

LOGICVISION INC
Form DEF 14A
April 07, 2005

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

Filed by the Registrant x

Filed by a Party other than the Registrant o

Check the appropriate box:

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

LogicVision, Inc.

(Name of Registrant as Specified In Its Certificate)

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

Payment of Filing Fee (Check the appropriate box):

- x No fee required.
- o Fee computed on table below per Exchange Act Rules 14a-6(i)(4) and 0-11.
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- o 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 paid 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:

LOGICVISION, INC.
25 METRO DRIVE, THIRD FLOOR
SAN JOSE, CALIFORNIA 95110
(408) 453-0146

April 4, 2005

Dear Stockholder:

You are cordially invited to attend the Annual Meeting of Stockholders of LogicVision, Inc. that will be held on Thursday, May 19, 2005, at 9:00 a.m. at the executive offices of LogicVision, Inc., 25 Metro Drive, Third Floor, San Jose, California.

The formal notice of the Annual Meeting and the Proxy Statement have been made a part of this invitation.

After reading the Proxy Statement, please mark, date, sign and return, at your earliest convenience, the enclosed proxy in the enclosed prepaid envelope, to ensure that your shares will be represented. **YOUR SHARES CANNOT BE VOTED UNLESS YOU SIGN, DATE AND RETURN THE ENCLOSED PROXY, SUBMIT YOUR PROXY VIA THE INTERNET OR TELEPHONE, OR ATTEND THE ANNUAL MEETING IN PERSON.** Your vote is important, so please return your proxy promptly.

A copy of our 2004 Annual Report to Stockholders is also enclosed.

The Board of Directors and management look forward to seeing you at the meeting.

Sincerely yours,

James T. Healy
President and Chief Executive Officer

LOGICVISION, INC.

**NOTICE OF ANNUAL MEETING OF STOCKHOLDERS
To Be Held May 19, 2005**

To the Stockholders of LogicVision, Inc.:

The Annual Meeting of Stockholders of LogicVision, Inc., a Delaware corporation (the Company), will be held at the Company's executive offices at 25 Metro Drive, Third Floor, San Jose, California on Thursday, May 19, 2005, at 9:00 a.m. Pacific Daylight Time, for the following purposes:

1. To elect directors to serve until the 2006 Annual Meeting of Stockholders or until their successors are duly elected and qualified;
2. To ratify the appointment of PricewaterhouseCoopers LLP as the Company's independent registered public accounting firm; and
3. To transact such other business as may properly come before the Annual Meeting and any adjournment or postponement of the Annual Meeting.

Stockholders of record as of the close of business on March 21, 2005 are entitled to notice of and to vote at the Annual Meeting and any adjournment or postponement thereof. A complete list of stockholders entitled to vote at the Annual Meeting will be available at the Secretary's office, 25 Metro Drive, Third Floor, San Jose, California, for ten days before the meeting.

It is important that your shares are represented at the meeting. Even if you plan to attend the meeting, we hope that you will promptly mark, sign, date and return the enclosed proxy or submit your proxy via the Internet or telephone. This will not limit your right to attend or vote at the meeting.

By Order of the Board of Directors

Vinod K. Agarwal
Secretary

April 4, 2005

**LOGICVISION, INC.
25 METRO DRIVE, THIRD FLOOR
SAN JOSE, CALIFORNIA 95110
(408) 453-0146**

PROXY STATEMENT

This Proxy Statement is furnished in connection with the solicitation by the Board of Directors of LogicVision, Inc., a Delaware corporation (the Company), of proxies in the accompanying form to be used at the Annual Meeting of Stockholders of the Company to be held at the Company's executive offices at 25 Metro Drive, Third Floor, San Jose, California, on Thursday, May 19, 2005, at 9:00 a.m. Pacific Daylight Time, and any postponement or adjournment thereof (the Annual Meeting).

