL 2 APPROVAL OF AMENDMENT OF 2006 EQUITY INCENTIVE PLAN

At the Annual Meeting, our stockholders will be asked to approve an amendment of our Equity Incentive Plan which was adopted by the Board of Directors in December 2006 and approved by the stockholders at the Annual Meeting of Stockholders held on February 27, 2007 (the 2006 Plan) to increase the maximum number of shares of our Common Stock that may be issued under the Plan to 4,550,000 shares from 2,275,000 shares. The 2006 Plan amendment was adopted by our Board of Directors on January 27, 2009, subject to approval by our stockholders at the Annual Meeting.

The 2006 Plan allows us to grant equity-based incentive compensation opportunities to eligible personnel. As of January 21, 2009, after giving effect to an option exchange offer program under the 2006 Plan offered to employees and eligible consultants beginning on December 18, 2008 and expiring at 11:59 p.m. EDT on January 21, 2009, the combined total of the number of shares issued under the 2006 Plan and the number of shares covered by options outstanding under the 2006 Plan was 1,696,628. If all of the shares covered by those outstanding awards are issued, then, in the absence of the proposed amendment, we would only be able to issue an additional 578,372 shares under the 2006 Plan. Absent approval of the proposed amendment of the 2006 Plan, we will be unable to make significant future awards under the 2006 Plan and we will be unable to implement the option exchange offer program described in Proposal 3.

Currently, the 2006 Plan is the only compensation plan under which we are permitted to issue options to eligible employees and other personnel. In this regard, we are no longer authorized to issue options under our 1996 Stock Option Plan (the 1996 Plan), which provides that no options may be granted after ten years from the plan s adoption. Our Board of Directors believes that the 2006 Plan is a material element of our overall compensation program and that its continuing viability is important to our future financial and operational success. If the proposed amendment is not approved, our ability to provide equity-based incentives in order to attract, motivate and retain key personnel will be significantly limited. Our Board of Directors estimates that, if the proposed amendment is approved, awards under the 2006 Plan may be made for approximately another four years.

Under Proposal 3 below, our stockholders are being asked to approve an amendment of our 1996 Plan to permit an option exchange offer program pursuant to which outstanding underwater options granted under our 1996 Plan may be cancelled in a value-for-value exchange for new options for a lesser number of shares granted under our 2006 Plan. If the amendment to the 1996 Plan is approved and implemented, and if all eligible options are cancelled pursuant to the exchange offer program, we estimate that outstanding options for approximately 1,663,500 shares will be cancelled and replaced with new options for approximately 750,645 shares (assuming a closing price of \$11.00 per share of our Common Stock on the day the exchange offer closes), representing a net total reduction of 912,855 shares subject to outstanding options. Our Board of Directors believes that the amendment of the 1996 Plan to permit an option exchange offer program will help us retain and motivate employees and other persons who hold options under the 1996 Plan. If the proposed amendment of the 2006 Plan is not approved, we will not be able to implement the option exchange offer program described in Proposal 3.

A summary of the 2006 Plan is provided below and is qualified in its entirety by reference to the full text of the 2006 Plan document. A copy of the 2006 Plan, as amended, is attached to this Proxy Statement as Appendix A. The affirmative vote of a majority of the shares present in person or represented by proxy and entitled to vote at the Annual Meeting is required to approve the amendment of the 2006 Plan. Abstentions will be counted toward a quorum and be considered shares present in person or by proxy and entitled to vote. Accordingly, abstentions will have the effect of a vote against this proposal. A broker non-vote is treated as not being entitled to vote on the matter and, therefore, will not be counted for purposes of determining whether the proposal has been approved.

As of January 27, 2009, the closing price per share of our outstanding Common Stock was \$11.70.

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Material Features of the 2006 Plan

Purpose

The purpose of the 2006 Plan is to enable us to attract, retain and reward eligible participants in order to promote our growth, long-term profitability and overall success and to enhance stockholder value.

Administration

The 2006 Plan is administered by the Executive Compensation Committee of our Board of Directors (the Executive Compensation Committee or the Committee). Our Board of Directors may, however, at any time resolve to administer the 2006 Plan. Subject to the specific provisions of the 2006 Plan, the Executive Compensation Committee is authorized to select persons to participate in the 2006 Plan, determine the form and substance of grants made under the 2006 Plan to each participant, to modify the terms of the grants made under the 2006 Plan and otherwise make all determinations for the administration of the 2006 Plan.

