

CATALYST SEMICONDUCTOR INC

Form 10-K/A

July 13, 2004

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**SECURITIES AND EXCHANGE COMMISSION**

**Washington, D.C. 20549**

**FORM 10-K/A**

**(AMENDMENT NO. 1)**

**FOR ANNUAL AND TRANSITION REPORTS  
PURSUANT TO SECTIONS 13 OR 15(d) OF THE  
SECURITIES EXCHANGE ACT OF 1934**

Annual report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the fiscal year ended May 2, 2004

OR

Transition report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the transition period from \_\_\_\_\_ to \_\_\_\_\_.

Commission File Number 0-21488

**CATALYST SEMICONDUCTOR, INC.**

(Exact name of Registrant as specified in its charter)

<b>Delaware</b>	<b>77-0083129</b>
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

1250 Borregas Avenue, Sunnyvale, California 94089  
(Address of Principal Executive Offices)

Registrant's telephone number, including area code: (408) 542-1000

Securities registered pursuant to Section 12(b) of the Act: None

Securities registered pursuant to Section 12(g) of the Act: Common Stock, \$.001 par value

Indicate by check mark whether Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Act of 1934 during the preceding 12 months (or for such shorter period that Registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein and will not be contained to the best of Registrant's knowledge in definitive proxy or information statements

incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [ ]

Indicate by check mark whether registrant is an accelerated filer (as defined in Rule 12b-2 of the Act). Yes [X] No [ ]

The aggregate market value of voting stock held by non-affiliates of the registrant as of October 24, 2003, the last day of the registrant's most recently completed second quarter, was \$79 million based upon the last sales price reported for such date on the Nasdaq National Market. For purposes of disclosure, shares of common stock held by persons who hold more than 5% of the outstanding shares of common stock and shares held by executive officers and directors of the registrant have been excluded in that such persons may be deemed to be affiliates. This determination is not necessarily conclusive.

The number of shares of Registrant's Common Stock outstanding as of June 15, 2004 was 16,431,705.

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**CATALYST SEMICONDUCTOR, INC.**

**PART III**

Item 11. Executive Compensation

Item 14. Principal Auditors Fees and Services

**PART IV**

Item 15. Exhibits, Financial Statement Schedules and Reports on Form 8-K

EXHIBIT 31.1

EXHIBIT 31.2

EXHIBIT 32

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**Table of Contents****EXPLANATORY NOTES**

This Amendment No. 1 on Form 10-K/A (this Amendment ) amends our Annual Report on Form 10-K for the year ended May 2, 2004, originally filed on June 30, 2004 (the Original Filing ). We are refiling Part III, Items 11 and 14 to revise certain disclosures contained in those Items. In addition, pursuant to the rules of the Securities and Exchange Commission, we are including with this Amendment certain currently dated certifications.

Except as described above, no other changes have been made to the Original Filing. The filing of this Amendment is not a representation that any statements contained in our Annual Report on Form 10-K other than Part III, Items 11 and 14 are true or complete as of any date subsequent to the date of the Original Filing.

**PART III****Item 11. Executive Compensation**

*Summary Compensation Table.* The following table shows the compensation paid by us in the fiscal years ended April 30, 2004, 2003 and 2002 ( fiscal 2004, fiscal 2003, and fiscal 2002, respectively) to (i) our chief executive officer and (ii) our four most highly compensated executive officers other than the chief executive officer who served as executive officers at April 30, 2004.