Who Can Vote

Stockholders of record at the close of business on March 21, 2005 (the Record Date), are entitled to vote at the Annual Meeting. As of the close of business on that date, the Company had 18,530,434 shares of common stock, \$0.0001 par value (the Common Stock), outstanding. The presence in person or by proxy of the holders of a majority of the Company's outstanding Common Stock constitutes a quorum for the transaction of business at the Annual Meeting. Each holder of Common Stock is entitled to one vote for each share held as of the Record Date.

How You Can Vote

You may vote your shares at the Annual Meeting either in person or by proxy. To vote by proxy, you should mark, date, sign and mail the enclosed proxy in the prepaid envelope. Giving a proxy will not affect your right to vote your shares if you attend the Annual Meeting and want to vote in person. The shares represented by the proxies received in response to this solicitation and not properly revoked will be voted at the Annual Meeting in accordance with the instructions therein. On the matters coming before the Annual Meeting for which a choice has been specified by a stockholder on the proxy card, the shares will be voted accordingly. If you return your proxy, but do not mark your voting preference, the individuals named as proxies will vote your shares FOR the election of the five nominees for director listed in this Proxy Statement and FOR the ratification of the appointment of the Company's independent registered public accounting firm.

Registered stockholders can simplify their voting and save the Company additional expense by calling 866-540-5760 or voting via the Internet at <http://www.proxyvoting.com/lgvn>. Telephone and Internet voting information is provided on the proxy card if these options are available to you. Votes submitted via the Internet or by telephone must be received by 11:59 p.m., Eastern Daylight Time, on May 18, 2005. Submitting your proxy via the Internet or by telephone will not affect your right to vote in person should you decide to attend the Annual Meeting.

Revocation of Proxies

Stockholders can revoke their proxies at any time before they are exercised in any of three ways:

by voting in person at the Annual Meeting;

by submitting written notice of revocation to the Secretary of the Company prior to the Annual Meeting; or

by submitting another proxy of a later date that is properly executed.

Other Items of Business

The Company does not expect any other items of business because the deadline for stockholder proposals and nominations has already passed. Nonetheless, in case there is an unforeseen need, the accompanying proxy gives discretionary authority to the persons named on the proxy with respect to any other matters that might be brought before the Annual Meeting. Those persons intend to vote that proxy in accordance with their best judgment.

Required Vote

Directors are elected by a plurality vote. The seven nominees for director who receive the most votes cast in their favor will be elected to serve as directors. The other proposal submitted for stockholder approval at the Annual Meeting will be decided by the affirmative vote of the majority of the shares present in person or represented by proxy at the Annual Meeting and entitled to vote on such proposal. Abstentions with respect to any proposal are treated as shares present or represented and entitled to vote on that proposal and thus have the same effect as negative votes. If a broker which is the record holder of shares indicates on a proxy that it does not have discretionary authority to vote on a particular proposal as to such shares, or if shares are not voted in other circumstances in which proxy authority is defective or has been withheld with respect to a particular proposal, these non-voted shares will be counted for quorum purposes but are not deemed to be present or represented for purposes of determining whether stockholder approval of that proposal has been obtained.

Solicitation of Proxies

The Company will pay the cost of printing and mailing proxy materials. In addition to the solicitation of proxies by mail, solicitation may be made by directors, officers and other employees of the Company by personal interview, telephone or facsimile. No additional compensation will be paid to such persons for such solicitation. The Company will reimburse brokerage firms and others for their reasonable expenses in forwarding solicitation materials to beneficial owners of the Common Stock.

This Proxy Statement and the accompanying form of proxy are being mailed to stockholders on or about April 8, 2005.

IMPORTANT

Please mark, sign and date the enclosed proxy and return it at your earliest convenience in the enclosed postage-prepaid return envelope, or submit your proxy via the Internet or telephone, so that, whether you intend to be present at the Annual Meeting or not, your shares can be voted. This will not limit your rights to attend or vote at the Annual Meeting.

