

ALIGN TECHNOLOGY INC  
Form DEF 14A  
April 09, 2008

Use these links to rapidly review the document

[TABLE OF CONTENTS](#)

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 (Amendment No.       )

Filed by the Registrant ☒

Filed by a Party other than the Registrant ☐

Check the appropriate box:

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

**ALIGN TECHNOLOGY, INC.**

---

(Name of Registrant as Specified In Its Charter)

---

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

---

Payment of Filing Fee (Check the appropriate box):

- ☒ No fee required.
- ☐ Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.
- (1) Title of each class of securities to which transaction applies:

---

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

---

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

---

Edgar Filing: ALIGN TECHNOLOGY INC - Form DEF 14A

(4) Proposed maximum aggregate value of transaction:

---

(5) Total fee paid:

---

☐ Fee paid previously with preliminary materials.

☐ Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was 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:

---

---

---

**NOTICE OF ANNUAL MEETING OF STOCKHOLDERS**

**To be held on Thursday, May 15, 2008**

**10:00 a.m.**

---

TO OUR STOCKHOLDERS:

The 2008 Annual Meeting of Stockholders of Align Technology, Inc. ("Align") will be held on Thursday, May 15, 2008, at 10:00 a.m. Pacific Daylight Time at Align's corporate headquarters located at 881 Martin Avenue, Santa Clara, California 95050 for the following purposes:

1. To elect seven (7) directors to serve until the next annual meeting of stockholders or until their respective successors have been duly elected and qualified;
2. To ratify the appointment of PricewaterhouseCoopers LLP as our independent registered public accountants for the fiscal year ending December 31, 2008; and
3. To consider such other business as may properly come before the Annual Meeting of Stockholders.

The foregoing items of business are more fully described in the Proxy Statement accompanying this Notice. Only those stockholders who owned shares of our common stock at the close of business on March 19, 2008 are entitled to attend and vote at the Annual Meeting of Stockholders and any postponements or adjournments of the meeting.

**IMPORTANT NOTICE REGARDING THE AVAILABILITY OF  
PROXY MATERIALS FOR ALIGN'S ANNUAL MEETING OF STOCKHOLDERS  
TO BE HELD ON MAY 15, 2008**

This proxy statement and Align's annual report to stockholders for the year ended December 31, 2007 are available at [www.aligntech.com](http://www.aligntech.com) by clicking on "Investor Relations" and then clicking on "Click here for 2008 Annual Meeting/Proxy Material".

ALIGN TECHNOLOGY, INC.

Roger E. George  
*Vice President, Corporate and Legal Affairs, General  
Counsel and Corporate Secretary*

April 9, 2008

**IT IS IMPORTANT THAT YOUR SHARES BE REPRESENTED AND VOTED.  
WHETHER OR NOT YOU PLAN TO ATTEND THE MEETING, PLEASE VOTE VIA THE INTERNET, BY TELEPHONE OR BY**

**MAILING A PROXY CARD AS SOON AS POSSIBLE TO ENSURE THAT YOUR VOTE IS RECORDED.**

---

TABLE OF CONTENTS

	<u>Page</u>
<u>GENERAL INFORMATION</u>	1
<u>Why am I receiving these materials?</u>	1
<u>What information is contained in these materials?</u>	1
<u>What proposals will be voted on at the Annual Meeting?</u>	1
<u>Who is entitled to vote at the Annual Meeting?</u>	1
<u>Who can attend the Annual Meeting?</u>	2
<u>What are the voting rights of the holders of Align common stock?</u>	2
<u>How do I vote?</u>	2
<u>Can I change or revoke my vote?</u>	3
<u>How does the Board recommend that I vote my shares?</u>	3
<u>What constitutes a quorum?</u>	3
<u>What is a broker non-vote?</u>	4
<u>What vote is required to approve each item?</u>	4
<u>Who will bear the cost of soliciting votes for the Annual Meeting?</u>	4
<u>Who will count the vote?</u>	4
<u>Is there any information that I should know regarding future annual meetings?</u>	4
<u>What if multiple stockholders share the same address?</u>	5
<u>Other Matters</u>	5
<u>PROPOSAL ONE ELECTION OF DIRECTORS</u>	6
<u>Nominees</u>	6
<u>Information Concerning the Nominees</u>	7
<u>CORPORATE GOVERNANCE</u>	10
<u>Corporate Governance Policies and Practices</u>	10
<u>Nominations for Directors</u>	10
<u>Director Independence</u>	11
<u>Board of Directors and Committee Meetings</u>	12
<u>Compensation Committee Interlocks and Insider Participation</u>	13
<u>Stockholder Communications with Board of Directors</u>	13
<u>Director Compensation</u>	14
<u>PROPOSAL TWO RATIFICATION OF APPOINTMENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTANTS</u>	17
<u>Fees to PricewaterhouseCoopers LLP for 2007 and 2006</u>	17
<u>Audit Committee's Policy of Pre-Approval of Audit and Permissible Non-Audit Services</u>	17
<u>EXECUTIVE COMPENSATION</u>	19
<u>Compensation Discussion and Analysis</u>	19
<u>Compensation Committee of the Board of Directors Report</u>	33
<u>Summary Compensation Table for Year Ended 2007</u>	34
<u>Grants of Plan-based Awards for Year Ended 2007</u>	35
<u>Outstanding Equity Awards at 2007 Year End</u>	39
<u>Option Exercises and Stock Vested During Year Ended 2007</u>	41
<u>Potential Payment Upon Termination or Change of Control</u>	41
<u>PRINCIPAL STOCKHOLDERS</u>	47
<u>REPORT OF THE AUDIT COMMITTEE OF THE BOARD OF DIRECTORS</u>	49
<u>SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE</u>	51
<u>CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS</u>	51
<u>OTHER MATTERS</u>	51

**ALIGN TECHNOLOGY, INC.**

881 Martin Avenue  
Santa Clara, California 95050

---

**PROXY STATEMENT FOR THE  
2008 ANNUAL MEETING OF STOCKHOLDERS**

---

**GENERAL INFORMATION**

**Q:**

*Why am I receiving these materials?*

**A:**

The Board of Directors of Align Technology, Inc. is providing these materials to you in connection with the solicitation of proxies for use at Align's 2008 Annual Meeting of Stockholders to be held at 10:00 a.m. Pacific Daylight Time on Thursday, May 15, 2008 at Align's corporate headquarters located at 881 Martin Avenue, Santa Clara, California 95050 (referred to in this proxy statement as the "Annual Meeting"), and at any adjournment or postponement thereof, for the purpose of considering and acting upon the matters described in this proxy statement.

**Q:**

*What information is contained in these materials?*

**A:**

This proxy statement contains important information regarding our Annual Meeting. Specifically, it identifies the proposals on which you are being asked to vote, provides information you may find useful in determining how to vote and describes the voting procedures. Align's 2007 Annual Report, audited financial statements, proxy card and return envelope are also enclosed. These proxy materials are being mailed on or about April 9, 2008 to all of our stockholders as of the record date, which was set by our Board of Directors as March 19, 2008. **This proxy statement and Align's annual report to stockholders for the year ended December 31, 2007 are available at [www.aligntech.com](http://www.aligntech.com) by clicking on "Investor Relations" and then clicking on "Click here for 2008 Annual Meeting/Proxy Material".**

**Q:**

*What proposals will be voted on at the Annual Meeting?*

**A:**

There are two proposals scheduled to be presented at the Annual Meeting, and upon which you are being asked to vote:

The election of seven (7) directors to serve until the next annual meeting of stockholders or until their respective successors have been duly elected and qualified; and

The ratification of the appointment of PricewaterhouseCoopers LLP as Align's independent registered public accountants for the fiscal year ending December 31, 2008.

These proposals are discussed in greater detail in the sections entitled "Proposal One" and "Proposal Two."

**Q:**

*Who is entitled to vote at the Annual Meeting?*

**A:**

Only stockholders of record who owned Align common stock at the close of business on March 19, 2008, the record date for the Annual Meeting, are entitled to receive notice of, and to participate in, the Annual Meeting. If you were a stockholder of record on that date, you will be entitled to vote all of the shares of Align common stock that you held on the record date at the Annual Meeting, or any postponements or adjournments of the Annual Meeting. As of the record date, 69,402,947 shares of our common stock were issued and outstanding and no shares of our preferred stock were issued and outstanding.

**Q:**

***Who can attend the Annual Meeting?***

**A:**

All stockholders as of the record date, or their duly appointed proxies, may attend the Annual Meeting. Registration will begin at 9:30 a.m. and seating will begin thereafter. ***If you attend, please note that you may be asked to present valid picture identification, such as a driver's license or passport. Stockholders holding stock in brokerage accounts ("street name" holders) will need to bring a copy of a brokerage statement reflecting stock ownership as of the record date. Cameras, recording devices and other electronic devices will not be permitted at the Annual Meeting.***

**Q:**

***What are the voting rights of the holders of Align common stock?***

**A:**

Each share of Align common stock you own as of the record date entitles you to one vote on each matter considered at the Annual Meeting.

**Q:**

***How do I vote?***

**A:**

If your shares are registered directly in your own name with Align's transfer agent, you are considered, with respect to those shares, the stockholder of record and you may vote by submitting a proxy in accordance with the instructions on the enclosed proxy card or by attending the Annual Meeting and voting in person. If you hold shares through a broker or other nominee, rather than directly in your own name, you are considered the "beneficial owner" of shares held in "street name" and you may vote by submitting voting instructions to your broker or other nominee in accordance with the voting instructions provided to you by your broker or other nominee or by obtaining a legal proxy from your broker or other nominee authorizing you to vote your shares. We have summarized below the different ways that you can vote. We encourage you to submit your vote via the Internet, by telephone or by mailing a proxy card even if you plan to attend the Annual Meeting to ensure that your shares will be voted even if you are unable to attend.

***Voting by Mail.*** Stockholders of record may submit a proxy by completing, signing, dating and returning the enclosed proxy card. Proxy cards submitted by mail must be received prior to the closing of the polls at the Annual Meeting in order for the votes to be recorded. By submitting a proxy card, you are authorizing our President and Chief Executive Officer and our Vice President, Finance and Chief Financial Officer, who are named on the proxy card as "proxies and attorneys-in-fact," to vote your shares at the Annual Meeting in the manner you indicate.

***Voting via the Internet.*** Stockholders of record with Internet access may submit proxies by following the "Vote by Internet" instructions on their proxy cards until 8:59 Pacific Time, on May 14, 2008. Most of Align's stockholders who hold shares beneficially in street name may vote by accessing the website specified in the voting instructions provided by their broker or other nominee. A large number of banks and brokerage firms are participating in Broadridge Financial Solutions, Inc.'s (formerly ADP Investor Communication Services) online program for electronic voting. This program provides eligible beneficial owners the opportunity to vote over the Internet or by telephone. Voting forms will provide instructions for beneficial owners whose bank or brokerage firm is participating in Broadridge's program.

***Voting by Telephone.*** Stockholders of record may submit proxies by following the "Vote by Telephone" instructions on their proxy cards until 8:59 Pacific time, on May 14, 2008. If you are a beneficial owner, please follow the voting instructions provided to you by your broker or other nominee with respect to telephone voting.

***Voting in Person at the Annual Meeting.*** If you plan to attend the Annual Meeting and vote in person, we will provide you with a ballot at the Annual Meeting. If your shares are registered directly in your name, you are considered the stockholder of record and you have the right to vote in person at the Annual Meeting. If, however, you are the beneficial owner of shares held in street

## Edgar Filing: ALIGN TECHNOLOGY INC - Form DEF 14A

name, and if you wish to vote at the Annual Meeting, you will need to bring a legal proxy from your broker or other nominee authorizing you to vote your shares.

**Q:**

***Can I change or revoke my vote?***

**A:**

Subject to any rules your broker or other nominee may have, you may change your proxy instructions at any time before your proxy is voted at the Annual Meeting. If you are a stockholder of record, you may either:

sign and return another proxy bearing a later date prior to the time we take the vote at the Annual Meeting;

submit a timely and valid later Internet or telephone vote;

provide written notice of the revocation to:

Corporate Secretary  
Align Technology, Inc.  
881 Martin Avenue,  
Santa Clara, California  
95050

prior to the time we take the vote at the Annual Meeting; or

attend the Annual Meeting *and* vote in person. Your attendance at the Annual Meeting will not cause your previously granted proxy to be revoked unless you specifically so request.

If you are a beneficial owner of shares held in street name, you may either:

submit new voting instructions to your broker or other nominee; or

if you have obtained a legal proxy from your broker or other nominee giving you the right to vote your shares at the Annual Meeting, attend the Annual Meeting and vote in person.

**Q:**

***How does the Board recommend that I vote my shares?***

**A:**

Your shares will be voted in accordance with your instructions. If you submit a proxy via the Internet, by telephone or by mail but do not indicate your voting instructions, your shares will be voted in accordance with the recommendations of the Board of Directors. In summary, the Board recommends a vote:

FOR the election of the nominees for director identified in Proposal One; and

FOR the ratification of the appointment of PricewaterhouseCoopers LLP as our independent registered public accountants for the fiscal year ending December 31, 2008.

With respect to any other matter that properly comes before the Annual Meeting, the proxyholders will vote as recommended by the Board of Directors or, if no recommendation is given, in their own discretion. At the date this proxy statement was printed, the Board



## Edgar Filing: ALIGN TECHNOLOGY INC - Form DEF 14A

of Directors had no knowledge of any business other than that described in this proxy statement that would be presented for consideration at the Annual Meeting.

**Q:**

***What constitutes a quorum?***

**A:**

A quorum, which is a majority of the outstanding shares of our common stock as of the record date, must be present or represented by proxy in order to hold the Annual Meeting and to conduct business. As of the record date, 69,402,947 shares of common stock, representing the same number of votes, were outstanding. Thus, the presence of the holders of common stock representing at least 34,701,374 shares of common stock is required to establish a quorum. Your shares will be counted as present at the Annual Meeting if you attend the Annual Meeting in

## Edgar Filing: ALIGN TECHNOLOGY INC - Form DEF 14A

person. Your shares will be considered present and represented by proxy if you submit a properly executed proxy card or vote via the Internet or by telephone. Under the General Corporation Law of the State of Delaware, abstentions and broker "non-votes" are counted as present and entitled to vote and are, therefore, included for purposes of determining whether a quorum is present at the Annual Meeting.

**Q:**

***What is a broker non-vote?***

**A:**

A broker non-vote occurs when a nominee holding shares for a beneficial owner does not vote on a particular proposal because the nominee does not have discretionary voting power with respect to that item and has not received instructions from the beneficial owner. Broker non-votes will be counted towards the presence of a quorum but will not be counted towards the vote total for any proposal.

**Q:**

***What vote is required to approve each item?***

**A:**

The vote required and method of calculation for the proposals are as follows:

*Election of directors.* The seven (7) director nominees receiving the highest number of votes, in person or by proxy, will be elected as directors. You may vote either "for" or "withhold" your vote for the director nominees. If you vote "withhold" with respect to the election of one or more directors, your shares will not be voted with respect to the director or directors, although your shares will be counted for purposes of determining whether there is a quorum.

*Ratification of the appointment of PricewaterhouseCoopers LLP.* For the ratification of the appointment of PricewaterhouseCoopers LLP as our independent registered public accountants for the fiscal year ending December 31, 2008, the affirmative vote of a majority of the votes cast will be required for approval. You may vote "for," "against," or "abstain" from voting on this proposal. Abstentions are deemed to be votes cast and have the same effect as a vote against this proposal. However, broker non-votes are not deemed to be votes cast and, therefore, are not included in the tabulation of the voting results on this proposal.

**Q:**

***Who will bear the cost of soliciting votes for the Annual Meeting?***

**A:**

We will bear the entire cost of proxy solicitation, including the preparation, assembly, printing and mailing of proxy materials. The original solicitation of proxies by mail may be supplemented by solicitation by telephone and other means by directors and employees of Align and by a third-party proxy solicitation company. In addition, we may reimburse brokerage firms and other custodians for their reasonable out-of-pocket expenses for forwarding these proxy materials to you.

**Q:**

***Who will count the vote?***

**A:**

We expect a representative from Computershare will tabulate the proxies and act as inspector of the election.

**Q:**

***Is there any information that I should know regarding future annual meetings?***

**A:**

As a stockholder you may be entitled to present proposals for action at a future annual stockholder meeting.