Term

The 2006 Plan went into effect on December 6, 2006. Unless sooner terminated, the 2006 Plan will expire on December 6, 2016. Awards outstanding at the expiration of the term of the 2006 Plan will continue in accordance with their terms.

Participation

Individuals who are eligible to participate in the 2006 Plan are directors (including non-employee directors), officers (including non-employee officers) and employees of, and other individuals performing services for, or to whom an offer of employment has been extended by, us or our subsidiaries. We have approximately 2,400 employees and expect to issue awards annually to approximately 120 employees.

Type of Awards

The 2006 Plan provides for the issuance of stock options, stock appreciation rights, or SARs, restricted stock, deferred stock, dividend equivalents, other stock-based awards and performance awards. Performance awards may be based on the achievement of certain business or personal criteria or goals, as determined by the Executive Compensation Committee.

Available Shares Limitations

Currently, we may issue up to 2,275,000 shares of Common Stock under the 2006 Plan, subject to adjustment for changes in our capital structure or a reorganization of the company. The purpose of this proposal is to increase the number of shares that may be issued under the 2006 Plan to 4,550,000. Shares issued under the 2006 Plan may be authorized and unissued shares, treasury shares or any combination of the two. Shares forfeited or repurchased or underlying the unexercised portion of an award that terminates, expires, is canceled or is settled in cash will be available for further awards under the 2006 Plan. Shares withheld or delivered to pay the exercise or purchase price of an award or to satisfy tax withholding obligations will also be available for further awards under the 2006 Plan. No more than 750,000 shares of Common Stock may be covered by stock-based awards granted to any participant under the 2006 Plan in a calendar year.

Option Grants

Options granted under the 2006 Plan may be either incentive stock options within the meaning of Section 422 of the Internal Revenue Code or non-qualified stock options, as the Executive Compensation Committee may determine. The exercise price per share for each option will be established by the Executive

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Compensation Committee, except that the exercise price of any option may not be less than 100% of the fair market value of a share of Common Stock as of the date of grant of the option. In the case of the grant of any incentive stock option to an employee who, at the time of the grant, owns more than 10% of the total combined voting power of all of our classes of stock then outstanding, the exercise price may not be less than 110% of the fair market value of a share of Common Stock as of the date of grant of the option.

Terms of Options

The term during which each option may be exercised will be determined by the Executive Compensation Committee, but if required by the Internal Revenue Code and except as otherwise provided in the 2006 Plan, no option will be exercisable in whole or in part more than ten years from the date it is granted, and no incentive stock option granted to an employee who at the time of the grant owns more than 10% of the total combined voting power of all of our classes of stock will be exercisable more than five years from the date it is granted. All rights to purchase shares pursuant to an option will, unless sooner terminated, expire at the date designated by the Executive Compensation Committee. The Executive Compensation Committee will determine the date on which each option will become exercisable and may provide that an option will become exercisable in installments. The shares constituting each installment may be purchased in whole or in part at any time after such installment becomes exercisable, subject to such minimum exercise requirements as may be designated by the Executive Compensation Committee. Prior to the exercise of an option and delivery of the shares represented thereby, the optionee will have no rights as a stockholder, including any dividend or voting rights, with respect to any shares covered by such outstanding option. If required by the Internal Revenue Code, the aggregate fair market value, determined as of the grant date, of shares for which an incentive stock option is exercisable for the first time during any calendar year under all of our Plans may not exceed \$100,000.

Stock Appreciation Rights

SARs entitle a participant to receive the amount by which the fair market value of a share of our Common Stock on the date of exercise exceeds the grant price of the SAR. SARs may be granted alone or to any optionee in tandem. No SAR may be exercised unless the fair market value of a share of our Common Stock on the date of exercise exceeds the grant price of the SAR or, in the case of SARs granted in tandem with options, any options to which the SARs correspond. The grant price and the term of an SAR will be determined by the Executive Compensation Committee, however the grant price shall not be less than 100% of the fair market value of a share of Common Stock as of the date of grant. Furthermore, no SAR may have a term exceeding ten years.

