



TriQuint [®] ***SEMICONDUCTOR***

Rebalancing Total Compensation

Deborah Marsh

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Compensation: A State of Flux

- FAS123's ripple effect on rewards programs
- Compensation: past, present, and future
- TriQuint's approach
- Key Learnings



Still the Same

- Goals of compensation are still to attract, retain and motivate
- We still value equity (internal and external)
- Show me the money!



The Way We Were

- Focus on “total-comp” or compensation and benefits
- \$1 million was a lot of money!
- Stock options reserved for executives
- Limited scrutiny—Compensation Committee members were CEO college roommates

The Way We Are

- Focus on rewards (compensation including stock, benefits and intangible worklife components)
- Huge executive compensation packages
- Broader participation in stock options
- Everybody interested and has an opinion
- Regulatory environment becoming more complex



What's Next?

- Employees less obsessed with options and more interested in security (pension, benefits)
- Partner with legal and finance
 - We must understand our business and basics of finance
 - We must stay on top of regulatory changes
- Stock programs are rapidly changing and it's hard to determine “competitive practices”
- Compensation Committee participation beyond rubber stamp
- Expensing of options is forcing a review of our rewards programs



HR “to dos”

- Stay current—surveys are outdated by the time they are published, so we must find alternative data sources, develop networks and read!
- Review reward programs—what worked yesterday or even today may not work tomorrow
 - Take a holistic approach
 - Review for “fit”, compliance and cost efficiency
 - Assess readiness for change
- Be flexible

TriQuint Background

- TriQuint is a leading supplier of components and modules for wireless communication, data/telecom, aerospace systems and optical electronics applications
- Markets include wireless phones, base stations, optical networks and broadband and microwave

Structure and Demographics

- Corporate Headquarters is in Hillsboro, Oregon
- Decentralized organizational structure
- Growth from acquisitions
- 4 business units with facilities in Oregon, Texas, Pennsylvania, Florida, Costa Rica, and Mexico (250 to 500 employees in each location)
- Sales offices across the country and around the world and design centers in New England and Munich
- Over 1900 employees total
- Over 1/3 of our employees outside of the US primarily in Mexico and Costa Rica

Total Rewards Strategy

- Cash compensation in second quartile (below 50th percentile)
- Stock compensation in 3rd or 4th quartile (around 75th percentile)
- Benefits competitive for our industry and size
- To the extent possible fund rewards including benefits based on performance (stock increase, profit sharing, etc.)

Why Did We Need to Change?

- Total Compensation Philosophy was heavily dependent on stock options and ESPP
- Expensing could be extremely costly to us
- Current program is not achieving goals
 - Underwater options
 - Employee focus groups indicated that they were willing to “trade” options for more “security” such as increase in 401(k) match
- Shareholders are concerned about dilution



Review Process

- Started Summer 2003
- Created Cross Functional Team
- Determined Goals of Equity Compensation at TriQuint
- In-depth analysis of TriQuint options (vested vs. unvested, underwater options, price, terms, estimated cost under expensing, etc.)
- Determined Key Decision Parameters
- Reviewed market data
- Conducted employee focus groups to determine perceived value of various components of total rewards to employees (benefits, 401(k), PTO, ESPP, Options, Profit Sharing)

Cross Functional Team

- Human Resources
- Stock Administration
- Tax
- Accounting
- Legal



Goals of Equity Compensation

- Preserve Ownership Culture
- Attract and Retain Employees
- Competitive Total Compensation Package
- Motivate Performance



Analysis

- When reviewing option alternatives we looked at:
 - Ability to achieve goals
 - Organizational fit
 - Employee perspective
 - Tax considerations (employee and employer)
 - Balance sheet
 - Affordability



Key Decision Parameters

- Financial Statement Impact
- Predictability
- Retention
- Ability to Pay Based on Achievement of Performance Goals
- Affordability



Market Analysis

- We used information from the following sources:
 - Published surveys such as Mellon (formerly iQuantic), WorldatWork, Radford
 - Radford
 - Custom Semiconductor Human Resource Group Survey
 - Local Equity Survey (conducted by KPMG)



Alternatives We Considered

- All employees
 - ESOP
 - 401(k) with a stock match
 - Continue options but reducing participation and allocation
 - Plan Design Changes



Alternatives We Reviewed

- Senior Management/Key Employees
 - Continue to offer options on reduced population basis
 - Restricted Stock
 - Restricted Stock Units
 - Performance Shares



2004-05 Strategy

- Stock Options
 - Wait and see
 - Vest up underwater options
 - Reduce guidelines for all but “heavy hitters”
 - Amend plan to allow other forms of equity (RSU, Performance Units, SARs)
- ESPP
 - Wait and see
 - Do nothing—this is a differentiator for us



2004-05 Strategy

- Other Changes
 - Increased 401(k) match
 - Revised profit sharing plan
 - Increasing visibility of worklife programs

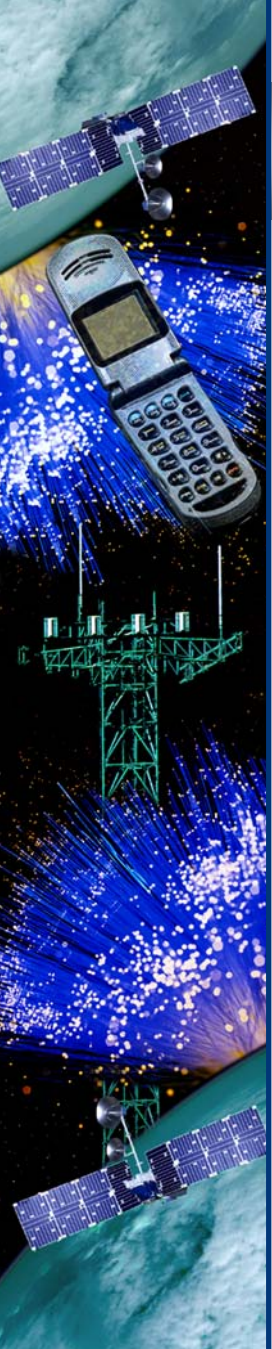
What next?

- Stay tuned...
- We will continue to monitor:
 - Investor reaction
 - Our competition
 - Our employees



Key Learnings

- Don't think you know what your employees want until you ask them!
 - Many surprises in our focus groups
- No matter what your data says, your company may not be ready to change (yet)
- Become best friends with the folks in finance
 - you will need them to obtain and interpret data
- Know your benchmarks
- Take up yoga (you will need it for flexibility (key!) and to relax)



Questions?