PROPOSAL 1

ELECTION OF DIRECTORS

The Board of Directors proposes the election of seven directors of the Company to serve until the next annual meeting of stockholders or until their successors are duly elected and qualified. The Company's Bylaws provide that the Company shall not have less than five nor more than nine directors, with the exact number of directors to be determined by the Board of Directors. There are currently eight members of the Company's Board of Directors. One of the current directors, D. James Guzy, will retire from the Board of Directors effective at the time of the Annual Meeting, at which time the number of authorized directors will be fixed at seven. The Board of Directors has requested, and Mr. Guzy has agreed, that he serve as the Company's first director emeritus. The Board of Directors created the director emeritus program to avail itself of the continuing participation of certain retiring directors who have made a distinct contribution to the deliberations and actions of the Board. Directors emeriti are invited to attend Board and committee meetings, but they do not have voting rights.

The Nominating and Corporate Governance Committee of the Board of Directors has recommended, and the Board of Directors has designated, the seven nominees listed below. If any nominee is unable or declines to serve as a director at the time of the Annual Meeting, an event not currently anticipated, proxies will be voted for any nominee designated by the Board of Directors, taking into account any recommendations by the Nominating and Corporate Governance Committee, to fill the vacancy.

Biographical information concerning each of the nominees is set forth below.

| Name | Served as Director Since | Age | Principal Business Experience for the Past Five Years |
|-------------------------|-----------------------------------|-----|--|
| Vinod K. Agarwal, Ph.D. | 1992 | 52 | Dr. Agarwal founded LogicVision in 1992 and has served as the Chairman of the Board of Directors since December 2003, prior to which Dr. Agarwal had served as the Company's President and Chief Executive Officer since 1992. Prior to founding LogicVision, Dr. Agarwal was the Nortel/NSERC Industrial Research Chair Professor at McGill University in Montreal and served as a consultant to Nortel Networks Corporation, Hitachi, Ltd. and Eastman Kodak Company for developing their design-for-test/embedded test environment. In 1992, Dr. Agarwal was elected to be a Fellow of The Institute of Electrical and Electronics Engineers, Inc., or IEEE, for his contributions to built-in self-test and fault-tolerant computing. Dr. Agarwal is a co-inventor of several US patents on embedded test technology. He holds a BE in Electronics from Birla Institute of Technology and Science, Pilani, India, an MS in Electrical Engineering from University of Pittsburgh and a PhD in Electrical Engineering from Johns Hopkins University. |
| Gregg E. Adkin | 2004 | 41 | Mr. Adkin has been a General Partner at Valley Ventures, a venture capital fund, since May 2001. From 1986 to April 2001, Mr. Adkin was employed at Intel Corporation, most recently as Director of Strategic Investments. Mr. Adkin is on the Board of Directors of Andigilog, Inc., InnovASIC, Inc., Newport Imaging Corporation and Seclarity, Inc. Mr. Adkin also serves on the ASU Fulton School of Engineering Advisory Committee. Mr. Adkin holds a BS in Electrical Engineering from Boston University. |