*Proposals intended to be included in the proxy statement.* Stockholder proposals that stockholders intend to present at Align's 2009 Annual Meeting of Stockholders and desire to have included in Align's proxy materials relating to such meeting must be received by Align no later than December 10, 2008, which is 120 calendar days prior to the anniversary of this year's proxy statement mailing date, and must be in compliance with applicable laws and regulations (including Rule 14a-8 of the Securities Exchange Act of 1934). If the date of the 2009 Annual Meeting of Stockholders is moved more than 30 days before or after the anniversary date of this year's Annual

## Edgar Filing: ALIGN TECHNOLOGY INC - Form DEF 14A

Meeting, the deadline for inclusion of a proposal in Align's proxy statement will instead be a reasonable time before Align begins to print and mail its proxy materials. Proposals should be addressed to:

Corporate Secretary  
Align Technology, Inc.  
881 Martin Avenue  
Santa Clara, California  
95050

*Proposals not intended to be included in the proxy statement.* If you wish to present a proposal at Align's 2009 Annual Meeting of Stockholders and the proposal is not intended to be included in Align's proxy statement, you must give Align advance notice of such proposal in accordance with Align's Bylaws. Pursuant to Align's Bylaws, in order for a stockholder proposal to be deemed properly presented, a stockholder must deliver notice of such proposal to Align's Corporate Secretary, at the address provided above, no earlier than the close of business on January 15, 2009 and no later than the close of business on February 14, 2009. However, if the date of the 2009 Annual Meeting of Stockholders is either more than 30 days before or more than 70 days after the anniversary date of this year's Annual Meeting, stockholders must give Align notice of any stockholder proposals no earlier than the close of business on the 120th day prior to the annual meeting and no later than the close of business on the later of: (i) the 90th day prior to the annual meeting or (ii) the close of business on the 10th day following the day on which Align first publicly announces the date of the annual meeting.

**Q:**

***What if multiple stockholders share the same address?***

**A:**

To reduce expenses, in some cases, we are delivering one set of voting materials to certain stockholders who share a single address, unless otherwise requested by one of the stockholders. A separate proxy card is included in the voting materials for each of these stockholders. If you have only received one set, you may request separate copies of the voting materials at no additional cost to you by calling us at (408) 470-1000 or by writing to us at Align Technology, Inc., 881 Martin Avenue, Santa Clara, California 94050, Attn: Investor Relations. You may also contact us by calling or writing if you would like to receive separate materials for future annual meetings.

### Other Matters

This proxy statement and Align's annual report to stockholders for the year ended December 31, 2007 are available at [www.aligntech.com](http://www.aligntech.com) by clicking on "Investor Relations" and then clicking on "Click here for 2008 Annual Meeting/Proxy Materials." In addition, you may receive an additional copy of Align's 2007 Annual Report on Form 10-K without charge or a copy of the exhibits to Align's 2007 Annual Report on Form 10-K for a reasonable fee by sending a written request to Align Technology, Inc., 881 Martin Avenue, Santa Clara, California 95050, Attn: Investor Relations or by sending an email to [investorinfo@aligntech.com](mailto:investorinfo@aligntech.com).

**PROPOSAL ONE**

**ELECTION OF DIRECTORS**

**Nominees**

The first proposal to be voted on at the meeting is the election of directors. The nominees for election at the Annual Meeting are: David E. Collins, Joseph Lacob, C. Raymond Larkin Jr., George J. Morrow, Thomas M. Prescott, Greg J. Santora and Warren S. Thaler. Upon the recommendation of the Nominating and Governance Committee, our Board of Directors has nominated these individuals for election to the Board of Directors. Each director is elected annually to serve until the next annual meeting or until his or her successor is duly elected and qualified or until his or her earlier resignation or removal. H. Kent Bowen has informed Align of his intention not to seek reelection to the Board of Directors, and his term will expire immediately following the Annual Meeting. The Board of Directors has adopted a resolution that will reduce the size of the Board of Directors from eight to seven persons immediately following the Annual Meeting. Your proxies cannot be voted for a greater number of persons than the number of nominees named in the proxy statement.

Unless otherwise instructed, the proxyholders will vote the proxies received by them for election of these nominees. In the event any of the nominees is unable or declines to serve as a director at the time of the Annual Meeting, the proxies will be voted for any nominee who shall be designated by the then current Board of Directors to fill the vacancy. In the event that additional persons are nominated for election as directors, the proxyholders intend to vote all proxies received by them in such a manner as to assure the election of the nominees named above.

All of the nominees have served as directors since the last annual meeting of stockholders. Each of the nominees has consented to serve if elected.

**The Board of Directors recommends a vote "FOR" all nominees.**

**Information Concerning the Nominees**

Please review the following information about the nominees.

**David E. Collins**

Age: 73

Director since 2003

Board committees:

Audit and Compensation (Chair)

Mr. Collins has served as a director of Align since April 2003. From 1994 to April 2004, Mr. Collins served as an independent consultant. His most recent operational role was with Schering-Plough Corporation from 1989 to 1994. At Schering-Plough, he created and served as President of a new consumer products division known as HealthCare Products, as well as serving as a member of the Schering-Plough Operations Committee, that company's senior executive management group. Prior to Schering-Plough, Mr. Collins helped found New York-based venture capital firm Galen Partners. Mr. Collins also spent 26 years with Johnson & Johnson and from 1962 to 1978 he served in a number of roles in the legal department at Johnson & Johnson, including Corporate Secretary and General Counsel. In 1978, Mr. Collins transitioned into a series of executive management roles, including President of McNeil Laboratories, with responsibility for several Latin American subsidiaries, leadership of the worldwide consumer products business and oversight of corporate public relations, investor relations, strategic planning and the government legislative liaison office. In 1982, Mr. Collins became a member of the Johnson & Johnson Executive Management Committee. Mr. Collins also served on the Board of Directors of Johnson & Johnson and left in 1988 as Vice Chairman of the Board of Directors.

**Joseph Lacob**

Age: 52

Director since 1997

Board committees:

Nominating and Governance (Chair) and Technology

Mr. Lacob has served as a director of Align since August 1997 and has been a partner of Kleiner Perkins Caufield & Byers (KPCB), a venture capital firm, since May 1987. Prior to that, Mr. Lacob was an executive with Cetus Corporation (now Chiron), FHP International, a health maintenance organization, and the management consulting firm of Booz, Allen & Hamilton. He serves on the Board of Directors of eHealth, Inc. and Orexigen Therapeutics Inc. Mr. Lacob received his B.S. in Biological Sciences from the University of California at Irvine, his Masters in Public Health from the University of California at Los Angeles and his M.B.A. from Stanford University.

**C. Raymond Larkin Jr.**  
(Chairman of the Board)  
Age: 59  
Director since 2004  
Board committees:  
Nominating and Governance

Mr. Larkin has served as a director of Align since March 2004. In February 2006, Mr. Larkin was appointed as Chairman of the Board of Directors. He currently is a Principal of Group Outcome L.L.C., a merchant banking firm concentrating on medical technologies and since July 1, 2006 he has served as a part time Venture Partner at Cutlass Capital, a venture capital firm. Mr. Larkin was previously Chairman and Chief Executive Officer at Eunoe, Inc., a medical device company. From 1983 to March 1998, he held various executive positions with Nellcor Puritan Bennett, Inc., a medical instrumentation company, for which he served as President and Chief Executive officer from 1989 until 1997. Mr. Larkin also held various positions of increasing responsibility at Bentley Laboratories/American Hospital Supply from 1976 to 1983. Mr. Larkin received his B.S. in Industrial Management from LaSalle University.

**George J. Morrow**  
Age: 56  
Director since 2006  
Board committees:  
Compensation

Mr. Morrow has served as a director of Align since February 2006. He is currently the Executive Vice President, Global Commercial Operations at Amgen Inc., a global biotechnology company, where he also served as Executive Vice President of Worldwide Sales and Marketing between 2001 and 2003. From 1992 to 2001, Mr. Morrow held multiple leadership positions at GlaxoSmithKline Inc. and its subsidiaries, including President and Chief Executive Officer of Glaxo Wellcome Inc. Mr. Morrow holds a B.S. in Chemistry from Southampton College, Long Island University, an M.S. in Biochemistry from Bryn Mawr College and an M.B.A. from Duke University.

**Thomas M. Prescott**  
Age: 52  
Director since 2002  
No Board committees

Mr. Prescott has served as our President and Chief Executive Officer and a member of the Board of Directors since March 2002. Prior to joining Align, Mr. Prescott was President and Chief Executive Officer of Cardiac Pathways, Inc. from May 1999 to August 2001 and a consultant for Boston Scientific Corporation from August 2001 to January 2002 after its acquisition of Cardiac Pathways in August 2001. Prior to Cardiac Pathways, Mr. Prescott held various sales, general management and executive roles at Nellcor Puritan Bennett, Inc. from April 1994 to May 1999, and various management positions at GE Medical Systems from October 1987 to April 1994. In addition, Mr. Prescott served in sales, marketing and management roles at Siemens from December 1980 to July 1986. He received his B.S. in Civil Engineering from Arizona State University and Masters in Management from Northwestern University.

**Greg J. Santora**

Age: 56  
 Director since 2003  
 Board committees:  
 Audit (Chair)

Mr. Santora has served as a director of Align since July 2003. Mr. Santora served as Chief Financial Officer at Shopping.com, a provider of internet-based comparison shopping resources, from December 2003 until September 2005. From 1997 through 2002, he served as Senior Vice President and Chief Financial Officer for Intuit, Inc., a provider of small business and personal finance software. Prior to Intuit, Mr. Santora spent nearly 13 years at Apple Computer in various senior financial positions including Senior Finance Director of Apple Americas and Senior Director of Internal Consulting and Audit. Mr. Santora, who began his accounting career with Arthur Andersen L.L.P., has been a CPA since 1974. He serves on the Board of Directors of Taleo Corporation. Mr. Santora holds a B.S. in Accounting from the University of Illinois and an M.B.A. from San Jose State University.

**Warren S. Thaler**

Age: 45  
 Director since 2004  
 Board committees:  
 Audit, Nominating and Governance and Technology

Mr. Thaler has served as a director of Align since June 2004. Since 2001, Mr. Thaler has been President of Gund Investment Corporation, an investment firm owned by Gordon Gund with holdings in real estate as well as public and private equity securities. From 1995 to 2001, Mr. Thaler was Vice President of Gund Investment Corporation. From 1990 to 2005, Mr. Thaler was on the boards of the Cleveland Cavaliers and Gund Arena Company and from 2001 to 2005 represented the Cleveland Cavaliers as its Alternate Governor at meetings of the National Basketball Association's Board of Governors. Mr. Thaler currently serves as a board member on three privately held companies. Mr. Thaler received his B.A. from Princeton University and his M.B.A. from Harvard University.

There are no family relationships between any director or executive officer.

## CORPORATE GOVERNANCE

### Corporate Governance Policies and Practices

Align has instituted a variety of policies and practices to foster and maintain responsible corporate governance, including the following:

*Corporate Governance Guidelines.* Our Board of Directors has set forth its corporate governance practices in the *Corporate Governance Guidelines of Align Technology, Inc.*, a copy of which is available on the Investor Relations section of our website located at <http://investor.aligntech.com>. Selected provisions of the guidelines are detailed below.

*Board Committee Charters.* Each committee of our Board of Directors has adopted a written charter that establishes practices and procedures for such committee in accordance with applicable corporate governance rules and regulations. These charters are available on the Investor Relations section of our website located at <http://investor.aligntech.com>.

*Code of Ethics.* Our Board of Directors has adopted a *Code of Business Conduct and Ethics* that is applicable to all directors, officers and employees of Align, including Align's principal executive officer, principal financial officer and controller. This Code is intended to deter wrongdoing and promote ethical conduct among our directors, executive officers and employees. The *Code of Business Conduct and Ethics* is available on the Investor Relations section of our website located at [investor.aligntech.com](http://investor.aligntech.com). Stockholders may request in writing free printed copies of our Code of Ethics from Align Technology, Inc., 881 Martin Avenue, Santa Clara, California 95050, Attn: Investor Relations or by sending an email to [investorinfo@aligntech.com](mailto:investorinfo@aligntech.com). We will post on our website at <http://investor.aligntech.com> any amendments to our Code of Business Conduct and Ethics, as well as any waivers to our Code of Business Conduct and Ethics that are required to be disclosed by the rules of the Securities and Exchange Commission (the "SEC") or The NASDAQ Stock Market LLC ("Nasdaq").

### Nominations for Directors

*Process for Identifying and Evaluating Nominees and Relevant Criteria.* The Nominating and Governance Committee considers candidates for Board membership suggested by Board members, management and stockholders of Align. The Nominating and Governance Committee has also retained from time to time a third-party executive search firm to identify independent director candidates. Where the Nominating and Governance Committee has either identified a prospective nominee or determines that an additional or replacement director is desirable, the Nominating and Governance Committee may take such measures that it considers appropriate in connection with its evaluation of a director candidate, including candidate interviews, inquiry of the person or persons making the recommendation or nomination, engagement of an outside search firm to gather additional information, or reliance on the knowledge of the members of the Nominating and Governance Committee, the Board or management. In its evaluation of director candidates, including the members of the Board of Directors eligible for reelection, the Nominating and Governance Committee considers a number of factors, including the following:

the current size and composition of the Board of Directors and the needs of the Board of Directors and the respective committees of the Board;

such factors as judgment, independence, character and integrity, age, area of expertise, diversity of experience, length of service, and potential conflicts of interest; and

the prospective nominee's ability to dedicate sufficient time, energy and attention to the performance of his or her duties, including the prospective nominee's service on other public company boards, as specifically set out in our *Corporate Governance Guidelines*.



## Edgar Filing: ALIGN TECHNOLOGY INC - Form DEF 14A

The Nominating and Governance Committee has also specified the following minimum qualifications that it believes must be met by a nominee for a position on the Board:

the highest personal and professional ethics and integrity;

proven achievement and competence in the nominee's field and the ability to exercise sound business judgment;

skills that are complementary to those of the existing Board;

the ability to assist and support management and make significant contributions to Align's success; and

an understanding of the fiduciary responsibilities that is required of a member of the Board and the commitment of time and energy necessary to diligently carry out those responsibilities.

After completing the evaluation and review, the Nominating and Governance Committee makes a recommendation to the full Board as to the persons who should be nominated to the Board, and the Board determines and approves the nominees after considering the recommendation and report of the Nominating and Governance Committee.

*Stockholder Recommendation of Nominees.* Under our *Corporate Governance Guidelines*, the Nominating and Governance Committee is required to consider recommendations for candidates to the Board of Directors from stockholders holding at least 1% of the total outstanding shares of Align common stock (stockholders must have held such common stock continuously for at least 12 months prior to the date of the submission of the recommendation). The Nominating and Governance Committee will consider persons recommended by Align's stockholders in the same manner as a nominee recommended by the Board of Directors, individual Board members or management.

A stockholder may also nominate a person directly for election to the Board of Directors at an annual meeting of our stockholders provided their proposal meets the requirements set forth in our Bylaws and the rules and regulations of the SEC related to stockholder proposals. The process for properly submitting a stockholder proposal, including a proposal to nominate a person for election to the Board of Directors at an annual meeting, is described above in the answer to the question *"Is there any information that I should know regarding future annual meetings?"*

### **Director Independence**

In accordance with the Nasdaq listing standards, the Board undertook its annual review of the independence of its directors and considered whether any director had a material relationship with Align or its management that could compromise his ability to exercise independent judgment in carrying out his responsibilities. As a result of this review, the Board affirmatively determined that current Board members David E. Collins, Joseph Lacob, C. Raymond Larkin Jr., George J. Morrow, Greg J. Santora and Warren S. Thaler are "independent directors." In addition, the Board determined that H. Kent Bowen, who will not stand for reelection at the Annual Meeting, was an "independent director".

Mr. Thaler is the President of Gund Investment Corporation, an investment firm owned by Gordon Gund. As of March 31, 2008, Mr. Gund was the beneficial owner of approximately 11% of the shares of our outstanding common stock. After considering this information, the Board determined that Mr. Thaler's employment by Gund Investment Corporation does not constitute a material relationship that affects Mr. Thaler's independence.

**Board of Directors and Committee Meetings**

Board Member	Board	Audit Committee	Compensation Committee(1)	Nominating and Governance Committee	Technology Committee(1)
David E. Collins	ü	ü	ü*		
Joseph Lacob	ü			ü*	ü
C. Raymond Larkin Jr.	ü*			ü	
George J. Morrow	ü		ü		
Greg J. Santora	ü	ü*			
Warren S. Thaler	ü	ü		ü	ü
Number of Meetings held in 2007	6	11	9	2	1

\*

Chairman

(1)

H. Kent Bowen who is not standing for reelection at the 2008 Annual Meeting was a member of the Compensation Committee and the Technology Committee during 2007 and during 2008 up until the date of the Annual Meeting.