Name and Principal Position	Fiscal Year	Annual Compensation			Long Term Compensation Payouts	
		Salary	Bonus	Other Annual Compensation (1)	Number of Securities Underlying Options	All Other Compensation (2)
Gelu Voicu (3) President and Chief Executive Officer	2004	\$ 340,384	\$219,410	\$ 12,000	200,000	\$ 4,956
	2003	259,000	188,250	12,000	500,000	455
	2002	200,000		11,500	120,000	196
Thomas E. Gay Vice President, Finance and Administration and Chief Financial Officer	2004	197,019	101,300	12,000	60,000	2,952
	2003	178,307	91,708	12,000	60,000	331
	2002	165,000		11,500	80,000	175
Irvin W. Kovalik Vice President, Sales	2004	185,615	96,754	12,000	50,000	5,203
	2003	171,642	87,250	12,000	60,000	1,734
	2002	158,394		11,500	80,000	493
Sorin Georgescu Vice President, Technology Development	2004	177,192	92,542		50,000	1,586
	2003	166,654	80,750		50,000	311
	2002	81,846			200,000	69
George Smarandoiu (4) Vice President, Product Design	2004	177,194	92,542		80,000	2,584
	2003	83,038	131,500		200,000	103
	2002					

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- (1) Amounts included under Other Annual Compensation represent the dollar value of car allowances, 401k matching and insurance premiums paid by us for the benefit of such executive officer.
  - (2) Amounts included under All Other Compensation represent the dollar value of 401(k) matching, group and term life insurance premiums paid by us for the benefit of such executive officer. In fiscal 2004, we began matching 25% of all employees 401(k) contribution.
  - (3) Mr. Voicu was appointed executive vice president and chief operating officer as of August 21, 2002, and was promoted to president and chief executive officer effective as of October 29, 2002.
  - (4) Mr. Smarandoiu became our Vice President, Product Design in October 2002.
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*Option Grants in Fiscal 2004.* The following table contains information concerning the grant of stock options during fiscal 2004 to the officers listed in the summary compensation table above. The options granted in fiscal 2004 vest at a rate of 25% of the shares subject to the option after 12 months, and then 1/48th of the shares subject to the option vest each month thereafter. The options have a 10-year term, but are subject to earlier termination in connection with a termination of employment. The percentage of total options granted is based on the aggregate grants of stock options to all of our employees in fiscal 2004.

<b>Individual Grants(1)</b>						
<b>Name</b>	<b>Number of Securities Underlying Options Granted</b>	<b>Percent of Total Options Granted to Employees in Fiscal Year(2)</b>	<b>Exercise or Base Price per share (3)</b>	<b>Expiration Date</b>	<b>Potential Realizable Value at Assumed Annual Rates of Stock Price Appreciation for Option Term(4)</b>	
					<b>5%</b>	<b>10%</b>
Gelu Voicu	200,000	13.2%	\$ 7.15	11/19/2013	\$899,319	\$2,279,052
Thomas E. Gay III	60,000	4.0%	7.15	11/19/2013	269,796	683,716
Irvin W. Kovalik	50,000	3.3%	7.15	11/19/2013	224,830	569,763
Sorin Georgescu	50,000	3.3%	7.15	11/19/2013	224,830	569,763
George Smarandoiu	80,000	5.3%	\$ 7.15	11/19/2013	\$359,728	\$ 911,621

(1) Options are incentive stock options to the extent qualified and nonstatutory options otherwise. See also Employment Contracts and Change-in-Control Arrangements for a description of certain acceleration provisions which may be applicable to these options under certain circumstances.

(2) We granted stock options representing a total of 1,513,800 shares to employees in fiscal 2004.

(3) Options were granted at an exercise price equal to the fair market value of our common stock, as determined by reference to the closing price reported on the Nasdaq National Market on the date of grant.

(4) In accordance with SEC rules, the table sets forth the hypothetical gains or options spread that would exist for the options at the end of their respective 10 year terms based on assumed annualized rates of compound stock price appreciation of 5% and 10% from the dates the options were granted until the expiration of the option term. The disclosure of 5% and 10% assumed rates is required by the rules of the SEC and does not represent the Company's estimate or projection of future stock price or stock price growth. If the stock price does not increase over the exercise price, the value to the executive officer would be zero.