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| Name | Served as Director Since | Age | Principal Business Experience for the Past Five Years |
|-------------------|-----------------------------------|-----|---|
| Richard C. Black | 1994 | 36 | Mr. Black has been a General Partner with The Walsingham Fund, a venture capital fund, since September 2004. Mr. Black is also a Vice President of Helix Investments (Canada) Inc. and has been with Helix since May 1991. From February 2001 until September 2003, Mr. Black was Managing Partner of RBC Capital Partners. Mr. Black also serves on the board of directors of numerous private companies and on the advisory boards of Tech Capital Partners and the Longitude Fund LP. Mr. Black holds an HBA from the School of Business at the University of Western Ontario. |
| James T. Healy | 2003 | 64 | Mr. Healy has served as the Company's President and Chief Executive Officer since December 2003. From July 2002 to November 2003, Mr. Healy was President of Spirox USA and Executive Vice President of Business Development and Strategic Marketing for Spirox Corporation, a provider of semiconductor manufacturing equipment and software. From April 2000 to June 2002, Mr. Healy was President of ASAT, Inc., a provider of semiconductor design, assembly and test services. From December 1999 to March 2000, Mr. Healy served as an independent consultant to software companies and from May 1998 to November 1999, Mr. Healy was Executive Vice President, Sales & Marketing at FormFactor, Inc., a manufacturer of advanced semiconductor wafer probe cards. He holds a BS in Business and an MS in Psychology from California State University, Hayward. |
| Randall A. Hughes | 2004 | 66 | Mr. Hughes has been the Chairman, President, Chief Executive Officer and founder of ManSim Inc., a manufacturing software company, since June 2002. Mr. Hughes has also been a consultant to Valchemy, Inc. since May 2001. From November 1999 to October 2001, Mr. Hughes was Vice President of Business Development at Genesis Semiconductor. Mr. Hughes holds a BA with majors in Mathematics and Physics from Northern Michigan University. |
| Matthew Raggett | 2004 | 44 | Mr. Raggett has been the President and Chief Executive Officer of Adaus Ventures since February 2004. From October 2002 to February 2004, Mr. Raggett served as the President and Chief Executive Officer of Analog Design Automation, Inc. From August 1995 to October 2002, Mr. Raggett was the Vice President of Worldwide Field Operations for inSilicon Corporation. Mr. Raggett holds a higher technical certificate in Electronic Engineering (BSEE) from Brighton Technical College, England. |

| Name | Served as Director Since | Age | Principal Business Experience for the Past Five Years |
|-------------------|-----------------------------------|-----|--|
| Richard C. Yonker | 2003 | 57 | Mr. Yonker has been the Chief Financial Officer of Actelis Networks, Inc., a fiber performance over copper telecom company, since March 2004. Mr. Yonker was Chief Financial Officer of Bermai, Inc., a wireless chipset company, from December 2003 to February 2004. From February 2003 to November 2003 he was a consultant. Mr. Yonker served as Chief Financial Officer of Agility Communications, Inc., an optical networking component company, from November 2000 to January 2003. From March 2000 to October 2000, Mr. Yonker was Vice President and Chief Financial Officer of MMC Networks, Inc., a semiconductor company acquired by Applied Micro Circuits Corporation in October 2000. Mr. Yonker was Vice President and Chief Financial Officer of the Tesseract Group, Inc., an integrated education management organization, from April 1999 to February 2000. Mr. Yonker holds an MS in Management (Finance) from MIT, and a BS in Industrial Engineering from General Motors Institute. |

The Board of Directors recommends a vote FOR election as director of the nominees set forth above.

Board Meetings and Committees

The Board of Directors held five meetings during the year ended December 31, 2004. All directors attended at least 75% of the aggregate number of meetings of the Board of Directors and of the committees on which such directors serve. In 2004, three of the five directors then serving on the Board attended the annual meeting of stockholders.

The Board of Directors has appointed a Compensation Committee, an Audit Committee and a Nominating and Corporate Governance Committee. The Board has determined that each director who serves on these committees is independent, as that term is defined by applicable listing standards of The Nasdaq Stock Market and SEC rules. The Board has approved a charter for each of these committees that can be found on the Company's website at http://www.logicvision.com/lv_corporate-governance.htm.

Compensation Committee

Number of Members: Three

Current Members: Mr. Adkin, Mr. Black (Chairman) and Mr. Raggett

Number of Meetings: Nine

Functions: The Compensation Committee's primary functions are to assist the Board in meeting its responsibilities with regard to oversight and determination of executive compensation and to review and make recommendations to the Board with respect to major compensation plans, policies and programs of the Company. Other specific duties and responsibilities of the Compensation Committee are to review, and make recommendations for approval by the independent members of the Board regarding, the compensation for the Chief Executive Officer and other executive officers of the Company, establish and modify the terms and conditions of employment of the Chief Executive Officer and other executive officers of the Company, administer the Company's stock plans and other compensation plans.