**Audit Committee.** The purpose of the Audit Committee is to, among other things, oversee and monitor our accounting and financial reporting processes, our financial statement audits, the qualifications, independence and performance of our independent auditors and our internal accounting and financial controls; to pre-approve audit and non-audit services; to provide oversight and monitor our Internal Audit Department; to review, approve and monitor our Code of Business Conduct and Ethics; and to establish procedures for receiving, retaining and treating complaints regarding accounting, internal accounting controls or auditing matters. None of the Audit Committee members are employees of Align, and our Board of Directors has determined that each member is independent within the meaning of the Nasdaq listing standards and the rules and regulations of the SEC. Our Board of Directors has determined that Mr. Santora is qualified as an "audit committee financial expert" within the meaning of the rules of the SEC and has confirmed that the other members of the Audit Committee are able to read and understand financial statements. The report of the Audit Committee for 2007 is included in this proxy statement. The Audit Committee has adopted a written charter approved by the Board of Directors, a copy of which is available on our website at <http://investor.aligntech.com>.

**Compensation Committee.** The Compensation Committee is responsible for Align's benefit plans, reviewing and administering all compensation arrangements for executive officers, and reviewing general compensation goals and guidelines for Align's employees and the criteria for which bonuses are to be determined. The Compensation Committee may form and delegate authority to subcommittees when appropriate. None of the Compensation Committee members are employees of Align, and our Board of Directors has determined that each member is independent within the meaning of the Nasdaq listing standards. The report of the Compensation Committee for 2007 is included in this proxy statement. The Compensation Committee has adopted a written charter approved by the Board of Directors, a copy of which is available on our website at <http://investor.aligntech.com>.

**Nominating and Governance Committee.** The Nominating and Governance Committee is expected to identify, evaluate and recommend nominees to the Board of Directors as well as evaluate the composition, organization and governance of the Board of Directors and its committees and develop and recommend corporate governance principles and policies applicable to Align. The Nominating and Governance Committee also prepares and supervises the Board's annual review of director independence. None of the Nominating and Governance Committee members are employees of Align, and our Board of Directors has determined that each member is independent within the meaning of

the Nasdaq listing standards. The Nominating and Governance Committee has adopted a written charter approved by the Board of Directors, a copy of which is available on our website at <http://investor.aligntech.com>.

*Technology Committee.* The Technology Committee is expected to review Align's technology and development activities and oversee and advise the Board of Directors on matters of innovation and technology. None of the Technology Committee members are employees of Align, and our Board of Directors has determined that each member is independent within the meaning of the Nasdaq listing standards. The Technology Committee has adopted a written charter approved by the Board of Directors, a copy of which is available on our website at <http://investor.aligntech.com>.

*Meetings of the Board of Directors.* During 2007, each director attended at least 75% of the meetings of the Board and the committees on which he serves.

*Executive Sessions of Independent Directors.* The Board periodically holds meetings of only the independent directors without management present. Our *Corporate Governance Guidelines* provide that the independent directors of the Board will meet in executive session at least twice a year.

*Annual meeting attendance.* Align encourages all Board members to attend the annual stockholder meeting. Last year, six directors attended our annual meeting of stockholders.

#### **Compensation Committee Interlocks and Insider Participation**

No member of the Compensation Committee of the Board of Directors was at any time, since the formation of Align, an officer or employee of Align. No executive officer of Align serves as a member of the Board of Directors or Compensation Committee of any entity that has one or more executive officers serving on Align's Board of Directors or Compensation Committee.

#### **Stockholder Communications with Board of Directors**

Stockholders may communicate directly with the non-management directors of Align by sending an email to [board@aligntech.com](mailto:board@aligntech.com). Our General Counsel monitors these communications and ensures that appropriate summaries of all received messages are provided to the Board of Directors at its regularly scheduled meetings. In addition, the Chairman of the Nominating and Governance Committee has access to this email address and may monitor communications at his option. Where the nature of a communication warrants, our General Counsel may decide to obtain the more immediate attention of the appropriate committee of the Board of Directors or a non-management director, or Align's management or independent advisors, as our General Counsel considers appropriate. After reviewing stockholder messages, our Board of Directors will determine whether any response is necessary or warranted.

**Director Compensation**

*Cash Compensation.* Our standard cash compensation plan for 2007 for non-employee directors is as follows:

Description	Fee
Annual retainer for Chairman of the Board of Directors(1)	\$ 210,000
Monthly retainer for membership on the Board of Directors (excluding the Chairman of the Board)	\$ 2,000
Additional monthly retainer for Chair of Audit Committee	\$ 1,000
Additional monthly retainer for Chair of Compensation Committee	\$ 500
Additional monthly retainer for Chair of Nominating & Governance Committee	\$ 416.67
Each Face to Face Meeting of the Board of Directors	\$ 1,500
Each Telephonic Meeting of the Board of Directors	\$ 750
Each Face to Face Meeting of the Audit Committee	\$ 1,000
Each Telephonic Meeting of the Audit Committee	\$ 500
Each other Committee Meeting (Face to Face or Telephonic)	\$ 750

(1)

The Chairman of the Board does not receive any compensation for Board or Committee attendance other than the annual retainer.

On March 27, 2008, the Board of Directors approved the following changes to the fees in the table above, effective immediately following the Annual Meeting.

Description	Fee
Annual retainer for Chairman of the Board of Directors ( <i>unchanged</i> )	\$ 210,000
Monthly retainer for membership on the Board of Directors (excluding the Chairman of the Board)	\$ 3,000
Additional monthly retainer for Chair of Audit Committee and Chair of Compensation Committee	\$ 1,500
Additional monthly retainer for Chair of Nominating and Governance Committee	\$ 500
Additional monthly retainer for Chair of Technology Committee	\$ 833.33
Each Face to Face Meeting of the Board of Directors ( <i>unchanged</i> )	\$ 1,500
Each Telephonic Meeting of the Board of Directors ( <i>unchanged</i> )	\$ 750
Each Face to Face Meeting of Each Committee	\$ 1,000
Each Telephonic Meeting of Each Committee	\$ 500

*Equity Compensation.*

**Automatic Grant Program**

In March 2007, we amended the Automatic Grant Program of our 2005 Incentive Plan. Under the revised program, each non-employee director receives an automatic option grant for 10,000 shares of common stock plus an award of 3,000 restricted stock units on the date of each annual meeting of stockholders during his period of continued service on the Board, provided that the individual has served as a non-employee member of the Board of Directors for at least six months. The shares vest upon the earlier of (i) the one year anniversary of the grant date and (ii) the date of the next annual meeting of stockholders following the grant date. New non-employee members of the Board of Directors receive an initial automatic grant of 30,000 shares of common stock. These shares vest in four successive equal annual installments over the first four years of service on the Board of Directors. The

## Edgar Filing: ALIGN TECHNOLOGY INC - Form DEF 14A

2005 Incentive Plan also enables the Board of Directors to make discretionary equity incentive awards to non-employee members of the Board of Directors.

In 2007, pursuant to our Automatic Grant Program, each of Messrs. Bowen, Collins, Lacob, Morrow, Santora and Thaler received an option to purchase 10,000 shares of common stock having an exercise price of \$22.67 per share and 3,000 restricted stock units. Assuming the continued service of the director, each of these equity awards will vest 100% on the date of the Annual Meeting (or May 15, 2008).

Each outstanding option under the Automatic Grant Program will become fully vested and immediately exercisable upon (i) certain changes in ownership or control of Align or (ii) the death or permanent disability of the optionee while serving as a member of Align's Board of Directors. Upon the successful completion of a hostile tender offer for more than 50% of our outstanding voting stock, each such option may be surrendered to Align for a cash distribution per surrendered option share in an amount equal to the excess of (a) the tender offer price paid per share of common stock over (b) the exercise price payable for the share underlying such option.

### Discretionary Grants

In connection with Mr. Larkin's service as Chairman of the Board of Directors, in February 2007, he received a discretionary grant of an option to purchase 15,000 shares of common stock with an exercise price of \$17.88 per share and a discretionary grant of 5,000 restricted stock units. Each of these awards was fully vested in February 2008. Mr. Larkin did not receive any other equity awards in 2007. No other non-employee directors received discretionary equity awards. In February 2008, Mr. Larkin received a discretionary grant of an option to purchase 15,000 shares of common stock with an exercise price of \$13.00 per share and a discretionary grant of 5,000 restricted stock units. Assuming the continued service of Mr. Larkin, each of these awards will vest 100% in February 2009, on the one year anniversary of the date of grant. Mr. Larkin will not receive any awards in 2008 under the Automatic Grant Program.

### *2007 Director Compensation.*

The table below summarizes the compensation paid by Align to non-employee directors for the year ended December 31, 2007. Mr. Thomas M. Prescott, our President and Chief Executive Officer, is not included in the table below because he is an employee of Align and, as such, receives no compensation for his service on the Board of Directors. The compensation received by Mr. Prescott is shown in the Summary Compensation Table on page 34 below.

Name	Fees earned or paid in cash(\$)	Stock awards \$(1)	Option awards \$(1)	Total(\$)
H. Kent Bowen(2)(5)	39,000	42,174	104,360	185,534
David E. Collins(2)(5)	50,500	42,174	110,457	203,131
Joseph Lacob(2)(3)(5)	0	42,174	104,360	146,534
C. Raymond Larkin Jr.(2)(4)(6)	210,000	83,222	337,740	630,962
George J. Morrow(2)(5)	38,250	42,174	175,052	255,476
Greg J. Santora(2)(5)	52,500	42,174	180,116	274,790
Warren S. Thaler(2)(5)	41,250	42,174	262,452	345,876

- (1) Subject to the proviso in the second sentence of this footnote, the dollar values of the stock awards and option awards, as applicable, represent the dollar amount recognized for financial statement reporting purposes with respect to the fiscal year in accordance with SFAS 123 (revised 2004) "Share-Based Payment" ("SFAS 123R") and, therefore, includes amounts from awards granted in

## Edgar Filing: ALIGN TECHNOLOGY INC - Form DEF 14A

and prior to 2007. Under SFAS 123R, Align's estimate of fair value requires a number of complex and subjective assumptions including our stock price volatility, employee exercise patterns (expected life of the options), related tax effects and future forfeitures; *provided that*, in accordance with the rules and regulations of the SEC, the compensation cost disclosed above, does not include an estimate of forfeitures related to service-based vesting conditions. Rather, compensation costs for these awards are disclosed assuming that the named executive officer will remain employed by the company for a sufficient period of time to fully vest in the award. A more complete discussion of the relevant assumptions for awards granted in 2007 and 2006 (all current directors), 2005 (all current directors other than Mr. Morrow) is contained in Note 10 to Align's Notes to Consolidated Financial Statements in our Annual Report on Form 10-K for the year ended December 31, 2007 and is incorporated into this proxy statement by reference. For awards granted in 2004 (Messrs. Larkin and Thaler) and for 2003 (Messrs. Bowen, Lacob and Collins), a more complete discussion of the relevant assumptions for such awards is contained in Note 7 to the Notes to Consolidated Financial Statements in our Annual Report on Form 10-K for the year ended December 31, 2005 and is incorporated into this proxy statement by reference.

(2)

The aggregate number of option awards and the aggregate number of stock awards outstanding at December 31, 2007 for each non-employee director is as follows:

Name	Option Awards	Stock Awards
Mr. Bowen	101,000	3,000
Mr. Collins	60,000	3,000
Mr. Lacob	161,000	3,000
Mr. Larkin	113,000	5,000
Mr. Morrow	85,000	3,000
Mr. Santora	109,000	3,000
Mr. Thaler	85,000	3,000

(3)

Mr. Lacob waived the payment of fees for his services to the Board and its committees.

(4)

Mr. Larkin is the Chairman of the Board. The Chairman of the Board does not receive any compensation for Board or Committee attendance other than the annual retainer.

(5)

Pursuant to our Automatic Grant Program, on May 23, 2007, each of Messrs. Bowen, Collins, Lacob, Morrow, Santora and Thaler received an option to purchase 10,000 shares of our common stock with an exercise price of \$22.67 per share and a restricted stock unit award of 3,000 shares. The grant date fair value of each of these awards under SFAS 123R is \$117,644 and \$68,010, respectively.

(6)

Mr. Larkin received an option to purchase 15,000 shares of our common stock with an exercise price of \$17.88 per share and a restricted stock unit award of 5,000 shares on February 20, 2007 (on or about the anniversary of the date he was appointed Chairman). The grant date fair value of each of these awards under SFAS 123R is \$163,730 and \$89,400, respectively.

**PROPOSAL TWO****RATIFICATION OF APPOINTMENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTANTS**

The Audit Committee of the Board of Directors has selected PricewaterhouseCoopers LLP, independent registered public accountants ("PwC"), to audit the financial statements of Align for the year ending December 31, 2008. In making its recommendation to appoint PwC as Align's independent registered public accountants, the Audit Committee has considered whether the provision of the non-audit services rendered by PwC is compatible with maintaining the firm's independence.

Although stockholder ratification of the selection of PwC as our independent registered public accountants is not required by our Bylaws or any other applicable law, the Audit Committee is submitting the selection of PwC to the stockholders for ratification as a matter of good corporate practice. If the stockholders fail to ratify the selection, the Audit Committee and the Board of Directors will reconsider whether or not to retain that firm. Even if the selection is ratified, our Audit Committee, at its discretion, may direct the appointment of a different firm to act as our independent registered public accountants at any time during the year if it determines that such a change would be in our best interests and in the best interests of our stockholders.

Representatives of PwC are expected to be present at the Annual Meeting with the opportunity to make a statement if they desire to do so and are expected to be available to respond to appropriate questions.

**Fees to PricewaterhouseCoopers LLP for 2007 and 2006**

The following table presents fees for professional services rendered by PwC for the audit of Align's annual financial statements for 2007 and 2006 and fees billed for audit-related services and tax services rendered by PwC for 2007 and 2006:

	2007	2006
Audit fees(1)	\$ 1,097,185	\$ 1,084,348
Audit-related fees(2)	\$ 77,195	191,921
Tax fees(3)	\$ 5,185	19,020
Total fees:	\$ 1,179,565	\$ 1,295,289

- (1) *Audit fees* These are fees for professional services performed by PwC for the annual audit of Align's financial statements and review of financial statements included in Align's quarterly filings, and services that are normally provided in connection with statutory and regulatory filings or engagements, and attest services, except those not required by statute or regulation.
- (2) *Audit-related fees* These are fees for technical advisory consultations performed by PwC that are reasonably related to the performance of the audit or review of Align's financial statements and are not reported under "Audit fees".
- (3) *Tax fees* These are fees for professional services performed by PwC with respect to tax compliance, tax advice and tax planning.

**Audit Committee's Policy of Pre-Approval of Audit and Permissible Non-Audit Services**

The Audit Committee's policy is to pre-approve all audit and permissible non-audit services provided by the independent registered public accountants subject to limited discretionary authority granted to our Chief Financial Officer. These services may include audit services, audit-related services, tax services and other services. Pre-approval is detailed as to the particular service or category of services and is generally subject to a specific budget. The independent registered public accountants





and management are required to periodically report to the Audit Committee regarding the extent of services provided by the independent registered public accountants in accordance with this pre-approval and the fees for the services performed to date. All PwC services in 2007 and 2006 were pre-approved by the Audit Committee.

**The Board of Directors recommends that stockholders vote "FOR" the ratification of PricewaterhouseCoopers LLP as Align's independent registered public accountants for the year ending December 31, 2008.**

## EXECUTIVE COMPENSATION

### Compensation Discussion and Analysis

#### Overview

This section discusses the principles underlying our executive compensation policies and compensation decisions made for 2007 with respect to Thomas M. Prescott, our Chief Executive Officer (we refer to him as our CEO), and the other executive officers named in the Summary Compensation Table on page 34. We refer to these executive officers collectively as the "named executive officers". This discussion provides qualitative information regarding the manner and context in which compensation is awarded to and earned by our named executive officers and provides perspective for the data presented in the tables and narrative that follow.

#### Executive Compensation Philosophy and Core Objectives

We believe that the most effective compensation program is one that is designed to reward the achievement of annual financial targets (short-term performance) and multi-year key strategic priorities (both short and longer-term performance). A compensation program designed in this manner is intended to effectively link the actions of our executives to business outcomes that drive value for stockholders. With this philosophy as our foundation, the following principles guide our compensation decisions:

***Offer competitive compensation.*** We seek to provide competitive compensation opportunities to attract, retain and incent superior talent.

***Reward performance.***

A significant portion of total compensation for named executive officers is tied to the achievement of financial and strategic objectives. We believe that this supports our pay-for-performance philosophy by directly and substantially linking rewards to the achievement of measurable financial targets and a shared set of critical strategic priorities.

By also rewarding individual performance, we seek to create an understanding that Align is a meritocracy.

***Link the interests of our executives with those of our stockholders.***

A significant portion of total compensation for named executive officers is tied to the achievement of financial and strategic objectives. We believe that this links the actions of our executives to business outcomes that increase stockholder value.

A significant portion of the total compensation paid to our named executive officers is in the form of long-term equity-based compensation. This serves to further link long-term stockholder and executive interests.

We have change of control provisions with each of our named executive officers. This serves to ensure that, in the event that a stockholder favorable acquisition of Align presented itself, our executives would not be biased against pursuing such a transaction.