Termination of Options and SARs

Unless otherwise determined by the Executive Compensation Committee, and subject to certain exemptions and conditions, if a participant ceases to be a director, officer or employee of, or to otherwise perform services for us for any reason other than death, disability, retirement or termination for cause, all of the participant's options and SARs that were exercisable on the date of such cessation will remain exercisable for, and will otherwise terminate at the end of, a period of 90 days after the date of such cessation. In the case of death or disability, all of the participant's options and SARs that were exercisable on the date of such death or disability will remain so for a period of 180 days from the date of such death or disability. In the case of retirement, all of the participant's options and SARs that were exercisable on the date of retirement will remain exercisable for, and shall otherwise terminate at the end of, a period of 90 days after the date of retirement. In the case of a termination for cause, or if a participant does not become a director, officer or employee of, or does not begin performing other services for us for any reason, all of the participant's options and SARs will expire and be forfeited immediately upon such cessation or non-commencement, whether or not then exercisable.

Restricted Stock and Deferred Shares

Restricted stock is a grant of shares of our Common Stock that may not be sold or disposed of, and that may be forfeited in the event that a participant ceases to be a director, officer, employee or otherwise perform services

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for us for reasons other than death, disability or retirement prior to the end of a restricted period set by the Executive Compensation Committee. A participant granted restricted stock generally has all of the rights of a stockholder, unless the Executive Compensation Committee determines otherwise. An award of deferred shares confers upon a participant the right to receive shares of our Common Stock at the end of a deferral period set by the Executive Compensation Committee, subject to possible forfeiture of the award in the event of certain terminations of employment prior to the end of the deferral period. Prior to settlement, an award of deferred shares carries no voting or dividend rights or other rights associated with share ownership.

Dividend Equivalents

Dividend equivalents confer the right to receive, currently or on a deferred basis, cash, shares of our Common Stock, other awards or other property equal in value to dividends paid on a specific number of shares of our Common Stock. Dividend equivalents may be granted alone or in connection with another award, and may be paid currently or on a deferred basis. If deferred, dividend equivalents may be deemed to have been reinvested in additional shares of our Common Stock, awards or other investment vehicles and subject to restrictions and risk of forfeiture as determined by the Executive Compensation Committee.

Other Stock-Based Awards

The Executive Compensation Committee is authorized to grant other awards that are denominated or payable in, valued by reference to, or otherwise based on or related to shares of our Common Stock, under the 2006 Plan. These awards may include convertible or exchangeable debt securities, other rights convertible or exchangeable into shares of Common Stock, purchase rights for shares of Common Stock, awards with value and payment contingent upon our performance as a company or any other factors designated by the Executive Compensation Committee. The Executive Compensation Committee will determine the terms and conditions of these awards.

Performance Awards

As described in more detail below, the Executive Compensation Committee may make performance awards payable in cash, shares of our Common Stock or other awards, subject to the achievement of certain performance goals. The performance goals shall consist of one or more business criteria and a targeted level or levels of performance against such criteria, or other personal or business goals or objectives as the Executive Compensation Committee shall determine. Achievement of the performance goals is measured by the Executive Compensation Committee which may alter or adjust performance goals at its discretion. The Executive Compensation Committee may establish unfunded award pools, the amounts of which will be based upon the achievement of a performance goal or goals as determined by the Executive Compensation Committee. The Executive Compensation Committee will determine the circumstances under which performance awards shall be paid or forfeited during the performance period or prior to settlement of a performance award.

With respect to performance awards that are intended to be treated as performance-based compensation under Section 162(m) of the Internal Revenue Code, the Executive Compensation Committee shall, no later than ninety (90) days following the commencement of any fiscal year in question or any other designated fiscal period or period of service, in writing, (i) designate one or more participants, (ii) select the performance criteria applicable to the performance period, (iii) establish the performance goals, and amounts of such awards, as applicable, which may be earned for such performance period, and (iv) specify the relationship between the performance criteria and the performance goals and the amounts of such awards, as applicable, to be earned by each participant for such performance period. The performance goals may be based on such factors including but not limited to: (a) revenue, (b) earnings per share of our Common Stock, (c) net income per share of our Common Stock, (d) price of a share of our Common Stock, (e) pre-tax profits, (f) net earnings, (g) net income, (h) operating income, (i) cash flow, (j) earnings before interest, taxes, depreciation and amortization, (k) sales, (l) total stockholder return relative to assets, (m) total stockholder return relative to peers, (n) financial returns (including, without limitation, return on assets, return on equity and return on investment), (o) cost reduction

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targets, (p) customer satisfaction, (q) customer growth, (r) employee satisfaction, (s) gross margin, (t) revenue growth, or (u) any combination of the foregoing, or such other criteria as the Executive Compensation Committee may determine. The Executive Compensation Committee may determine performance goals in respect of the performance of the Company, any of its subsidiaries or affiliates or any combination thereof on either a consolidated, business unit or divisional level. Performance goals may be absolute or relative and may be expressed in terms of a progression within a specified range.