Audit Committee

Number of Members: Three

Members: Mr. Guzy, Mr. Hughes and Mr. Yonker (Chairman)

Number of Meetings: Five

Functions: The Audit Committee's primary functions are to assist the Board of Directors in fulfilling its oversight responsibilities relating to the Company's financial statements, system of internal controls, and auditing, accounting and financial reporting processes. Other specific duties and responsibilities of the Audit Committee are to appoint, compensate, evaluate and, when appropriate, replace the Company's independent registered public accounting firm; review and pre-approve audit and permissible non-audit services; review the scope of the annual audit; monitor the independent registered public accounting firm's relationship with the Company; and meet with the independent registered public accounting firm and management to discuss and review the Company's financial statements, internal controls, and auditing, accounting and financial reporting processes.

Nominating and Corporate Governance Committee

Number of Members: Three

Members: Mr. Guzy (Chairman), Mr. Raggett and Mr. Yonker

Number of Meetings: The Committee communicated informally and acted by written consent in 2004. The Committee held a meeting in March 2005 to evaluate and recommend to the Board of Directors the nominees for election at the Annual Meeting.

Functions: The Nominating and Corporate Governance Committee's primary functions are to identify qualified individuals to become members of the Board of Directors and determine the composition of the Board and its committees. Other specific duties and responsibilities are to recommend nominees to fill vacancies on the Board, investigate suggestions for candidates for membership on the Board, and monitor compliance with Board and Board committee membership criteria.

Director Nominations

The Board of Directors nominates directors for election at each annual meeting of stockholders and elects new directors to fill vacancies when they arise. The Nominating and Corporate Governance Committee has the responsibility to identify, evaluate, recruit and recommend qualified candidates to the Board of Directors for nomination or election.

The Board of Directors has as an objective that its membership be composed of experienced and dedicated individuals with diversity of backgrounds, perspectives and skills. The Nominating and Governance Committee will select candidates for director based on their character, judgment, diversity of experience, business acumen, and ability to act on behalf of all stockholders. The Nominating and Corporate Governance Committee believes that nominees for director should have experience, such as experience in management or accounting and finance, or industry and technology knowledge, that may be useful to the Company and the Board, high personal and professional ethics, and the willingness and ability to devote sufficient time to effectively carry out his or her duties as a director. The Nominating and Corporate Governance Committee believes it appropriate for at least one, and, preferably, multiple members of the Board to meet the criteria for an audit committee financial expert as defined by SEC rules, and for a majority of the members of the Board to meet the definition of independent director under the rules of The Nasdaq Stock Market. The Nominating and Corporate Governance Committee also believes it appropriate for certain key members of the Company's management to participate as members of the Board.

Prior to each annual meeting of stockholders, the Nominating and Corporate Governance Committee identifies nominees first by evaluating the current directors whose term will expire at the annual meeting and who are willing to continue in service. These candidates are evaluated based on the criteria described above, including as demonstrated by the candidate's prior service as a director, and the needs of the Board with respect to the particular

talents and experience of its directors. In the event that a director does not wish to continue in service, the Nominating and Corporate Governance Committee determines not to re-nominate the Director, or a vacancy is created on the Board as a result of a resignation, an increase in the size of the board or other event, the Committee will consider various candidates for Board membership, including those suggested by the Committee members, by other Board members, by any executive search firm engaged by the Committee and by stockholders. A stockholder who wishes to suggest a prospective nominee for the Board should notify the Secretary of the Company or any member of the Committee in writing with any supporting material the stockholder considers appropriate.