#### How We Implement and Manage our Executive Compensation Programs

***Role of Compensation Committee.*** The Compensation Committee sets Align's overall compensation philosophy, which is reviewed and approved by the Board of Directors. The Compensation Committee also reviews and approves our compensation programs, including the specific compensation of our executive officers (excluding the CEO). The Compensation Committee reviews



and approves all equity compensation awards for the CEO and reviews and recommends to our Board of Directors all cash based compensation arrangements for our CEO.

The Compensation Committee may form and delegate authority to subcommittees when appropriate, although no such delegation is currently in effect. The Compensation Committee, which has the authority to directly engage outside firms or consultants, has retained Watson Wyatt to support their responsibilities in determining executive compensation and related programs. No member of the Compensation Committee or any executive officer has any affiliation with Watson Wyatt. In 2007, the Compensation Committee reviewed the relationship between its compensation consultant and Align to ensure independence. Following such review, the Committee determined that Watson Wyatt was independent from management. The Compensation Committee periodically seeks input from Watson Wyatt on a range of external market factors, including evolving compensation trends, appropriate comparison companies, review of Align's overall compensation plan design, assessment of Align's executive pay levels and market survey data. The Compensation Committee regularly meets in executive session and seeks the input of Watson Wyatt as needed. The Compensation Committee operates under a written charter adopted by the Board of Directors which can be found on the Investor Relations section of Align's website located at <http://investor.aligntech.com>.

*Role of Executive Officers and Others.* In designing the various elements of our compensation program and determining actual compensation awards, the Compensation Committee draws upon the expertise of our CEO, our Vice President, Human Resources, our Chief Financial Officer, our General Counsel, our outside legal counsel and Watson Wyatt on matters that fall within their respective realms of responsibility.

Generally, in December of each fiscal year, senior management presents Align's internal operating plan to the Board of Directors for its approval. The operating plan integrates the financial objectives and critical strategic priorities for our business for the coming fiscal year. The Compensation Committee engages in a dialogue with our CEO and reviews the key financial targets derived from the operating plan and the critical strategic priorities. Our CEO advises the Committee regarding the alignment and weighting of our performance measures under our annual cash incentive (bonus) awards with our overall strategy, the impact of the design of our equity incentive awards on our ability to attract, motivate and retain highly talented executives and the competitiveness of our compensation program. Prior to the end of the year, our CEO reviews each executive officer's performance as well as the company's performance against the pre-established financial targets and critical strategic priorities. Our CEO then presents this assessment to the Compensation Committee and makes his recommendations with respect to the appropriate base salary, annual bonus payments and grants of long-term equity incentive awards for all executive officers, excluding himself. The Committee in executive session discusses Align's performance and then begins discussions regarding our CEO's performance. Upon completion of the fiscal year, the Compensation Committee finalizes its projected actions for each executive officer and, in the case of our CEO's cash compensation, recommends it to the Board for its approval. Our CEO is not present during discussions regarding his compensation.

Our Vice President, Human Resources (together with Watson Wyatt) provides the Committee with internal and external analyses regarding the basic structure and competitiveness of our compensation program and the details and effectiveness of our various compensation and incentive plans. Our CFO also attends Compensation Committee meetings as one of the ways in which he, like our CEO, assures himself that our Compensation Discussion and Analysis is correct so that he can provide the certification required by Section 302 of the Sarbanes-Oxley Act. In the course of a Committee meeting, he may also be called upon to explain details of financial results relevant to incentive compensation or other financial measures or accounting rules. The General Counsel and outside legal counsel are generally available at meetings to provide input on the legal and regulatory environment and to assist in the preparation of minutes.

**The Principal Components of Compensation of our Executive Officers**

The principal components of each executive officer's total compensation package at Align are:

- base salary;
- annual variable cash incentive awards;
- long-term equity-based incentive grants; and
- severance and change of control arrangements.

In determining how we allocate an executive's total compensation package among these various components, we emphasize compensation elements that reward performance against measures that correlate closely to increases in shareholder value. The Compensation Committee continuously reviews the elements of our executive compensation package. Historically we have relied primarily on stock options for creating long-term incentives. However, in response to recent accounting changes related to the expensing of equity awards as well as dilution constraints, companies are generally granting less equity compensation than they have in the past. As a result of this evolution away from relying exclusively on equity awards for long-term incentive compensation, the Compensation Committee continues to review Align's long-term compensation programs and other benefits, such as health and retirement benefits, to ensure that our programs continue to achieve their primary objective of attracting, retaining and motivating our officers over a long career at Align. Consistent with this pay-for-performance orientation, Align believes that annual bonus awards and long-term equity compensation should together represent the most significant portion of total direct compensation. As a result, a larger portion of our executive officers' total compensation is performance based and at risk relative to Align's other employees. We believe this is appropriate because our executive officers bear the greatest responsibility for Align's results (positive and negative) and can exert the greatest leverage on Align's performance. For example, this emphasis resulted in performance based compensation (meaning bonus and equity incentive awards) representing the largest portion of the total target and actual compensation of the named executive officers in 2007.

Pay Mix: CEO ACTUAL

Pay Mix: Named executive officers  
(avg) ACTUAL\*

---

\*

*Chart for named executive officers does not include Mr. Arola, our CFO, since he did not become CFO until December 14, 2007. Stock compensation is determined using the grant date fair value of grants made in 2007. This amount is different from the amount set forth in the Summary Compensation Table, since the Summary Compensation Table uses the dollar amount recognized for financial statement reporting purposes with respect to the fiscal year in accordance with SFAS 123R and therefore may include amounts from awards granted in and prior to 2007.*

**Determining Compensation.** Within the overall framework of the objectives and principles discussed above, the Compensation Committee exercises its judgment in making executive compensation decisions. The factors that generally inform and shape the Committee's executive compensation decisions are:

- Market comparison data (peer group data and survey data);



## Edgar Filing: ALIGN TECHNOLOGY INC - Form DEF 14A

Subjective elements, such as the scope of the executive's role, experience and skills and the individual's performance during the fiscal year; and

Align's operational and financial performance, including achievement of specific operation and strategic goals.

*The use of market comparison data.* In connection with the Compensation Committee's continuing assessment of the competitiveness of Align's executive pay levels and practices relative to its peers, the Committee considers data gathered from at least two sources: (i) compensation data from a selected peer group of companies, and (ii) multiple, nationally-published surveys with data from a broader mix of companies across various industries.

Each year we review the companies that comprise our peer group to confirm that it continues to be an appropriate benchmark for Align. In 2007, we completed this review and determined that 4 of the original peer group companies had been acquired or otherwise ceased to be publicly traded and the former peer group no longer was the best reflection of the companies for which we compete for executive talent. As a result, we formed a new peer group for 2007. This peer group consists of 13 companies that are predominantly (although not exclusively) located in the San Francisco Bay Area, the geographic location in which we operate and compete for executive talent. In addition to geographic location, these companies were chosen using the following principles:

companies that are close industry competitors (generally of comparable size);

medical device companies that are similar in size as measured by revenue and growth rates; and

technology companies with similar growth potential and technology development needs for software and enterprise system designers.

The following companies made up the peer group for 2007:

Advanced Medical Optics Inc.	Natus Medical Inc.
American Medical Systems Holdings	Nektar Therapeutics
Ansys Inc.	Nuvasive Inc.
ArthroCare*	Sirona Dental Systems Inc.
Integra Lifesciences Hldgs	Sonosite*
Intuitive Surgical*	Vital Images Inc.
Mentor Corp.	

---

\*

Companies that were in the former peer group.

We believe these companies accurately reflect the business and labor market in which Align competes.

Because Align's executive management talent pool is recruited from a much broader range of companies than those included in our peer group, and because the majority of Align's executive positions lead functions that tend to be less industry-sensitive from a recruiting perspective, the Committee also considers compensation data gathered from a broader mix of companies across various industries that are located in the Bay Area. The Compensation Committee and management make every effort to ensure that our executive positions and roles are measured against equivalent counterpart roles in the peer group of companies. Occasionally, due to the unique requirements of executive roles at Align or the lack of roles of similar scope at the peer companies, the peer group data does not accurately reflect an individual's role at Align. As a result, the Compensation Committee may exercise its judgment and make adjustments to an executive's compensation that they believe account for such differences in role and scope.

*Role of Individual Performance.* Although the Compensation Committee believes that the largest portion of each executive's total compensation should be based on our executive officers' success as a team and thus based on achievement of shared financial and critical strategic goals, it also believes that there should be some ability to reward individual contributions. To that end, we consider individual performance, the impact of that performance on the achievement of our strategic goals and objectives and on the executive team's performance as significant factors in setting base salary and in granting equity based compensation. We also consider individual performance as an important factor in determining the final allocation of annual cash incentive awards. To evaluate individual performance, individual goals are set each year for the named executive officers. These include organizational and operational objectives that are tied to our business plan and overall strategy and are both quantitative and qualitative in nature. For example, our CEO's goals are tied to Align's overall performance. In contrast, the individual goals set for the other named executives officers relate to performance of the specific business functions over which they have responsibility. For 2007, these goals included progress towards new product development, evolution of our automation and manufacturing platforms and evolution of our information technology and enterprise systems. As a result, the actual compensation of a named executive officer therefore reflects an element of the Compensation Committee's subjective evaluation of the contribution of the named executive officer, including factors such as the scope of the executive's role, experience and skills. This subjective evaluation of the impact of the individual contributions on actual compensation is not a formula based process resulting in a quantifiable amount of impact, but rather involves the exercise of discretion and judgment. This enables the Committee to differentiate among executives and emphasize the link between personal performance and compensation.

*Role of Operational and Financial Performance.* The Compensation Committee believes that our executives should be rewarded based on their success as a team. Consistent with this belief, the achievement of shared financial and critical strategic goals, which we describe below under "Annual Cash Incentive (Bonus) Compensation" is the most significant consideration in determining the amount of bonus payments and is an important part in determining the amount of base salary and equity based awards.

*The Use of Tally Sheets.* The Committee also reviews tally sheets prepared by Watson Wyatt which show a historical review of each executive officer's total compensation, including salary, bonus, equity and accumulated realized and unrealized stock option and restricted stock unit gains, as well as future projections of some of these components of executive compensation and post-employment compensation arrangements. The Compensation Committee uses tally sheets to estimate the total annual compensation of the named executive officers, and to provide perspective on the named executive officers' wealth accumulation from our compensation programs and payouts under a range of termination scenarios. While considered by the Compensation Committee, compensation previously paid to the named executive officers, including amounts realized or realizable under prior equity-based compensation awards, did not affect the Compensation Committee's compensation decisions for 2007. The Compensation Committee believes that compensation should reflect the executive's performance and the market value of his or her services, and does not want to create a disincentive for exceptional performance. In addition, since each named executive officer (other than Mr. Hedge) has been with Align less than 6 years, the Committee concluded that annual cash incentive compensation and long-term equity awards were still appropriate and necessary to adequately incent and retain our named executive officers over the long-term.

## **Elements of Compensation**

As stated above, the key elements of our compensation program are base salary, an annual cash incentive award, long-term equity-based compensation awards and change of control arrangements.



## Edgar Filing: ALIGN TECHNOLOGY INC - Form DEF 14A

**Base Salary.** Base salary is intended to provide a fixed, baseline level of compensation that is not contingent upon Align's performance. In setting base salaries, the Compensation Committee targets the 60<sup>th</sup> percentile when compared to similar roles at benchmark companies (as adjusted for the comparable role at Align, if applicable). The Committee, however, is generally satisfied when the compensation actually paid and delivered to each executive falls within a range surrounding this target. The base salary range may extend from 80 percent to 125 percent of the targeted percentile, depending on each officer's role, experience, skills, knowledge, responsibilities and individual performance rating. As a result, although individual performance does play a significant part in setting base salaries, for the same individual performance, an executive officer will receive larger salary increases when his or her salary is below average for the peer group than if his or her salary is above average. In addition, to the extent an individual's performance has a significant positive impact on the company's achievement of its strategic objectives and on the executive team in general, such individual may receive a higher salary increase as a reward for such exceptional performance.

The base salaries for our named executive officers were increased in each of the past two fiscal years as described in the table below.

Name	FY2006	FY2007	2006-2007 % Increase	FY2008	2007-2008 % Increase
Thomas M. Prescott	\$ 445,000	\$ 480,000	8%	\$ 518,400	8%
Kenneth B. Arola*	N/A	\$ 241,000	N/A	\$ 275,000	14%
Eldon M. Bullington*	\$ 284,000	\$ 295,360	4%	N/A	N/A
Len M. Hedge	\$ 268,500	\$ 281,295	5%	\$ 315,000	12%
Darrell Zoromski	\$ 231,231	\$ 266,400	15%	\$ 286,400	8%
Roger E. George	\$ 268,900	\$ 279,656	4%	\$ 292,799	5%

\*

Mr. Arola was not an executive officer in 2006. Mr. Bullington resigned effective December 2007.

Generally, these increases in each named executive's base salary were made to maintain market competitiveness based on the benchmark data. Mr. Prescott's 2007 and 2008 salary increases reflect increases to maintain market competitiveness as well as merit-based increases to reflect his individual performance and the determination that his performance had a significant positive impact on the company's achievement of its strategic goals. In 2007, the Compensation Committee determined, based on input from our compensation consultants and our CEO, that the peer group data did not accurately reflect the scope of Mr. Zoromski's role. This decision was primarily based on the fact that the closest comparable roles at the peer group companies are medical device companies where the chief marketing officer is not responsible for classic brand marketing and consumer marketing efforts. As a result, in 2007, Mr. Zoromski received a merit-based salary increase of approximately 4% as well as an upward adjustment of approximately 11% so that his base salary approximated the 60<sup>th</sup> percentile (as adjusted for his role with Align). Mr. Zoromski's 2008 salary increase reflects an increase to maintain market competitiveness as well as a merit-based increase to reflect his performance evaluation and the determination that his performance had a significant positive impact on the company's overperformance as measured against the key strategic priorities. Mr. Arola's salary increase for 2007 represents his promotion from Vice President, Corporate Controller to Vice President, Finance and Chief Financial Officer. Mr. Hedge's salary was increased in December 2007 by 12% in connection with his promotion from vice president, operations having responsibility for one function of the business to Senior Vice President, Business Operations having responsibility for key cross-functional strategic priorities as well as accelerating improved business performance. We have determined that although Mr. Hedge's role is similar to a Chief Operating Officer. However, since Mr. Hedge is not responsible for each business function but is primarily focused on the day-to-day operations of the information technology function, the research and development function and the operations functions, we have adjusted for this difference when comparing Mr. Hedge's compensation with the closest available roles at the benchmark.

## Edgar Filing: ALIGN TECHNOLOGY INC - Form DEF 14A

companies. Mr. George's salary increases in 2007 and 2008 were made to maintain market competitiveness based on available market comparison data and were generally consistent with salary rate increases at Align.

### Annual cash incentive (bonus) compensation

The Compensation Committee believes that the largest portion of each bonus should be based on our success as a team. Consistent with this belief, the funding of an overall annual cash incentive award (bonus) pool is dependent on the achievement of shared financial and critical strategic goals, which we describe below. Payments of bonuses to all participating employees, including our named executive officers, are made from a pool that is funded based on a formula tied to Align's achievement of these pre-established goals.

*Target Opportunities.* Each participant in the bonus pool is assigned a target award opportunity, expressed as a percentage of base salary. Based on a review of data from the benchmark companies and the objective of positioning target total cash compensation for our named executive officers at the 70<sup>th</sup> to 80<sup>th</sup> percentile for employees in similar positions, the target cash incentive awards for 2007 and 2008 are as follows:

Name	FY2007 target incentive as a % of salary	FY2008 incentive as a % of salary
Thomas M. Prescott	100%	100%
Kenneth B. Arola	40%	60%*
Eldon M. Bullington	60%	
Len M. Hedge	60%	70%*
Darrell Zoromski	60%	60%
Roger E. George	60%	60%

\*

*The increase in target levels for each of Mr. Arola and Mr. Hedge was as a result of their respective promotions in December 2007.*

We use the target awards to determine the overall funding of the bonus pool. However, in order to encourage and reward extraordinary performance and contributions, our awards are structured so that the actual payout under an executive officer's award can be higher than target. Consequently, as a result of exceptional corporate performance in 2007, actual total cash compensation was higher than the target range referred to above.