*Aggregated Option Exercises in Fiscal 2004 and Year-End Option Value.* The following table sets forth information regarding options exercised by each of the executive officers listed in the summary compensation table above during fiscal 2004. The table also shows information regarding the number and value of unexercised in-the-money options held by such executive officers at the end of fiscal 2004.

<b>Number of</b>	<b>Number of Securities Underlying Unexercised Options at</b>	<b>Value of Unexercised In-the-Money Options at</b>
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Name	Shares Acquired on Exercise	Value Realized	April 30, 2004		April 30, 2004(1)	
			Exercisable	Unexercisable	Exercisable	Unexercisable
Gelu Voicu			507,355	540,644	\$2,219,756	\$1,681,418
Thomas E. Gay III	30,000	\$221,250	380,404	119,596	1,992,615	260,569
Irvin W. Kovalik			240,404	109,596	1,000,284	259,416
Sorin Georgescu			159,375	140,625	872,875	479,625
George Smarandoiu			106,250	173,750	\$ 532,313	\$ 481,688

- (1) Represents the per share market price at fiscal year end of \$7.30 less the exercise price per share. For purposes of this calculation, the fiscal year end market price of the shares is deemed to be the closing sale price of our common stock as reported on the Nasdaq National Market on April 30, 2004.

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### **Compensation of Directors**

Messrs. Allan, Duchâtelet, Garrettson and Possley received cash remuneration for serving on the board of directors, which consisted of fees of \$7,500, \$7,500, \$10,000 and \$10,000 for the first, second, third and fourth quarters of fiscal 2004, respectively. Mr. Montgomery received cash remuneration for serving on the Board of Directors, which consisted of fees of \$13,750 per quarter in fiscal 2004. Directors are also reimbursed for reasonable expenses incurred in attending board of directors and committee meetings. Directors do not receive additional compensation for serving on a committee.

### **Employment Contracts, Change-of-Control Agreements**

In May 2003, we entered into an employment agreement with Gelu Voicu, our president and chief executive officer. The agreement provided for a base salary of \$300,000 with an annual bonus equal to up to 65% of Mr. Voicu's base salary upon achievement of specified performance milestones. In November 2003, the Board of Directors adjusted Mr. Voicu's base salary to \$350,000. In the event that Mr. Voicu is involuntarily terminated by us without cause, he is entitled to 12 months of severance pay and continued benefits and that number of his unvested stock options equal to the greater of (i) 50% of his then unvested stock options or (ii) the number of his unvested stock options that would have vested in the 12 months following such termination will become immediately vested and remain exercisable for a period of one year following such termination. In the event that following a merger, sale or change in ownership of our company following which Mr. Voicu is not made the chief executive officer of the successor corporation, then all of Mr. Voicu's then unvested stock options will become immediately vested and remain exercisable for a period of three years following such change of control. Also, in the event that Mr. Voicu is involuntarily terminated following a change of control, he is entitled to 12 months of severance pay and continued benefits. In November 2003, Mr. Voicu was granted options to purchase 200,000 shares of our common stock at an exercise price per share of \$7.15. Each of these options vests as to 25% of the shares subject to each option on the first anniversary of the grant date and the remaining 75% of the shares subject to each option vests ratably over the following 36 month period.

We entered into a severance agreement with George Smarandoiu in October 2002. Under the severance agreement, in the event of Dr. Smarandoiu's involuntary termination following a change of control, he is entitled to receive a severance payment equal to 50% of his annual salary and all then unvested stock options will become immediately vested and remain exercisable for a period of three years following such termination. In the event of Dr. Smarandoiu's involuntary termination apart from a change of control, he is entitled to a severance payment equal to 25% of his annual salary and all then vested stock options will remain exercisable for a period of one year following such involuntary termination.

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

The compensation committee of the board of directors currently consists of Messrs. Allan, Garrettson and Possley. No interlocking relationship exists between any member of our board of directors or compensation committee and any member of the board of directors or compensation committee of any other company, nor has any such interlocking relationship existed in the past. No member of the compensation committee is or was formerly an officer or an employee of us or our subsidiaries.