In addition, the Company's Bylaws contain provisions that address the process by which a stockholder may nominate an individual to stand for election to the Board of Directors at the Company's Annual Meeting of Stockholders. In order to nominate a candidate for director, a stockholder must give timely notice in writing to the Secretary of the Company and otherwise comply with the provisions of the Company's Bylaws. To be timely, the Company's Bylaws provide that the Company must have received the stockholder's notice not less than 60 days nor more than 90 days prior to the scheduled date of the meeting. However, if notice or prior public disclosure of the date of the annual meeting is given or made to stockholders less than 75 days prior to the meeting date, the Company must receive the stockholder's notice by the earlier of (i) the close of business on the 15th day after the earlier of the day the Company mailed notice of the annual meeting date or provided public disclosure of the meeting date and (ii) two days prior to the scheduled date of the annual meeting. Information required by the Bylaws to be in the notice include the name and contact information for the candidate and the person making the nomination and other information about the nominee that must be disclosed in proxy solicitations under Section 14 of the Securities Exchange Act of 1934 and the related rules and regulations under that Section.

Stockholder nominations must be made in accordance with the procedures outlined in, and include the information required by, the Company's Bylaws and must be addressed to: Secretary, LogicVision, Inc., 25 Metro Drive, Third Floor, San Jose, California 95110. You can obtain a copy of the Company's Bylaws by writing to the Secretary at this address.

Stockholder Communications with the Board of Directors

If you wish to communicate with the Board of Directors, you may send your communication in writing to: Assistant Secretary, LogicVision, Inc., 25 Metro Drive, Third Floor, San Jose, California 95110. You must include your name and address in the written communication and indicate whether you are a stockholder of the Company. The Assistant Secretary will review any communication received from a stockholder, and all material communications from stockholders will be forwarded to the appropriate director or directors or committee of the Board based on the subject matter.

Compensation of Directors

The Company's non-employee directors each receive a cash retainer of \$10,000 per year, payable in equal quarterly installments. The Chair of the Audit Committee receives an additional cash retainer of \$5,000 per year, payable in equal quarterly installments, and the Chairs of the other Committees of the Board of Directors receive an additional cash retainer of \$2,000 per year, payable in equal quarterly installments. In addition, the Company reimburses directors for reasonable expenses in connection with attendance at meetings of the Board of Directors and committee meetings. Directors who are employees of the Company do not receive any cash compensation for their services as directors.

In addition to cash compensation for services as a member of the Board, under the Company's 2000 Stock Incentive Plan, directors who are not employees also receive an initial grant of an option to purchase 20,000 shares of Common Stock at the fair market value of the Common Stock on the date of grant, which vests in two equal annual installments on each of the first two anniversaries of the date of grant, or, if earlier, immediately prior to the next two regular annual meetings of the Company's stockholders following the date of grant. On the first business day following each regular annual meeting of the Company's stockholders after appointment or election to the Board, each non-employee director receives an option to purchase 10,000 shares of Common Stock at the fair market value of the Common Stock on the date of grant, which vests in full on the first anniversary of the date of grant, or if earlier, immediately prior to the next regular annual meeting of the Company's stockholders following the date of grant. Each non-employee director who is not initially elected at a regular annual meeting of stockholders receives an option to purchase a pro rata portion of 10,000 shares based on the number of full months remaining from the date of election until the next regular annual meeting, which vests in full immediately prior to the next regular annual meeting of the Company's stockholders following the date of grant.

Compensation Committee Interlocks and Insider Participation

Gregg E. Adkin, Richard C. Black and Mathew Raggett serve as members of the Compensation Committee. No interlocking relationship exists between the Company's Board of Directors or Compensation Committee and the board of directors or compensation committee of any other entity, nor has any interlocking relationship existed in the past.