#### *Funding the Pool.*

**Establishing Performance Measures.** The pool of available funds to pay out bonus awards is based on the extent to which the company meets or exceeds predetermined goals under selected financial and key strategic objectives. While management typically recommends the performance targets for bonus pool funding based on our internal business plan, the targets are ultimately approved by the Compensation Committee and reviewed by the Board of Directors. For 2007, the corporate performance targets were comprised of financial targets and critical strategic

## Edgar Filing: ALIGN TECHNOLOGY INC - Form DEF 14A

priorities. The key financial targets accounted for 30% of the total corporate performance target (each assigned equal weighting) as follows:

<b>Performance</b>		
<b>Measure/Weight</b>	<b>Why Do We Use This Measure?</b>	<b>How Is it Calculated?</b>
Revenue (10%)	Improvement in this measure aligns with our overall growth strategy.	GAAP
Net income (10%)	Balance top-line growth with profitability.	GAAP net income is adjusted to exclude stock-based compensation expense, and the impact of certain unanticipated events. Specifically, in 2007, stock-based compensation expense and Patient First Program costs were excluded from the calculation of net income.
Cash (10%)	Balance top-line growth, profitability and cash generation while strengthening the balance sheet and managing receivables.	Total ending cash, restricted cash and marketable securities on the balance sheet.

The remaining 70% of the corporate performance target was based on the achievement of the following critical strategic priorities (and their respective weightings).

<b>Performance Measure(1)/Weight(2)</b>	<b>Why Do We Use this Measure?</b>
Developing and implementing a product vision and roadmap (30%)	Critical to our achievement of our multi-year strategic corporate priorities, specifically, increased adoption and frequency of use by our customers, the orthodontist and general practitioner dentist.
Delivering key elements of product roadmap in accordance with expectations (30%)	Critical to our achievement of our multi-year strategic corporate priorities, specifically, increased adoption and frequency of use by our customers, the orthodontist and general practitioner dentist.
Developing our people and organizational capability model (10%)	Critical to our achievement of our multi-year strategic corporate priorities.

(1) Management believes, and the Committee concurs, that the specific strategic initiatives and performance goals established for each of these strategic priorities represent confidential business information, the disclosure of which would result in meaningful competitive harm.

(2) The Committee believes that the performance objectives established for each of these strategic initiatives represent meaningful improvements for the organization and, therefore, are reasonably difficult to attain. For example, in each of 2004, 2005 and 2006, we

achieved approximately only 90%, 80% and 91% of the target award opportunity.

## Edgar Filing: ALIGN TECHNOLOGY INC - Form DEF 14A

The 30/70 weighting between financial and strategic priorities was chosen with the intention of balancing the objective to:

- o encourage and reward immediate increases in revenue and earnings and improvements in other financial performance measures; and
- o to a more significant degree, critical progress toward the longer-term objective of enhancing shareholder value by making significant progress towards the successful implementation of our multi-year strategic plan.

**Evaluate Achievement of Performance Measures.** Throughout the year, management evaluates progress against the achievement of the strategic priorities. At the end of the year, the Compensation Committee reviews with management its assessment of the company's performance against these goals. The weighted performance of each measure is then aggregated to obtain an overall bonus pool funding percentage. This percentage is then applied to the target bonus for each participant to achieve an overall funding level for the bonus pool. For example, if the performance warrants a 110% funding level, we multiply the target bonus for each participant by 110% and total the results to determine the overall bonus pool available for distribution. For 2007, the table below sets out the actual results.

Measure/Weight	Target	Achievement	Funding Range	Level of Achievement	Funding
Revenue (10%)	\$244.9M	\$284.3M	0 unlimited (1)(2)	ABOVE TARGET	11.6 out of 10
Net income (10%)	\$12.1M	\$46.3	0 unlimited (1)(2)	ABOVE TARGET	38.3 out of 10
Cash (10%)	\$55.4M	\$127M	0 unlimited (1)(2)	ABOVE TARGET	23.1 out of 10
Developing and implementing a product vision and roadmap (30%)			0 130%(1)	BELOW TARGET	29.5 out of 30
Delivering key elements of our product vision and roadmap (30%)			0 130%(1)	BELOW TARGET	20.4 out of 30
Developing our people and organizational capability model (10%)			0 130%(1)	ABOVE TARGET	13 out of 10
<b>TOTAL Annual Funding of Incentive Plan:</b>					<b>135.9 out of 100</b>

- (1) The threshold performance and the level of performance at which the funding for that particular performance measure was capped (if applicable) is as follows:

for financial and strategic performance measures, a rating of zero unless the minimum performance level is achieved;

for financial and strategic performance measures, a rating ranging from 80% to 100% if achievement meets or exceeds the minimum performance level but does not achieve the target performance level;

for strategic performance measures only, a rating of 100% to 130% if achievement meets or exceeds the target performance level but does not achieve the maximum performance level; and

for strategic performance measures only, a rating of 130% if achievement meets or exceeds the maximum performance level.

(2)

To provide for greater incentive for greater performance, in May 2007, the Compensation Committee determined to remove the cap on financial targets. We believe that for every dollar of revenue above the target, it is appropriate to

## Edgar Filing: ALIGN TECHNOLOGY INC - Form DEF 14A

provide for increased bonuses due to the significant stockholder returns generated by exceptional financial performance.

Company performance below the financial target automatically reduces only the payout related to that objective goal, not the other goals, because we want executives to have the same incentive to achieve the critical strategic priorities even if our financial performance tracks below the target during the course of the year. For this reason, the Compensation Committee reserves the right to apply judgment in the final determination of cash incentive awards and can adjust actual results to exclude the impact of certain extraordinary items or events to more accurately reflect the overall performance of the management team. For example, in 2005 the Compensation Committee determined that although Align's financial performance was substantially below the established targets, the emergence of a new competitor shortly after these targets were set together with high senior management turnover during the year resulted in significant unforeseen disruptions in Align's business. The Compensation Committee determined that without each executive officer's strong response to these challenges, Align's financial performance would have been substantially lower than the performance that was ultimately achieved. Taking all of these factors into consideration, the Compensation Committee used its discretion and awarded each executive officer (other than the CEO) approximately 90% of his target cash incentive award and awarded our CEO approximately 80% of his target cash incentive award. Conversely, in 2004, although the company met its financial and strategic objectives, the Compensation Committee determined that Align's overall performance trend in the last six months of 2004 was declining and therefore awarded each executive officer 90% to 96% of his or her target bonus.

### *Bonus Pool Allocation.*

While company performance drives funding of the overall bonus pool, individual awards reflect an assessment of what individuals contributed to our achievement of the financial goals and the strategic objectives to the greatest degree. The Committee believes that rewarding achievement in this manner will serve to incent the right people to continue to achieve both short-term and long-term results and thus maximize stockholder value. Using this as a guiding principle, the Committee uses its discretion to determine the allocation of the amount of the bonus pool in excess of 100% of target (or approximately 36% of the actual total pool available for distribution what we refer to as the "overachievement amount") between the executive management group, director level employees and other participants. Once the allocation of the overachievement amount is established, the Compensation Committee then considers each executive officer's performance in light of that individual's achievement of his or her individual goals. Individual performance is measured using the same performance factors used for determining merit-based increases in base salary. These individual performance measures are both qualitative and quantitative in nature and, therefore, the evaluation of performance against those objectives by the Compensation Committee is predominantly subjective.

### *Awards to the named executive officers during year 2007.*

The Compensation Committee awarded the cash incentive awards set forth below to the named executive officers during year 2007. These awards are also set forth in the Summary Compensation Table on page 34 under the heading "Non-Equity Incentive Plan Compensation."

Name	Target Incentive Award	Actual Incentive Award	Actual Award as % of Target
Thomas M. Prescott	\$ 480,000	\$ 840,000	175%
Kenneth B. Arola	\$ 96,400	\$ 157,227	163%
Eldon M. Bullington	\$ 177,216	\$ 324,896	183%
Darrell Zoromski	\$ 159,840	\$ 311,688	195%
Len M. Hedge	\$ 169,155	\$ 329,852	195%
Roger E. George	\$ 167,793	\$ 296,435	177%
	28		

## Edgar Filing: ALIGN TECHNOLOGY INC - Form DEF 14A

Bonus awards to our named executive officers reflect Align's 2007 financial performance that significantly exceeded the projected results in our financial outlook for 2007 at the time the targets were set. These awards also reflect critical progress towards the achievement of our multi-year strategic plan, including the launch of Vivera in the last quarter of 2007 and delivering on our product roadmap with the planned launch of two new products (Invisalign ClinAssist and Invisalign Teen) in the latter part of 2008. We believe that these new and planned product offerings will enable us to access a larger share of the served market and build on our foundation for long-term growth. The awards to our named executive officers were also structured and paid out to reward high performing executives and employees who drove this exceptional corporate performance and thereby incent them to sustain this performance over a long career at Align. Although differences in bonus payouts among our executives were based in part on individual performance, we believe that individuals having a greater impact for achieving performance and strategic objectives should bear a greater proportion of the risk if those goals are not achieved, and therefore should receive a greater proportion of the reward if those goals are met or surpassed. As a result, Mr. Zoromski and Mr. Hedge, executives who have roles directly tied to revenue generation and the achievement of critical strategic priorities, received the highest percentage payout when compared to their target bonus. Mr. Zoromski had a direct impact on the implementation of the new product development process and pipeline and Mr. Hedge had a direct impact on new product development and product cost objectives and operating margin improvements. In addition, Mr. Arola became an executive officer in December 2007. Prior to becoming Chief Financial Officer, Mr. Arola's target bonus opportunity was 40% of his base salary and his 2007 bonus award was based on this target.

Although a predetermined percentage of the target bonus for each executive officer is based upon Align's achievement of corporate performance targets, the Committee does not believe that Align's performance and individual performance can be properly measured by an overly mechanistic cash incentive program, as factors outside the reasonable control of the management team can impact the company's or an entire industry's performance. For this reason, the Compensation Committee reserves the right to apply judgment in the final determination of cash incentive awards and can adjust actual results to exclude the impact of certain extraordinary items or events to more accurately reflect the overall performance of the management team.

The corporate performance targets for 2008 are substantially similar to the categories used in 2007 as set forth above. We believe that there is a reasonable likelihood that we will achieve our corporate performance targets in 2008 at the "target" level.

### *Long-Term, Equity-Based Incentive Awards.*

Long-term, equity-based incentive awards are generally targeted at or above competitive median levels with high performing executive officers being eligible for grants that approximate the 75<sup>th</sup> percentile. The Compensation Committee uses two forms of equity-based compensation: stock options and restricted stock units (contracts that give the recipients the right to receive shares as the units vest). The Committee believes that awards of stock options are inherently performance-based, as the recipient does not receive any benefit unless our stock price rises after the date the option is granted. The same attribute also directly links stock option compensation with stockholder value creation. Stock option awards are generally granted on an annual basis as a reward for past performance and as motivation for future performance that maximizes stockholder value. Stock options typically vest at a rate of 25% of the total number shares subject to the option on the first year anniversary of the date of grant with 1/48<sup>th</sup> of the total number of shares subject to the option vesting monthly thereafter for full vesting after four years of service. A grant of RSUs gives an executive the right to receive a specified number of shares of Align's common stock at no cost to the executive if the executive remains employed by Align until the RSUs vest. As a result, in contrast to stock options, the compensation value of an RSU does not depend solely on future stock price increases; at grant, an



## Edgar Filing: ALIGN TECHNOLOGY INC - Form DEF 14A

RSUs value is equal to Align's stock price. Although its value may increase or decrease with changes in the stock price during the period before vesting, an RSU will have value in the long-term, which we believe encourages retention. Accordingly, RSUs can deliver significantly greater share-for-share compensation value at grant than stock options, and Align can offer comparable grant date compensation value with fewer shares and less dilution for our stockholders. In fact, due to this inherent value, based on the advice of our compensation consultant about competitive market practices, the Compensation Committee established that equivalent value is delivered by 3 options and 1 restricted stock unit. For example, in determining executive award levels an option for 300 shares would be treated as equal in value to a restricted stock unit award for 100 shares. RSUs granted since September 2007 typically vest 25% on each anniversary of the date of grant for full vesting after four years of service. Prior to September 2007, RSUs vested 25% on the first anniversary of the date of grant and 1/16<sup>th</sup> of the total number of shares subject to the RSU award vesting quarterly thereafter for full vesting after four years of service.

In determining awards, the Compensation Committee does not issue a targeted number of options or RSUs. Instead, in consultation with Watson Wyatt and taking into account market comparison data and the executive's performance, the Compensation Committee first determines the total dollar value of the award to be granted to the named executive officer. Grants in 2007 and 2008 were generally comprised of an equal mix of stock options and RSUs, based upon their estimated fair market value (as determined under the Black-Scholes valuation model) and using the 3:1 ratio discussed above. The actual grant of awards is made by considering the individual's performance, using the same performance factors as those used for merit-based salary increases and bonus awards. While equity-based awards are focused primarily on motivating future performance, personal performance for the most recently completed fiscal year is an important consideration in determining actual awards.

**Awards in 2007.** Annual long-term, equity-based incentive awards for 2006 performance were made in February 2007. Each named executive officer received annual option grants to purchase shares of Align's common stock as well as restricted stock units as more fully described below in the section entitled "2007 Grants of Plan-based Awards". These 2006 grants approximated the 65<sup>th</sup> percentile for comparable positions at peer companies based on the grant date fair market value of our common stock.

**Awards in 2008.** Annual long-term, equity-based incentive awards for 2007 performance were made in February 2008. These awards reflect Align's exceptional 2007 corporate performance (discussed above under "Annual Cash Incentive (Bonus) Awards Awards to the named executive officers for 2007") as well as each individual's performance, the impact of that performance on the achievement of our strategic goals and objectives and on the executive team's performance. Based on the grant date fair value of these awards, the 2008 annual focal grants were generally at or slightly below the 50<sup>th</sup> percentile for comparable positions at peer companies.

Name	Option Awards	RSU Awards
Thomas M. Prescott	140,000	48,000
Kenneth B. Arola* (February)	15,000	5,000
Kenneth B. Arola* (April)	10,000	3,000
Len M. Hedge*	20,000	8,000
Darrell Zoromski	36,000	13,000
Roger E. George	32,000	11,000

\*

*The 2008 awards granted to each of Mr. Arola and Mr. Hedge reflect the recent grant of equity awards in December 2007 related to their respective promotions. In March 2008, after reviewing the total value of Mr. Arola's 2007 focal equity grant, the Compensation Committee determined that this grant was significantly below our targeted range for CFOs when compared to our peer companies. In order to*

## Edgar Filing: ALIGN TECHNOLOGY INC - Form DEF 14A

*encourage retention as well as adequately recognize Mr. Arola's individual performance, in April 2008, Mr. Arola was granted an option to purchase 10,000 shares of common stock and 3,000 RSUs.*

Mr. Bullington retired in December 2007 and therefore did not receive any equity grants in 2008.

In addition to the annual equity grants, in 2008 the Compensation Committee also determined to grant a one-time award of equity to those individual employees (including executive officers) critically important to the achievement of our multi-year strategic plan. These grants will vest 1/3<sup>rd</sup> on the second year anniversary of the grant date with the remaining 2/3<sup>rd</sup> vesting on the third year anniversary of the grant date. The delayed vesting schedule (when compared to our standard vesting schedule described above) associated with these grants is intended to encourage participants (including named executive officers) to focus on Align's achievement of specific, strategic objectives over a three-year performance cycle and to incent these critical employees to remain with the company. Each named executive officer received an award under this program as follows:

Name	Option	RSU
	Awards	Awards
Thomas M. Prescott	130,000	42,000
Kenneth B. Arola	24,000	8,000
Len M. Hedge	39,000	13,000
Darrell Zoromski	40,000	12,000
Roger E. George	34,500	11,000

*Post-Employment Compensation.* Each named executive officer is eligible to receive benefits under certain conditions in accordance with their respective employment agreement. Each such agreement provides for reasonable benefits to the executive officer upon:

a change of control; and

termination without cause or for convenience.

In adopting the change of control provisions in these agreements, the Compensation Committee's primary objective was to ensure that our executives have sufficient security such that they are not biased against selling the company in the event a stockholder favorable M&A transaction is presented to the company. If Align were to pursue a change of control transaction beneficial to Align stockholders, the Committee believes that our executive officers' active support of the transaction through closing would be critical in ensuring the success of such a transaction. Though the cash amounts payable to our executives in connection with a change of control are subject to a "double trigger" (meaning to get paid out the cash portion of their change of control arrangement, first there has to be a change of control and then the executive must be terminated without cause or for convenience within 12 months of such change of control), the Committee adopted a "single trigger" for all executive officers (except our CEO) whereby the vesting of equity awards is accelerated by one year immediately upon a change of control. For our CEO, the Compensation Committee adopted a "single trigger" whereby 100% of his equity vests immediately upon a change of control. This structure was used to provide a more powerful retention incentive during change of control discussions. It was determined that our CEOs "single trigger" acceleration of 100% of his unvested equity is appropriate (rather than 12 months as is the case for each other named executive officer), since having the CEOs attention and commitment through to the closing of the change of control is of paramount importance to the ultimate success of the transaction.