Approval of the proposed 2006 Plan amendment is intended to satisfy the stockholder approval requirement of Section 162(m) of the Internal Revenue Code. In general, this means that the Company may grant performance-based awards that are exempt from the deduction limitations of Section 162(m) for an additional five years before stockholder re-approval would need to be sought.

Change in Control

In general, if a change in control (as defined in the 2006 Plan) occurs and if a 2006 Plan participant's employment or other service is terminated within twelve months after the change in control (other than a termination by us for cause, or by the participant without good reason) the participant's outstanding awards will become fully vested and will remain exercisable for up to 180 days after the date of termination. If, as part of the change in control, we are acquired by another company, outstanding awards may be cashed out and/or canceled.

Amendment of Outstanding Awards and Amendment/Termination of 2006 Plan

The Board of Directors or the Executive Compensation Committee may amend or terminate the 2006 Plan at any time without approval from our stockholders, however, no amendment will become effective without the prior approval of our stockholders if stockholder approval would be required by applicable law or regulations, including if required for continued compliance with the performance-based compensation exception of Section 162(m) of the Internal Revenue Code, under provisions of Section 422 of the Internal Revenue Code or by any listing requirement of the principal stock exchange on which our Common Stock is then listed. The Executive Compensation Committee may amend the terms of any outstanding award under the 2006 Plan, including, without limitation, the ability to reduce the exercise price of any options or SARS or to accelerate the dates on which they become exercisable or vest, at any time without approval from our stockholders. Unless previously terminated by the Board of Directors or the Executive Compensation Committee, the 2006 Plan will terminate on the tenth anniversary of its adoption. No termination of the 2006 Plan will materially and adversely affect any of the rights or obligations of any person, without his or her written consent, under any grant of options or other incentives theretofore granted under the 2006 Plan.

Tax Withholding

Our obligation to make payments or issue shares in connection with any award will be subject to and conditioned upon the satisfaction of applicable tax withholding obligations. The Executive Compensation Committee may allow a participant to satisfy a withholding tax obligation in whole or in part by having us withhold shares that would otherwise be issued to the participant, or by having the participant deliver shares to us, in either case with a value equal to the minimum amount of the withholding obligation.

Tax Matters with Respect to Code § 409A

All grants made under the 2006 Plan are intended to avoid the inclusion of amounts with respect to any grants as deferred compensation of any participant under Code § 409A. However, the Company makes nor shall make any representations or warranties with respect to the application of Code § 409A to the grants, and by the acceptance of any grant, each participant agrees to accept the potential application of Code § 409A to the grant and any other tax consequences of the issuance, vesting, ownership, exercise, modification, adjustment and disposition of the grant and agrees that the company will have no liability to the participant with respect to such application.

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Certain U.S. Tax Consequences

The following is a brief description of the salient federal income tax consequences arising with respect to awards made under the 2006 Plan.

Stock Options. The grant of a stock option is not a taxable event. In general, a participant who receives an option that does not qualify as an incentive stock option under Section 422 of the Code will realize ordinary income at the time the option is exercised equal to the difference between the then value of the shares acquired by the exercise of the option over the option exercise price paid for the shares, and we will be entitled to a corresponding deduction. The participant's tax basis for the shares will be equal to the value of the shares on the date ordinary income is realized and the participant's tax holding period for the shares will begin on that date. Gain or loss on a subsequent sale of the shares will be long- or short-term capital gain or loss, depending on whether the sale occurs more than one year after the participant's holding period begins.

If a participant receives a stock option that qualifies as an incentive stock option under Section 422 of the Code, the participant will not realize income at the time the option is exercised (although the difference between the value of the shares and the exercise price will be taken into account as income for alternative income tax purposes), but will realize taxable income when the option shares are subsequently sold. If the participant sells the option shares more than two years after the date the option is granted and more than one year after the date the option is exercised, any gain or loss realized on the sale will be long-term capital gain or loss, and we will not be entitled