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth certain information as of March 21, 2005 as to shares of the Common Stock beneficially owned by: (i) each person who is known by the Company to own beneficially more than 5% of its Common Stock, (ii) each of the Company's current directors, (iii) each of the Company's nominees for director, (iii) each of the Company's executive officers named under Executive Compensation -- Summary Compensation Table, and (iv) all directors and executive officers of the Company as a group. Ownership information is based upon information furnished by the respective individuals or entities, as the case may be. Unless otherwise noted below, the address of each beneficial owner is c/o LogicVision, Inc., 25 Metro Drive, Third Floor, San Jose, California 95110. The percentage of Common Stock beneficially owned is based on 18,530,434 shares outstanding as of March 21, 2005. In addition, shares issuable pursuant to options or warrants which may be exercised within 60 days of March 21, 2005 are deemed to be issued and outstanding and have been treated as outstanding in calculating the percentage ownership of those individuals possessing such interest, but not for any other individuals. Thus, the number of shares considered to be outstanding for the purposes of this table may vary depending on the individual's particular circumstances.

| Name and Address of Beneficial Owner | Number of Shares of Common Stock Beneficially Owned (1) | Right to Acquire Beneficial Ownership within 60 days of March 21, 2005 | Total | Percentage of Common Stock Beneficially Owned |
|--|---|--|-----------|---|
| Directors, Nominees and Named Executive Officers: | | | | |
| Vinod K. Agarwal | 446,874 | 580,000 | 1,026,874 | 5.37% |
| Gregg E. Adkin (2) | 1,456,195 | 15,000 | 1,471,195 | 7.93% |
| Richard C. Black (3) | 17,750 | 44,000 | 61,750 | * |
| D. James Guzy (4) | 79,412 | 57,088 | 136,500 | * |
| James T. Healy | 20,290 | 112,500 | 132,790 | * |
| Randall A. Hughes | 5,000 | 17,500 | 22,500 | * |
| Mathew Raggett | | 17,500 | 17,500 | * |
| Richard C. Yonker | | 20,000 | 20,000 | * |
| Bruce M. Jaffe | 17,259 | 87,500 | 104,759 | * |
| Ronald H. Mabry | 1,695 | 60,481 | 62,176 | * |
| George B. Swan | | 37,500 | 37,500 | * |
| Mukesh Mowji | 8,875 | | 8,875 | * |
| Michael C. Howells (5) | 90,000 | | 90,000 | * |
| 5% Stockholders: | | | | |
| Helix (Quebec) Inc. (6) | 1,636,809 | | 1,636,809 | 8.83% |
| Valley Ventures II, L.P. and Valley Ventures III, L.P. (7) | 1,456,195 | | 1,456,195 | 7.86% |
| Wasatch Advisors, Inc. (8) | 1,418,907 | | 1,418,907 | 7.66% |
| All Directors and Executive Officers as a group (11 persons) | 2,044,475 | 1,049,069 | 3,093,544 | 15.80% |

* Less than 1%.

- (1) To the Company's knowledge, the persons named in the table have sole voting and investment power with respect to all shares of Common Stock shown as beneficially owned by them, subject to community property laws where applicable and the information contained in the notes to this table.
- (2) Includes 548,929 shares held by Valley Ventures II, L.P. and 907,266 shares held by Valley Ventures III, L.P. Mr. Adkin is a managing member of VV II Management, L.L.C., the general partner of Ventures II and a managing member of VV III Management, L.L.C., the general partner of Ventures III. Mr. Adkin is also a limited partner of Ventures II and Ventures III. Mr. Adkin disclaims beneficial ownership of the Company's shares held by Valley Ventures II, L.P. and Valley Ventures III, L.P., except to the extent that his interest in the shares arise from his interest, if any, in those entities. See note (7).