Severance benefits are payable in the event an executive is terminated without cause or for convenience. These benefits are intended to provide consideration for the employee's service to Align and expected length of time until subsequent employment is secured. The severance provisions also assist in recruiting executives given that executive roles tend to carry higher risks. The amounts that each of our named executive officers would have been entitled to had one of the termination or change

of control events mentioned above occurred on December 31, 2007 are set forth in " Potential Payments Upon Termination or Change of Control".

*Other Compensation Arrangements.* Align provides the following benefits to our executives generally on the same basis as the benefits provided to all employees:

health and dental insurance;

life insurance;

short and long-term disability;

employee stock purchase plan; and

401(k) plan.

These benefits are consistent with those offered by other companies and specifically with those companies with which we compete for employees.

*Corporate Tax Deduction on Compensation in Excess of \$1 Million a Year.* The Compensation Committee is responsible for addressing issues associated with Section 162(m) of the U.S. Internal Revenue Code of 1986. Section 162(m) generally disallows a tax deduction to public companies for compensation in excess of \$1 million paid to our CEO or any of the four other most highly compensated officers. Performance-based compensation arrangements may qualify for an exemption from the deduction limit if they satisfy various requirements under Section 162(m). Although Align considers the impact of this rule when developing and implementing its executive compensation programs, Align believes that factors other than tax deductibility are important in the design of executive compensation programs and that it is important to preserve flexibility in designing such programs. Accordingly, Align has not adopted a policy that all compensation must qualify as deductible under Section 162(m). While the Compensation Committee believes that stock options granted pursuant to the 2005 Plan qualify as "performance-based," other awards permitted by the terms of the 2005 Plan (such as restricted stock units) and certain other amounts paid under Align's compensation programs (such as salary and cash incentive payments) may not qualify for exemption from Section 162(m)'s deduction limitation. For 2007, approximately \$308,223 of Mr. Prescott's compensation is not deductible under 162(m). The 2007 compensation for all of the other named executive officers is fully deductible under 162(m) as the elements of compensation that are included under 162(m) (salary, cash incentive payments and restricted stock units) did not exceed \$1,000,000 for the "covered employees" described above.

**COMPENSATION COMMITTEE OF THE BOARD OF DIRECTORS REPORT**

The following is the report of the Compensation Committee of the Board of Directors with respect to the year ended December 31, 2007. The Compensation Committee has reviewed and discussed the Compensation Discussion and Analysis included in this Proxy Statement with management. Based on the Compensation Committee's review and discussion with management, the Compensation Committee recommended to the Board of Directors that the Compensation Discussion and Analysis be included in this Proxy Statement.

THE COMPENSATION COMMITTEE

David E. Collins, Chair

H. Kent Bowen

George J. Morrow

33

---

## SUMMARY COMPENSATION TABLE FOR YEARS ENDED 2007 AND 2006

The following Summary Compensation Table sets forth certain information regarding the compensation of each individual that served as Chief Executive Officer and Chief Financial Officer during 2007, and our three next most highly compensated executive officers for services rendered for the year ended December 31, 2007. Information is provided for 2006 for each named executive officer who was also a named executive officer in 2006.

Name and Principal Position	Year	Salary \$(1)	Bonus (\$)	Stock Awards \$(2)	Option Awards \$(2)	Non-Equity Incentive Plan Compensation \$(3)	All Other Compensation (\$)	Total (\$)
Thomas M. Prescott	2007	480,000		269,181	513,330	840,000	433(4)	2,102,944
<i>President, Chief Executive Officer and Director</i>	2006	445,000		97,795	629,454	376,000	1,794(4)	1,550,043
Eldon M. Bullington	2007	295,360		96,482	203,871	324,896	496(4)	921,105
<i>Vice President, Finance and Chief Financial Officer (retired 12/07)</i>	2006	284,000		32,895	213,634	153,360	2,673(4)	686,562
Kenneth B. Arola	2007	242,652		36,273	195,976	157,227	428(4)	632,556
<i>Vice President, Finance and Chief Financial Officer (appointed 12/07)</i>								
Darrell Zoromski	2007	266,400		28,840	329,068	311,688	24,645(5)	960,641
<i>Vice President, Global Marketing and Chief Marketing Officer</i>	2006	231,231			475,213	126,000	33,575(6)	866,019
Len M. Hedge	2007	282,689		93,443	206,298	329,852	473(4)	912,755
<i>Senior Vice President, Business Operations</i>								
Roger E. George	2007	279,700		87,047	189,802	296,435	470(4)	853,454
<i>Vice President, Corporate and Legal Affairs, General Counsel &amp; Corporate Secretary</i>								

(1) The base salaries for 2008 for Messrs. Prescott, Arola, Zoromski, Hedge and George are \$519,840, \$275,000, \$286,380, \$315,000 and \$292,799, respectively.

(2) Except for the proviso noted in the second sentence of this footnote, the dollar values of the stock awards and option awards, as applicable, represent the dollar amount recognized for financial statement reporting purposes with respect to the fiscal year in accordance with SFAS 123 (revised 2004) "Share-Based Payment" ("SFAS 123R") and thus may include amounts from awards granted in and prior to 2006. Under SFAS 123R, Align's estimate of fair value requires a number of complex and subjective assumptions including our stock price volatility, employee exercise patterns (expected life of the options), related tax effects and future forfeitures; *provided that*, in accordance with the rules and regulations of the SEC, the compensation cost disclosed above, does not include an estimate of forfeitures related to service-based vesting conditions. Rather, compensation costs for these awards are disclosed assuming that the named executive officer will remain employed by the company for a sufficient period of time to fully vest in the award. A more complete discussion of the relevant assumptions for awards granted in 2006 and 2005 is contained in Note 10 to the Notes to Consolidated Financial Statements in our Annual Report on Form 10-K for the year ended December 31, 2006 and is incorporated into this proxy statement by reference. For Messrs. Prescott, Hedge, George and Bullington, this column also includes amounts from awards granted in 2004 and 2003 and a more complete discussion of the relevant assumptions for such awards is contained in Note 7 to the Notes to Consolidated Financial Statements in our Annual Report on Form 10-K for the year ended December 31, 2005 and is incorporated into this proxy statement by reference.

(3) The amounts shown in this column represent employee performance payments and are reported for the year in which they were earned, though they were paid in the following year. The material terms of the performance payment plan are described under "Compensation Discussion and Analysis Annual cash incentive (bonus) awards".

(4) Align pays life insurance premiums and accidental death and dismemberment premiums on behalf of all of its employees.

(5) The amount shown includes (1) \$23,571 in respect of perquisites and other personal benefits and (2) \$447 in respect of life insurance premiums, \$95 in respect of accidental death and dismemberment insurance (AD&D) premiums and \$532 for short-term disability premiums paid by Align on behalf of

Mr. Zoromski. Align pays life insurance, AD&D insurance and

## Edgar Filing: ALIGN TECHNOLOGY INC - Form DEF 14A

short-term disability premiums on behalf of all of its employees. The perquisites and other personal benefits provided by Align were as follows:

Nature of Expense	Amount of Expense
Apartment rental	\$ 22,905
Long-term disability premiums paid by Align on behalf of all senior employees	\$ 666
<b>Total</b>	<b>\$ 23,571</b>

(6)

The amount shown includes (1) \$32,599 in respect of perquisites and other personal benefits and (2) \$496 in respect of life insurance premiums and \$480 for short-term disability premiums paid by Align on behalf of Mr. Zoromski. Align pays life insurance and short-term disability premiums on behalf of all of its employees. The perquisites and other personal benefits provided by Align were as follows:

Nature of Expense	Amount of Expense
Apartment rental	\$ 29,486
Long-term disability premiums paid by Align on behalf of all senior employees	\$ 3,113
<b>Total</b>	<b>\$ 32,599</b>

### GRANTS OF PLAN-BASED AWARDS FOR YEAR ENDED 2007

The following table sets forth information regarding:

cash amounts that could have been received in 2007 by our named executive officers under the terms of our performance-based incentive plan; and

stock option and restricted stock unit awards granted by the Compensation Committee to our named executive officers in 2007, reflected on an individual grant basis.

## 2007 Grants of Plan-Based Awards

Name	Grant Date	Approval Date	Estimated Possible Payouts under Non-Equity Incentive Plan Awards			All Other Stock Awards: Number of Shares of Stock or Units (#)	All Other Option Awards: Number of Securities Underlying Options (#)	Exercise or Base Price of Option Awards (\$/Sh)	Grant Date Fair Value of Stock and Option Awards (\$)
			Threshold (\$)	Target (\$)	Maximum (\$)				
Thomas M. Prescott				480,000					
	2/20/2007	2/13/2007					120,000	17.88	1,309,836
Eldon M. Bullington	2/20/2007	2/13/2007		177,216		40,000			715,200
	2/20/2007	2/13/2007				15,000	45,000	17.88	491,189
Kenneth B. Arola				96,400					268,200
	2/20/2007	2/13/2007					18,500	17.88	201,933
	2/20/2007	2/13/2007				6,161			110,159
	12/14/2007	11/14/2007					75,000	17.77	669,450
Darrell Zoromski	12/14/2007	11/14/2007				25,000			444,250
				159,840					
	2/20/2007	2/13/2007					27,000	17.88	294,713
	2/20/2007	2/13/2007				7,500			134,100
Len M. Hedge				169,155					
	2/20/2007	2/13/2007					45,000	17.88	491,189
	2/20/2007	2/13/2007				15,000			268,200
	11/14/2007	12/14/2007					85,000	17.77	758,709
Roger E. George	11/14/2007	12/14/2007				30,000			533,100
				167,793					
	2/20/2007	2/13/2007					45,000	17.88	491,189
	2/20/2007	2/13/2007				15,000			268,200

**Approval Date.** The Compensation Committee met on February 10, 2007 to finalize the grant of annual equity awards. Upon approval of the stock option and restricted stock unit grants for each named executive officer, the Compensation Committee determined that the actual date of grant would be February 20, 2007. This grant date was chosen in order to allow sufficient time for the Chief Executive Officer to notify each named executive officer and other members of the management team of the grant. In addition, Mr. Arola and Mr. Hedge were each granted equity awards in connection with their promotion to Chief Financial Officer and Senior Vice President, Business Operations, respectively. The Compensation Committee met on November 14, 2007 and determined that the actual date of grant would be December 14, 2007. This grant date was chosen since December 14, 2007 was the date of their actual promotions to these positions. (See "Outstanding Equity Awards at 2007 Year End" table below).

**Estimated Possible Payouts under Non-Equity Incentive Plan Awards.** The amounts shown under this column represent the range of possible dollar payouts the named executive officers could have earned for 2007. For 2007, the target cash incentive award for each named executive officer (other than our CEO) was 60% of his base salary and, for our CEO was 100% of his base salary based upon the achievement of specified performance objectives. Each year, senior management sets corporate financial and critical strategic priorities for Align and individual performance measures for each executive officer, which are reviewed and approved by the Compensation Committee. The final determination of the percentage of the total bonus pool available for distribution (or the baseline amount) is based on relative achievement of the corporate financial and critical strategic priorities. For a description of the performance objectives applicable to the receipt of these payments, see "Compensation Discussion and Analysis Annual Cash Incentive (Bonus) Awards". The actual amount paid to each named executive officer in 2007 is set forth in the Summary Compensation Table above in



the column "Non-Equity Incentive Plan Compensation". In May 2007 the Compensation Committee removed the maximum amount on financial performance targets which had previously been set at 125%. The Committee determined that, for every dollar of revenue above the target, it is appropriate to provide for increased executive bonuses due to the significant stockholder returns generated by exceptional financial performance.

*Stock Awards.* Stock awards represent grants of restricted stock units ("RSUs") under our 2005 Incentive Plan. The RSUs will result in payment to the named executive officer only if the vesting criteria are met. Each RSU vests over a four year period, with 25% of the shares subject to the RSU vesting each anniversary of the date of grant, with full vesting in four years. In accordance with the terms of the 2005 Incentive Plan, any grants of RSUs will reduce shares available for grant under the 2005 Incentive Plan at a 2:1 ratio.

Since RSUs are taxable to each named executive officer when they vest, the number of shares we issue to each named executive officer will be net of applicable withholding taxes which will be paid by Align on behalf of each named executive officer.

*Option Awards.* Stock option awards were granted under our 2005 Incentive Plan. Each option grant allows the named executive officer to acquire shares of Align common stock at the closing market price on the date of grant. Each option vests over a four year period, with 25% of the shares subject to the option award vesting on the one year anniversary of the date of grant and 1/48<sup>th</sup> of the shares subject to the award vesting each month thereafter, subject to the named executive officer's continued service through the vesting date. As a result, the option grants will provide a return only if the executive remains with Align and only if the market price of Align's common stock appreciates over the term of the option. The term of each option award is ten years.

*Grant Date Fair Value.* Subject to the proviso noted in the second sentence of this paragraph, the grant date fair value of the option and stock award was determined under the Black Scholes pricing model in accordance with SFAS 123R. Under SFAS 123R, Align's estimate of fair value requires a number of complex and subjective assumptions including our stock price volatility, employee exercise patterns (expected life of the options), related tax effects and future forfeitures; *provided that*, in accordance with the rules and regulations of the SEC, the compensation cost disclosed above does not include an estimate of forfeitures related to service-based vesting conditions. Rather, compensation costs for these awards are disclosed assuming that the named executive officer will remain employed by the company for a sufficient period of time to fully vest in the award. A more complete discussion of the relevant assumptions is contained in Note 10 to the Notes to Consolidated Financial Statements in our Annual Report on Form 10-K for the year ended December 31, 2007 and is incorporated into this proxy statement by reference.

*Timing of Stock Option Grants.* The Compensation Committee, in consultation with management, our independent auditors and legal counsel, has adopted the following practices on equity compensation awards:

Align does not plan to time, nor has it timed, the release of material non-public information for the purpose of affecting the exercise price of its stock options;

consistent with the policy described in the bullet point above, all awards of equity compensation for new employees (other than new executive officers described in the next bullet point) are made on the first day of the month for those employees who started during the period between the 16<sup>th</sup> day of the month that is two month's prior to the grant date and the 15<sup>th</sup> day of the month prior to the month of the grant date. For example, May 1 grants will cover new hires starting between March 16, 2008 and April 15, 2008;

as part of the compensation package offered to new executives, incentive grants for these individuals are generally awarded as of the first day of their employment;

annual incentive grants are made on the same day for all employees (including executive officers); in 2008 and 2007 such date was February 20. The Compensation Committee sets the actual grant date approximately one week following approval of the size of each grant in order to provide Align managers with adequate time to inform each employee individually of their grant; and

all grants of options to our executive officers and other employees, as well as to our directors are granted with exercise prices equal to the fair value of the underlying shares of common stock on the grant date, as determined by our Compensation Committee.

## OUTSTANDING EQUITY AWARDS AT 2007 YEAR END

The following table provides information relating to unexercised options, stock that has not vested and equity incentive plan awards for each named executive officer as of December 31, 2007.

Name	Option Awards				Stock Awards	
	Number of Securities Underlying Unexercised Options(1)	Number of Securities Underlying Unexercised Options(1)	Option Exercise Price (\$)	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested (#)	Market Value of Shares or Units of Stock That Have Not Vested (\$)(10)
Thomas M. Prescott	328,596		4.95	3/27/2012		
	137,499		6.15	4/23/2013		
	150,000(2)		18.73	3/12/2014		
	150,000(2)		7.35	2/22/2015		
	59,744	73,125(3)	8.38	2/24/2016		
		120,000(4)	17.88	2/20/2017		
					70,938(5)	1,183,246
Eldon M. Bullington	17,500		6.15	4/23/2013		
	82,000(2)		18.73	3/12/2014		
	50,000(2)		7.35	2/22/2015		
	24,553		8.38	2/24/2016		
Kenneth B. Arola	19,916	52,084(6)	6.56	8/1/2015		
	9,166	10,834(3)	8.38	2/24/2016		
		18,500(4)	17.88	2/20/2017		
		75,000(7)	17.77	12/14/2017		
					9,536(5)	159,060
					25,000(8)	417,000
Darrell Zoromski	33,306	112,500(9)	6.47	12/30/2015		
		27,000(4)	17.88	2/20/2017		
					7,500(4)	125,100
Len M. Hedge	75,000		4.18	2/26/2012		
	81,000		6.15	4/23/2013		
	61,000(2)		18.73	3/12/2014		
	120,000(2)		7.35	2/22/2015		
	23,260	27,490(3)	8.38	2/24/2016		
		45,000(4)	17.88	2/20/2017		
		85,000(7)	17.77	12/14/2017		
					24,591(4)	410,177
					30,000(8)	500,400
Roger E. George	54,500(2)		18.73	3/12/2014		
	16,771(2)		7.35	2/22/2015		
	4,688	24,375(3)	8.38	2/24/2016		
		45,000(4)	17.88	2/20/2017		
					22,875(4)	381,555

(1) Stock options vest at a rate of 25% of the total number of shares subject to the option on the first year anniversary of the date of grant with 1/48<sup>th</sup> of the total number of shares subject to the option vesting monthly thereafter.