**Table of Contents****Item 14. Principal Auditors Fees and Services****Relationship with Independent Public Accounting Firm**

PricewaterhouseCoopers LLP, or PwC, has served as our independent registered public accounting firm for our financial statements prepared under U.S. generally accepted accounting principles since 1987.

**Fees Paid to Accountants for Service Rendered**

PwC billed us for the following professional services:

	<b>Years Ended April 30,</b>	
	<b>2004</b>	<b>2003</b>
Audit fees	\$298,000	\$272,000
Tax fees		7,000
All other fees		96,000
	<hr/>	<hr/>
Total professional fees	\$298,000	\$375,000
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***Audit Fees***

Audit fees consist of the aggregate fees for professional services rendered by PwC for the audit of our consolidated financial statements, the review of our unaudited condensed consolidated interim financial statements and assistance with SEC matters.

***Audit-Related Fees***

We did not pay any audit-related fees in fiscal 2004 and fiscal 2003.

***Tax Fees***

Tax fees consist of the aggregate fees for professional services rendered by PwC for tax compliance, tax advice and tax planning.

***All Other Fees***

All other fees consist of the aggregate fees for professional services rendered by PwC for a research and development tax credit study and incorporation of foreign subsidiaries.

**Pre-Approval Policies and Procedures**

In accordance with the charter of the audit committee, the audit committee is required to review and approve in

advance the annual budget for independent audit services and review and pre-approve all non-audit services rendered by the Company's independent registered public accounting firm. All services were pre-approved by the audit committee prior to their commencement.

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**PART IV**

**Item 15. Exhibits, Financial Statement Schedules and Reports on Form 8-K**

**(c) Exhibits**

The following exhibits are filed as part of this Form 10-K/A:

<b>Exhibit No.</b>	<b>Description</b>
31.1	Certification of Chief Executive Officer pursuant to U.S.C. Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Certification of Chief Financial Officer pursuant to U.S.C. Section 302 of the Sarbanes-Oxley Act of 2002
32	Certification of Chief Executive Officer and Chief Financial Officer pursuant to U.S.C. Section 1350, as adopted pursuant to Section 902 of the Sarbanes-Oxley Act of 2002

**Table of Contents****SIGNATURES**

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, as amended, the Registrant has duly caused this Amendment No. 1 to the Report to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Sunnyvale, State of California, on the 13th day of July, 2004.

CATALYST SEMICONDUCTOR, INC.

By: /s/ Gelu Voicu

\_\_\_\_\_  
 Gelu Voicu  
 President, Chief Executive Officer and Director

Pursuant to the requirements of the Securities Act, this Amendment No. 1 to the Report has been signed by the following persons in the capacities and on the dates indicated:

<b>Signature</b>	<b>Title</b>	<b>Date</b>
<u>/s/ Gelu Voicu</u> Gelu Voicu	President, Chief Executive Officer (Principal Executive Officer) and Director	July 13, 2004
<u>/s/ Thomas E. Gay III</u> Thomas E. Gay III	Vice President of Finance and Administration, Chief Financial Officer (Principal Financial and Accounting Officer) and Secretary	July 13, 2004
<u>Henry C. Montgomery*</u> Henry C. Montgomery	Chairman of the Board	July 13, 2004
<u>Lionel M. Allan*</u> Lionel M. Allan	Director	July 13, 2004
<u>Roland M. Duchâtelet*</u> Roland M. Duchâtelet	Director	July 13, 2004
<u>Garrett Garrettson*</u> Garrett Garrettson	Director	July 13, 2004
<u>Glen G. Possley*</u> Glen G. Possley	Director	July 13, 2004

\*By: /s/ Thomas E. Gay III

Thomas E. Gay III  
Attorney-in-Fact

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**INDEX TO EXHIBITS**

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