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- (3) Includes 1,900 shares held by Mr. Black's spouse. Mr. Richard C. Black is a director of the Company and an officer of Helix Investments (Canada) Inc. Mr. Black disclaims beneficial ownership of the shares held by Helix (Quebec) Inc., a wholly owned subsidiary of Helix Investments (Canada) Inc. See note (6).
- (4) Includes 79,412 shares held by the Arbor Company and 20,588 shares subject to warrants held by the Arbor Company. Mr. Guzy is the Chairman of the Arbor Company.
- (5) Consists of shares held in a family trust, the voting and dispositive power for which Mr. Howells shares with his spouse.
- (6) According to an amended Schedule 13G filed on March 2, 2004, the shares are held in the name of Helix (Quebec) Inc., a wholly owned subsidiary of Helix Investments (Canada) Inc. The address of the principal executive office of Helix Investments (Canada) Inc. is 20 Great George Street, Charlottetown, Prince Edward Island C1A 7L1. The address of the principal executive office of Helix (Quebec) Inc. is 1100 Rene Levesque Blvd. West, Suite 650, Montreal, Quebec, Canada H3B 4N4. Richard C. Black is a director of the Company and an officer of Helix Investments (Canada) Inc. Mr. Black disclaims beneficial ownership of the Company's shares held by Helix Investments (Canada) Inc.
- (7) According to an amended Schedule 13D/A filed jointly on March 29, 2005 by Valley Ventures II, L.P., Valley Ventures III, L.P., VV II Management, L.L.C., VV III Management, L.L.C., John M. Holliman III, Gregg E. Adkin and Lawrence J. Aldrich, Ventures II holds 548,929 shares and Ventures III holds 907,266 shares. VV II Management, L.L.C., the general partner of Valley Ventures II, has sole power to vote or to direct the vote and sole power to dispose or direct the disposition of the shares of Common Stock held by Ventures II. Each of Messrs. Adkin and Holliman, as managing members of VV II, has sole power to vote or to direct the vote of the shares held by Ventures II and shared power to dispose or direct the disposition of the shares held by Ventures II. VV III Management, L.L.C., the general partner of Valley Ventures III, has sole power to vote or to direct the vote and sole power to dispose or direct the disposition of the shares of Common Stock held by Ventures III. Each of Messrs. Adkin, Aldrich and Holliman, as managing members of VV III, has shared power to vote or to direct the vote of the shares held by Ventures III and shared power to dispose or direct the disposition of the shares held by Ventures III. Messrs. Adkin and Holliman are limited partners of Ventures II and Ventures III, and Mr. Aldrich is a limited partner of Ventures III. Each of VV II, VV III, Mr. Adkin, Mr. Aldrich and Mr. Holliman disclaims beneficial ownership of all shares of Common Stock held by Ventures II and Ventures III except to the extent that his or its interest in the shares arises from his or its interest, if any, in those entities. The business address for each person and entity is 80 East Rio Salado Parkway, Suite 705, Tempe, AZ 85281, except for Mr. Aldrich whose business address is 6245 East Broadway Blvd., Suite 620, Tucson, AZ 85711. Mr. Adkin is a director of the Company.
- (8) According to an amended Schedule 13G filed on January 10, 2005, Wasatch Advisors, Inc., is an investment adviser registered under section 203 of the Investment Advisers Act of 1940. The address of the principal office of Wasatch Advisors, Inc., is 150 Social Hall Avenue, Salt Lake City, UT 84111.

EXECUTIVE COMPENSATION

The following table summarizes compensation for services rendered in all capacities to the Company for the three fiscal years ended December 31, 2004 for (i) the Chief Executive Officer, (ii) the Company's four other most highly compensated executive officers as of December 31, 2004, and (iii) two individuals who would have been among the four most highly compensated executive officers had they been executive officers as of December 31, 2004.

Summary Compensation Table

| Name and Position | Year | Annual Compensation | | Long-Term Compensation |
|--|------|---------------------|-----------|-------------------------------|
| | | Salary | Bonus | Securities Underlying Options |
| Vinod K. Agarwal(1) | 2004 | \$ 240,000 | \$ 50,000 | |
| Chairman of the Board | 2003 | 240,000 | 50,000 | 100,000 |
| | 2002 | 240,203 | | 100,000 |
| James T. Healy(2) President and Chief Executive Officer | 2004 | 312,000 | 75,000 | |
| | 2003 | 25,000 | | 375,000 |
| Bruce M. Jaffe(3) | & | | | |