(2) On October 6, 2005, the Compensation Committee approved the acceleration of vesting of all unvested stock options with exercise prices greater than \$7.10. The fair market value of Align's common stock on the date of the acceleration was \$6.41 as quoted on the Nasdaq Global Market. The Compensation Committee required that, as a condition to the acceleration of options held by executive officers, each officer agree to refrain from selling common stock acquired upon exercise of accelerated options until the date on which exercise would have been permitted under the options' pre-acceleration terms or, if earlier, the executive officer's last day of employment or upon a "change of control".

(3) 25% of the shares subject to this option vested on 2/24/2007 with 1/48<sup>th</sup> vesting monthly thereafter for full vesting on 2/24/2010.



## Edgar Filing: ALIGN TECHNOLOGY INC - Form DEF 14A

- (4) 25% of the shares subject to this option vested on 2/20/2008 with 1/48<sup>th</sup> vesting monthly thereafter for full vesting on 2/20/2011.
- (5) Restricted stock units vest at a rate of 25% of the total number of shares subject to the restricted stock unit on the first year anniversary of the date of grant and 1/16<sup>th</sup> of the total number of shares subject to the restricted stock unit vesting quarterly thereafter, on 2/24/2007, 5/24/2007, 8/24/2007, 11/24/2007, 2/24/2008, 5/24/2008, 8/24/2008, 11/24/2008, 2/24/2009, 5/24/2009, 8/24/2009, 11/24/2009 and 2/24/2010.
- (6) 25% of the shares subject to this option vested on 8/1/2006 with 1/48<sup>th</sup> vesting monthly thereafter for full vesting on 8/1/2009.
- (7) 25% of the shares subject to this option will vest on 12/14/2008 with 1/48<sup>th</sup> vesting monthly thereafter for full vesting on 12/14/2011.
- (8) Restricted stock units vest at a rate of 25% of the total number of shares subject to the restricted stock unit on the first year, second year, third year and fourth year anniversary of the date of grant for vesting on 12/14/2008, 12/14/2009, 12/14/2010 and 12/14/2011.
- (9) 25% of the shares subject to this option vested on 12/30/2006 with 1/48<sup>th</sup> vesting monthly thereafter for full vesting on 12/30/2009.
- (10) Based on the closing price of Align's common stock on December 31, 2007, which was \$16.68 per share.

**OPTION EXERCISES AND STOCK VESTED DURING YEAR ENDED 2007**

The following table provides information concerning each exercise of stock options, and each vesting of restricted stock units, for each named executive officer during the year ended December 31, 2007.

Name	Option Awards		Stock Awards	
	Number of Shares Acquired on Exercise (#)	Value Realized Upon Exercise (\$)(1)	Number of Shares Acquired on Vesting (#)(2)	Value Realized on Vesting (\$)
Thomas M. Prescott	414,632	8,330,514	24,062	445,356
Eldon M. Bullington	125,000	2,326,605	8,093	149,789
Kenneth B. Arola	15,000	286,651	2,625	48,585
Darrell Zoromski	79,194	1,100,701	0	0
Len M. Hedge	46,668	807,823	7,459	138,054
Roger E. George	44,815	609,461	6,125	113,365

(1) Value realized represents the fair market value of the underlying securities at the time of exercise less the exercise price of the options.

(2) The amount represents the gross amount of shares vested under an RSU award. However, because RSUs are taxable to the individuals when they vest, the number of shares we issue to each of our named executive officers is net of applicable withholding taxes which are paid by us on their behalf.

**POTENTIAL PAYMENT UPON TERMINATION OR CHANGE OF CONTROL****Named Executive Officers (Other than our CEO)**

We enter into employment agreements with each of our executive officers. Each employment agreement with our named executive officers (other than our CEO) contains substantially the same terms and conditions. Each employment agreement sets forth the base salary, bonus opportunity, stock options, benefits and the responsibilities of each position in effect at the time of execution of the agreement. In addition, each agreement requires Align to provide compensation to these officers in the event of termination of employment or a change of control of Align. The compensation due in the event of the termination of each employment agreement varies depending on the nature of the termination. What is meant by the terms "cause", "good reason" and "change of control" is described more fully at the end of this section under the heading "Employment Agreement Definitions".

The following table describes the potential payments upon termination or a change of control for each of our named executive officers (other than our CEO):(1)

Compensation & Benefits	Termination without Cause or Good Reason Unrelated to a Change of Control(2)(3)			
	Arola	Hedge	Zoromski	George
Salary	\$ 242,652	\$ 282,689	\$ 266,400	\$ 279,700
Short-Term Incentive(4)	\$ 291,182(5)	\$ 338,226	\$ 320,040	\$ 335,640
Value of Accelerated Options	\$ 357,750(6)	\$ 105,306(6)	\$ 574,313(6)	\$ 93,375(6)
Value of Accelerated RSUs	\$ 174,230	\$ 305,661	\$ 54,731	\$ 103,340
Medical Benefits(7)	\$ 5,300	\$ 23,081	\$ 10,308	\$ 14,277
<b>Total</b>	<b>\$ 1,071,114</b>	<b>\$ 1,054,963</b>	<b>\$ 1,225,792</b>	<b>\$ 826,332</b>



Compensation & Benefits	Change of Control(6)(8)			
	Arola	Hedge	Zoromski	George
Salary				
Short-Term Incentive(4)				
Value of Accelerated Options	\$ 357,750	\$ 105,306	\$ 574,313	\$ 93,375
Value of Accelerated RSUs	\$ 174,230	\$ 305,661	\$ 54,731	\$ 103,340
Medical Benefits(7)				
<b>Total</b>	<b>\$ 531,980</b>	<b>\$ 410,967</b>	<b>\$ 629,044</b>	<b>\$ 196,715</b>

Compensation & Benefits	Termination without Cause or Good Reason Following a Change of control(9)(10)			
	Arola	Hedge	Zoromski	George
Salary	\$ 242,652	\$ 282,689	\$ 266,400	\$ 279,700
Short-Term Incentive(4)	\$ 291,182	\$ 338,226	\$ 320,040	\$ 335,640
Value of Accelerated Options	\$ 617,012(11)	\$ 288,167(11)	\$ 1,148,626(11)	\$ 202,313(11)
Value of Accelerated RSUs	\$ 576,061	\$ 910,578	\$ 125,100	\$ 381,555
Medical Benefits(7)	\$ 5,300	\$ 23,081	\$ 10,308	\$ 14,277
<b>Total</b>	<b>\$ 1,732,207</b>	<b>\$ 1,842,741</b>	<b>\$ 1,870,474</b>	<b>\$ 1,213,485</b>

- (1) All amounts are estimated based on an assumed triggering date of December 31, 2007 and the closing sales price of our common stock on the Nasdaq Global Market on December 31, 2007 of \$16.68, which was the last trading day of the year.
- (2) A termination unrelated to a change of control is a termination that occurs either before or 12 months after the change of control date.
- (3) Each employment agreement with our named executive officers (other than our CEO) provides that in the event the executive's employment is terminated without cause or if the executive resigns for good reason, such executive will:
- (a) immediately vest in an additional number of shares under all outstanding equity awards as if he had performed 12 additional months of service; and
  - (b) such executive is entitled to receive a lump sum payment equal to:
    - (i) his then current annual base salary;
    - (ii) the then current year's target bonus, prorated for the number of days such executive has been employed during the year; and
    - (iii) the greater of the then current year's target bonus or the prior year's actual bonus.
- (4)



## Edgar Filing: ALIGN TECHNOLOGY INC - Form DEF 14A

The target award opportunity is set at 60% of base salary. In connection with Mr. Hedge's promotion to Senior Vice President, Business Operations in December 2007, his target award opportunity for 2008 was increased to 70% of his base salary.

(5)

Although Mr. Arola did not become an executive officer until December 14, 2007, this chart assumes he was employed under his employment agreement for all of 2007 and that his target bonus was 60%. Prior to being promoted to Vice President, Finance and Chief Financial Officer, Mr. Arola's target bonus was 40%.

(6)

As of December 31, 2007, the following number of shares subject to option awards and their respective exercise price that would be subject to acceleration upon (A) termination without cause

## Edgar Filing: ALIGN TECHNOLOGY INC - Form DEF 14A

or good reason not related to a change of control or (B) immediately upon a change of control were "underwater" and held no immediate value.

(7)

Each employment agreement also provides that Align will pay the named executive officer's monthly premium under COBRA until the earliest of 12 months following the termination of employment if terminated without cause or resignation for good reason or the date upon which the executive commences new employment.

(8)

Each employment agreement with our named executive officers (other than our CEO) provides that in the event of a change of control the executive will immediately vest in an additional number of shares under all outstanding equity awards as if he had performed 12 additional months of service.

(9)

A termination related to a change of control is a termination that occurs within 12 months from the change of control date.

(10)

Each employment agreement with our named executive officers (other than our CEO) provides that, if, within 12 months of a change of control either the executive's employment is terminated without cause or the executive resigns for good reason then the executive will:

(a)

immediately vest in all outstanding equity awards; and

(b)

be entitled to a payment (payable in a lump sum) equal to:

(i)

his then current annual base salary;

(ii)

the then current year's target bonus prorated for the number of days the executive has been employed during the year, and

(iii)

the greater of the then current year's target bonus or the prior year's actual bonus.

	<u>Arola</u>	<u>Hedge</u>	<u>Zoromski</u>	<u>George</u>
Number of Options	8,479	20,625	12,375	20,625
Exercise Price	\$ 17.88	\$ 17.88	\$ 17.88	\$ 17.88
Number of Options	18,750	21,250		
Exercise Price	\$ 17.77	\$ 17.77		

(11)

As of December 31, 2007, the following number of shares subject to option awards and their respective exercise price that would be subject to acceleration upon termination without cause or good reason related to a change of control were "underwater" and held no immediate value.

	<u>Arola</u>	<u>Hedge</u>	<u>Zoromski</u>	<u>George</u>
Number of Options	52,084	45,000	27,000	45,000
Exercise Price	\$ 17.88	\$ 17.88	\$ 17.88	\$ 17.88
Number of Options	48,334	85,000		
Exercise Price	\$ 17.77	\$ 17.77		

## Edgar Filing: ALIGN TECHNOLOGY INC - Form DEF 14A

*Conditions to Payment.* Prior to receiving any payments upon termination of employment, the executive officer must execute a general release of all known and unknown claims that such officer may have against Align and agree not to prosecute any legal action or other proceedings based upon any of such claims. In addition, each executive has agreed, for a period of one year following termination, not to solicit employees of Align and has further agreed to be bound by the terms of a confidentiality agreement with Align.

**Chief Executive Officer**

Mr. Prescott serves as our President and Chief Executive Officer pursuant to an employment agreement originally entered into in March 2002, as amended and restated in April 2005. Mr. Prescott's employment agreement was further amended and restated in March 2007 to include new language intended to avoid the imposition of taxes pursuant to Section 409A of the Internal Revenue Code on certain payments to Mr. Prescott. The employment agreement provides that Mr. Prescott is entitled to an annual target bonus of 100% of his base salary based upon the attainment of performance objectives agreed upon in each year and established by the Board.

The following table describes the potential payments upon termination or a change of control for our Chief Executive Officer:(1)

<b>Compensation &amp; Benefits</b>	<b>Termination without Cause Unrelated to a Change of Control(2)(3)</b>	<b>Change of Control(4)</b>	<b>Termination without Cause or Good Reason Following a Change of Control(5)(6)</b>
Salary	\$ 960,000		\$ 960,000
Short-Term Incentive	\$ 1,200,000		\$ 1,200,000
Value of Accelerated Options		\$ 613,688(7)	\$ 613,688(7)
Value of AcceleratedRSUs		\$ 1,183,246	\$ 1,183,246
Medical Benefits(8)	\$ 34,622		\$ 34,622
<b>Total</b>	<b>\$ 2,194,622</b>	<b>\$ 1,796,934</b>	<b>\$ 3,991,556</b>

(1)

All amounts are estimated based on an assumed triggering date of December 31, 2007 and the closing sales price of our common stock on the Nasdaq Global Market on December 31, 2007 of \$16.68, which was the last trading day of the year.

(2)

A termination unrelated to a change of control is a termination that occurs either before or 12 months after the change of control date.

(3)

In the event Mr. Prescott is terminated without cause or resigns for good reason, Mr. Prescott is entitled to a payment (payable in a lump sum) equal to:

(a)

twice his then current annual base salary;

(b)

the then current year's target bonus, prorated for the number of days Mr. Prescott has been employed during the year; and

(c)

the greater of 150% of the then current year's target bonus or the prior year's actual bonus.

(4)

In the event of a change of control, Mr. Prescott will immediately vest in all outstanding equity awards.

(5)

## Edgar Filing: ALIGN TECHNOLOGY INC - Form DEF 14A

If within 12 months of a change of control either Mr. Prescott's employment is terminated without cause or Mr. Prescott resigns for good reason, he would receive a payment (payable in a lump sum) equal to:

- (a) twice his then current annual salary;

## Edgar Filing: ALIGN TECHNOLOGY INC - Form DEF 14A

- (b) the then current year's target bonus, prorated for the number of days Mr. Prescott has been employed during the year; and
- (c) the greater of 150% of the then current year's target bonus or the prior year's actual bonus.
- (6) A termination related to a change of control is a termination that occurs within 12 months from the change of control date.
- (7) As of December 31, 2007, 120,000 options granted to Mr. Prescott at an exercise price of \$17.88 per share which would be subject to acceleration upon a change of control were "underwater" and held no immediate value.
- (8) Mr. Prescott's employment agreement also provides that Align will pay his monthly premium under COBRA until the earliest of 18 months following the termination of employment if terminated without cause or resignation for good reason or the date upon which Mr. Prescott commences new employment.

*Conditions to Payment.* Prior to receiving any payments upon termination of employment, Mr. Prescott must execute a general release of all known and unknown claims that he may have against Align and agree not to prosecute any legal action or other proceedings based upon any of such claims. In addition, Mr. Prescott has agreed, for a period of one year following termination, not to solicit employees of Align and has further agreed to be bound by the terms of a confidentiality agreement with Align.

### Employment Agreement Definitions

*Definition of Cause.* In each employment agreement described above, cause means any of the following:

unauthorized use or disclosure of the confidential information or trade secrets of Align;

any breach of the employment agreement or the Employee Proprietary Information and Inventions Agreement between the executive and Align;

conviction of, or a plea of "guilty" or "no contest" to, a felony under the laws of the United States or any state thereof;

misappropriation of the assets of Align or any act of fraud or embezzlement by the executive, or any act of dishonesty by the executive in connection with the performance of his or her duties for Align that adversely affects its business or affairs;

intentional misconduct; or

the executive's failure to satisfactorily perform his or her duties after the executive received written notice of such failure and was provided at least thirty (30) days to cure such failure.

*Definition of Good Reason.* In each employment agreement described above, good reason means the executive's resignation within ninety (90) days of the occurrence of any one or more of the following events:

the executive's position, authority or responsibilities being significantly reduced;

the executive being asked to relocate his principal place of employment such that the commuting distance from his or her residence prior to the change of control is increased by over thirty-five (35) miles;

the executive's annual base salary or bonus being reduced; or

the executive's benefits being materially reduced.

*Definition of Change of Control.* In each employment agreement described above, change of control means any of the following:

a sale of all or substantially all of Align's assets;

the acquisition of more than 50% of the common stock of Align by any person or group of persons;

a reorganization of Align wherein the holders of common stock of Align receive stock in another company (other than a subsidiary of Align), a merger of Align with another company wherein there is a 50% or greater change in the ownership of the common stock of Align as a result of such merger, or any other transaction in which Align (other than as the parent corporation) is consolidated for federal income tax purposes or is eligible to be consolidated for federal income tax purposes with another corporation; or

in the event that the common stock is traded on an established securities market, a public announcement that any person has acquired or has the right to acquire beneficial ownership of more than 50% of the then outstanding common stock, or the commencement of or public announcement of an intention to make a tender offer or exchange offer for more than 50% of the then outstanding common stock.

#### **Other Termination of Employment and Change of Control Arrangements**

In addition to the termination of employment and change of control arrangements described above, the Compensation Committee of the Board of Directors has the authority as Plan Administrator of the 2005 Incentive Plan to accelerate the vesting of outstanding options and restricted stock units immediately upon an acquisition or change in ownership or majority of the Board.



**PRINCIPAL STOCKHOLDERS**

Except as otherwise noted in the footnotes to the following table, the information contained in the table below sets forth the beneficial ownership of our common stock as of March 30, 2008 by:

each stockholder known by us to own beneficially more than 5% of our common stock;

each of our executive officers named in the summary compensation table on page 34 of this proxy statement;

each of our directors; and

all of our directors and executive officers as a group.

Beneficial ownership is determined based on the rules of the SEC. The column captioned "Total Shares Beneficially Owned" represents the number of shares of our common stock beneficially owned and the number of shares of our common stock subject to options that are currently exercisable or will become exercisable and restricted stock units that will vest on or before May 18, 2008. The number of shares subject to options that each beneficial owner has the right to acquire and restricted stock units that will vest on or before May 18, 2008 is listed separately under the column "Number of Shares Underlying Options Exercisable and RSUs vesting on or before May 18, 2008." These shares are not deemed exercisable or vested for purposes of computing the percentage of shares beneficially owned by any other person. "Percentage of Outstanding Shares Beneficially Owned" is based upon 69,402,947 shares of our common stock outstanding as of March 19, 2008. The address for those individuals for which an address is not otherwise provided is c/o Align Technology, Inc., 881 Martin Avenue, Santa Clara, California 95050. Unless otherwise indicated, we believe the stockholders listed below have sole voting or investment power with respect to all shares, subject to applicable community property laws.

Name and Address	Number of Outstanding Shares Beneficially Owned	Number of Shares Underlying Options/RSUs Exercisable on or before May 18, 2008(1)	Total Shares and Shares Underlying Exercisable Options Beneficially Owned	Percentage of Outstanding Shares Beneficially Owned
Gordon Gund and affiliated entities(2)	7,532,450		7,532,450	10.85%
Kornitzer Capital Management(3)	4,376,250		4,376,250	6.31%
OrbiMed Advisors(4)	4,155,000		4,155,000	5.99%
HealthCor Management(5)	4,000,000		4,000,000	5.76%
Fidelity Management and Research(6)	3,899,781		3,899,781	5.62%
Joseph Lacob(7)	2,163,861	21,000	2,184,861	3.15%
Thomas M. Prescott	143,260	872,088	1,015,348	1.44%
Len M. Hedge	49,661	377,613	427,274	*
Roger E. George	4,531	92,834	97,365	*
Kenneth Arola	2,907	49,163	52,070	*
Darrell Zoromski	1,204	59,930	61,134	*
Eldon M. Bullington	4,967		4,967	*
Warren S. Thaler	120,004	87,104	207,108	*
C. Raymond Larkin, Jr.	19,660	113,000	132,660	*
Greg J. Santora		112,000	112,000	*
H. Kent Bowen	81,500	21,000	102,500	*
David Collins	28,000	63,000	91,000	*
George Morrow		50,500	50,500	*
All current executive officers and directors as a group (18 persons)	2,632,969	2,163,567	4,796,536	6.70%

\*

Less than 1%



## Edgar Filing: ALIGN TECHNOLOGY INC - Form DEF 14A

- (1) Except as otherwise set forth in the footnotes below, represents shares of common stock that can be acquired upon the exercise of stock options and vesting of restricted stock units on or before May 18, 2008. This column includes the full amount of restricted stock units that will vest on or before May 18, 2008, although each executive officer will actually receive the number of shares that have vested net of the number of shares necessary to cover any applicable withholding taxes which Align will pay on their behalf.
- (2) Based on a filing with the Securities and Exchange Commission on Schedule 13G/A, indicating beneficial ownership as of December 31, 2007. Includes shares held in trust for immediate family members and shares held by immediate family members. The mailing address for Gordon Gund is P.O. Box 449, Princeton, New Jersey 08542.
- (3) Based on a filing with the Securities and Exchange Commission on Schedule 13G/A, indicating beneficial ownership as of December 31, 2007. The address for Kornitzer Capital Management Inc. is 5420 West 61<sup>st</sup> Place, Shawnee Mission, KS 66205.
- (4) Based on a filing with the Securities and Exchange Commission on Schedule 13G/A, indicating beneficial ownership as of December 31, 2007. Each of OrbiMed Advisors LLC and OrbiMed Capital LLC hold 2,874,000 and 1,281,000 shares, respectively. These shares are held on behalf of other persons who have the right to receive or the power to direct the receipt of dividends from, or proceeds from sale of, such securities. No one such other person's interest in the shares relates to more than five percent of the class. The address for OrbiMed Advisors LLC is 767 Third Avenue, 30<sup>th</sup> Floor, New York, NY 10017.
- (5) Based on a filing with the Securities and Exchange Commission on Schedule 13G/A, indicating beneficial ownership as of December 31, 2007. Collectively, HealthCor, L.P., HealthCor Offshore, Ltd. and HealthCor Hybrid Offshore, Ltd. (collectively, the "Funds") are the beneficial owners of 4,000,000 shares. By virtue of its position as the investment manager of the Funds, HealthCor Management, L.P. may be deemed a beneficial owner of all the shares of Common Stock owned by the Funds. The address for HealthCor Management is Carnegie Hall Tower, 152 West 57<sup>th</sup> Street, 47<sup>th</sup> Floor, New York, New York 10019.
- (6) Based on a filing with the Securities and Exchange Commission on Schedule 13G/A, indicating beneficial ownership as of December 31, 2007. Includes 1,240 shares held by Pyramis Global Advisors Trust Company, an indirect wholly-owned subsidiary of Fidelity Research Management. Pyramis is the beneficial owner of these shares as a result of its serving as investment manager of institutional accounts owning such shares. The address for Fidelity Management & Resources is 82 Devonshire Street, Boston, MA 02109.
- (7) Includes 809,731 shares held by entities affiliated with Kleiner Perkins Caufield & Byers, L.P. (the "Kleiner Entities"). Principal address is 2750 Sand Hill Road, Menlo Park, CA 94025. Joseph Lacob, one of our directors, is a general partner of one or more of the Kleiner Entities and shares voting and dispositive power with respect to the shares held by one or more of such entities. Mr. Lacob disclaims beneficial ownership of such shares in which he has no pecuniary interest. The shares held by the Kleiner Entities consists of 20,258 shares held by KPCB Life Sciences Zaibatsu Fund II, 746,210 shares held by Kleiner Perkins Caufield & Byers VIII and 43,263 shares held by KPCB VIII Founders Fund.

**REPORT OF THE AUDIT COMMITTEE OF THE BOARD OF DIRECTORS**

The following is the report of the Audit Committee of the Board of Directors with respect to Align's audited financial statements for the year ended December 31, 2007, which include the consolidated balance sheets of Align as of December 31, 2007 and 2006, and the related consolidated statements of operations, stockholders' equity and cash flows for each of the three years ended December 31, 2007, and the notes thereto.

In accordance with the written charter adopted by the Board of Directors of Align, the purpose of the Audit Committee is to assist the Board of Directors in its oversight and monitoring of:

the integrity of the Align's financial statements;

Align's compliance with legal and regulatory requirements;

the independent registered public accountants' qualifications, independence and performance;

adequacy of Align's internal accounting and financial controls; and

Align's internal audit department.

The full text of the Audit Committee's charter is available on the Investor Relations section of Align's website ([www.aligntech.com](http://www.aligntech.com)). The Audit Committee regularly reviews its charter to ensure that it is meeting all relevant audit committee policy requirements of the SEC and the Nasdaq listing standards.

In carrying out its responsibilities, the Audit Committee, among other things, is responsible for:

providing guidance with respect to Align's relationship with the independent auditors, including having the responsibility for their appointment, compensation and retention; reviewing the results and audit scope; and approving audit and non-audit services;

reviewing and discussing with management the quarterly and annual financial reports; and

overseeing management's implementation and maintenance of effective systems of internal controls.

The Audit Committee met 11 times during 2007 and held discussions with management and Align's independent accountants. Management has represented to the Audit Committee that Align's consolidated financial statements were prepared in accordance with accounting principles generally accepted in the United States of America, and the Audit Committee has reviewed and discussed the consolidated financial statements with management and Align's independent accountants. The Audit Committee discussed with the independent accountants the matters required to be discussed by Statement on Auditing Standards No. 61 (Communication with Audit Committees).

Before selecting PricewaterhouseCoopers LLP as Align's independent registered public accountants for 2007, the Audit Committee carefully considered PricewaterhouseCoopers LLP's qualifications as independent accountants. This included a review of the qualifications of the engagement team, the quality control procedures the firm has established, as well as its reputation for integrity and competence in the fields of accounting and auditing. The Audit Committee's review also included matters to be considered under the SEC's rules regarding auditor independence, including the nature and extent of non-audit services, to ensure that the accountants' independence will not be impaired. In addition, the Audit Committee has received the written disclosures and the letter required by Independence Standards Board Standard No. 1 and has discussed with the independent auditors their independence. The Audit Committee of our Board of Directors has determined that the provision of services by PricewaterhouseCoopers LLP of non-audit related services is compatible with maintaining the independence of PricewaterhouseCoopers LLP as our independent accountants.



## Edgar Filing: ALIGN TECHNOLOGY INC - Form DEF 14A

Based upon the Audit Committee's discussion with management and the independent accountants and the Audit Committee's review of the representations of management and the report of the independent accountants to the Audit Committee, the Audit Committee recommended that the Board of Directors include Align's audited consolidated financial statements in Align's Annual Report on Form 10-K for the year ended December 31, 2007 for filing with the SEC.

Respectfully submitted by:

AUDIT COMMITTEE

Greg J. Santora, Chair

David E. Collins

Warren S. Thaler

50

---

## SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Section 16(a) of the Securities Exchange Act of 1934 requires our officers and directors, and persons who own more than 10% of a registered class of our equity securities, to file reports of ownership and changes in ownership with the SEC. Executive officers, directors and greater than 10% stockholders are required by SEC regulations to furnish us with copies of all Section 16(a) forms they file. Based solely on our review of the copies of such forms that we have received, or written representations from reporting persons, we believe that during the year ended December 31, 2007, all executive officers, directors and greater than 10% stockholders complied with all applicable filing requirements; with the exception of C. Raymond Larkin who inadvertently filed one Form 4 late reporting one transaction.

## CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS

### Review, approval or ratification of transactions with related persons

Our Board of Directors has adopted a *Code of Business Conduct and Ethics* that is applicable to all directors, officers and employees of Align, including Align's principal executive officer, principal financial officer and controller. The Code provides in writing, that Align discourages its employees from conducting company business with a relative or significant other, or with a business in which an employee, a relative or significant other is associated in any significant role (each a "Related Party"). If, however, such a Related Party transaction is unavoidable, the Code provides that all employees (other than the directors and officers of Align) must fully disclose the nature of the relationship and the transaction to their supervisor, and the Chief Financial Officer must approve in advance the Related Party transaction. If, however:

you are a director or officer of Align and you desire to enter into a transaction with a Related Party (as defined above); or

you are an employee (other than a director or officer) and you desire to enter into a transaction with a Related Party that the Chief Financial Officer (in consultation with legal counsel) has deemed to be material to Align and is reportable under the rules and regulations of the Exchange Act,

the nature of the transaction must be fully disclosed to the Audit Committee of the Board of Directors and such interest must be approved by the Audit Committee.

## OTHER MATTERS

We know of no other matters to be submitted at the Annual Meeting. If any other matters properly come before the Annual Meeting, it is the intention of the persons named in the enclosed proxy card to vote the shares they represent as the Board of Directors may recommend or, if the Board of Directors has not provided a recommendation, in accordance with their own judgment.

It is important that your shares be represented at the Annual Meeting, regardless of the number of shares that you hold. You are, therefore, urged to mark, sign, date, and return the accompanying proxy card as promptly as possible in the postage-prepaid envelope enclosed for that purpose.

THE BOARD OF DIRECTORS OF  
ALIGN TECHNOLOGY, INC.

Dated: April 9, 2008

**PROXY**

**THIS PROXY IS SOLICITED ON BEHALF OF THE BOARD OF DIRECTORS OF**

**ALIGN TECHNOLOGY, INC.**

**2008 ANNUAL MEETING OF STOCKHOLDERS**

The undersigned stockholder of Align Technology, Inc. hereby acknowledges receipt of the Notice of Annual Meeting of Stockholders and proxy statement for the 2008 Annual Meeting of Stockholders and hereby appoints Thomas M. Prescott and Kenneth B. Arola or either of them acting in the absence of the other, proxies and attorneys-in-fact, with full power to each of substitution, on behalf of and in the name of the undersigned, to represent the undersigned at the 2008 Annual Meeting of Stockholders of Align Technology, Inc. to be held on Thursday, May 15, 2008 at 10:00 am Pacific Daylight Time at Align's corporate headquarters located at 881 Martin Avenue, Santa Clara, California 95050 and at any adjournment(s) or postponement(s) thereof, and to vote all shares of common stock of Align Technology, Inc. on all matters to be considered at the meeting which the undersigned would be entitled to vote if then and there personally present.

THIS PROXY WILL BE VOTED AS DIRECTED OR, IF NO CONTRARY DIRECTION IS INDICATED, WILL BE VOTED "FOR": (1) EACH OF THE LISTED NOMINEES FOR ELECTION TO THE BOARD OF DIRECTORS NAMED IN PROPOSAL ONE; (2) THE RATIFICATION OF THE APPOINTMENT OF PRICEWATERHOUSECOOPERS LLP AS INDEPENDENT REGISTERED PUBLIC ACCOUNTANTS FOR THE 2008 FISCAL YEAR AS SET FORTH IN PROPOSAL TWO AND (3) AS THE PROXIES DEEM ADVISABLE ON SUCH OTHER MATTERS AS MAY PROPERLY COME BEFORE THE MEETING (OR ANY ADJOURNMENTS THEREOF) OR MAY OTHERWISE BE ALLOWED TO BE CONSIDERED AT THE MEETING.

SEE REVERSE  
SIDE

CONTINUED AND TO BE  
SIGNED ON REVERSE SIDE  
FOLD AND DETACH HERE

SEE REVERSE  
SIDE

---



**Electronic Voting Instructions**

**You can vote by Internet or telephone!**

**Available 24 hours a day, 7 days a week!**

Instead of mailing your proxy, you may choose one of the two voting methods outlined below to vote your proxy.

VALIDATION DETAILS ARE LOCATED BELOW IN THE TITLE BAR.

Proxies submitted by the Internet or telephone must be received by 11:59 p.m., Eastern Time, on May 14, 2008.

**Vote by Internet**

**Log on to the Internet and go to**

**www.investorvote.com**

Follow the steps outlined on the secured website.

**Vote by telephone**

Call toll free 1-800-652-VOTE (8683) within the United States, Canada & Puerto Rico any time on a touch tone telephone. There is **NO CHARGE** for the call.

Follow the instructions provided by the recorded message.

**IF YOU HAVE NOT VOTED VIA THE INTERNET OR TELEPHONE, FOLD ALONG THE PERFORATION, DETACH AND RETURN THE BOTTOM PORTION IN THE ENCLOSED ENVELOPE.**

Using a **black ink** pen, mark your votes with an X as shown in this example.

Please do not write outside the designate areas. ý

**A.**

**PROPOSALS** The Board of Directors recommends a vote FOR all the nominees listed and FOR Proposal 2.

1.	ELECTION OF DIRECTORS.	<b>For</b>	<b>Withhold</b>	
	Nominees:			
01	David E. Collins	<b>0</b>	<b>0</b>	
02	Joseph Lacob	<b>0</b>	<b>0</b>	
03	C. Raymond Larkin, Jr.	<b>0</b>	<b>0</b>	
04	George J. Morrow	<b>0</b>	<b>0</b>	
05	Thomas M. Prescott	<b>0</b>	<b>0</b>	
06	Greg J. Santora	<b>0</b>	<b>0</b>	
07	Warren S. Thaler	<b>0</b>	<b>0</b>	
2.	RATIFICATION OF SELECTION OF INDEPENDENT REGISTERED PUBLIC ACCOUNTANTS:	<b>For</b>	<b>Against</b>	<b>Abstain</b>
	Proposal to ratify the appointment of PricewaterhouseCoopers LLP as Align Technology, Inc.'s independent registered public accountants for the fiscal year ending December 31, 2008.	<b>0</b>	<b>0</b>	<b>0</b>
3.	Upon such other matters as may properly come before or incidental to the conduct of the Annual Meeting of Stockholders, the proxies shall vote in accordance with their own judgment. Align Technology, Inc. is not presently aware of any such matters to be presented for action at the meeting.			

**B.**

**Non-Voting Items**

**Change of Address** Please print new address below.

**C.**

**Authorized Signatures** This section must be completed for your voted to be counted. **Date and Sign Below**

## Edgar Filing: ALIGN TECHNOLOGY INC - Form DEF 14A

Please sign exactly as name(s) appear hereon. Joint owners should each sign. When signing as attorney, executor, administrator, corporate officer, trustee, guardian, or custodian, please give full title.

Date (mm/dd/yyyy) below.	Please print date	Signature 1 the box.	Please keep signature within	Signature 2 the box.	Please keep signature within
-----------------------------	-------------------	-------------------------	------------------------------	-------------------------	------------------------------

--	--	--	--	--	--

--	--	--	--	--	--

--	--	--	--	--	--