

COHERENT INC
Form 10-K/A
February 12, 2008

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**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

WASHINGTON, D.C. 20549

**FORM 10-K/A
Amendment No. 1**

(Mark One)

**ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934**

For the Fiscal Year Ended September 29, 2007

or

**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934**

Commission File Number: **0-5255**

COHERENT, INC.

Delaware

(State or other jurisdiction of
incorporation or organization)

94-1622541

(I.R.S. Employer
Identification No.)

5100 Patrick Henry Drive, Santa Clara, California

(Address of principal executive offices)

95054

(Zip Code)

Registrant's telephone number, including area code: **(408) 764-4000**

Securities registered pursuant to Section 12(b) of the Act:

Title of each class

**Name of each exchange
on which registered**

None

Securities registered pursuant to Section 12(g) of the Act:

Common Stock, \$0.01 par value

(Including associated Common Stock Purchase Rights)

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

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Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the 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 the registrant is a large accelerated filer, an accelerated filer or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer Non-accelerated filer

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

As of January 15, 2008, 31,544,990 shares of common stock were outstanding. The aggregate market value of the voting shares (based on the closing price reported by the NASDAQ National Market System on March 31, 2007) of Coherent, Inc., held by nonaffiliates was \$806,431,289. For purposes of this disclosure, shares of common stock held by persons who own 5% or more of the outstanding common stock and shares of common stock held by each officer and director have been excluded in that such persons may be deemed to be "affiliates" as that term is defined under the Rules and Regulations of the Act. This determination of affiliate status is not necessarily conclusive.

EXPLANATORY NOTE

This Form 10-K/A is being filed to include the table required by Item 402(g) of Regulation S-K in Item 11 of Part III. No other information has been changed.

PART III.

ITEM 11. EXECUTIVE COMPENSATION

Compensation Discussion and Analysis

Our Executive Compensation Philosophy

Our executive compensation programs are designed to provide strong alignment between executive pay and performance and to focus executives on making policies and decisions that enhance Coherent's shareholder value over time. Accordingly, our objectives are to:

Ensure that the executive team has clear goals and accountability with respect to our financial performance;

Attract, motivate and retain talented executives who are responsible for the success of our company by maintaining a total compensation program that is competitive to the prevailing practices in our industry;

Provide market levels of pay for meeting target performance expectations, with above market pay for performance above target and below market pay for performance below targets;

Benchmark pay practices including and beyond the photonics industry to recognize that we face competitors ranging from smaller to larger enterprises in the broader high technology market; and

Prudently utilize discretion to make awards that differ from the defined pay structure, as warranted, to recognize exceptional circumstances and performance.

Throughout Part III of this Annual Report on Form 10-K, our chief executive officer and chief financial officer during fiscal 2007, as well as the other individuals who are current employees included in the Fiscal 2007 Summary Compensation Table under this Item II, are referred to as the "Named Executive Officers."

Role and Authority of Our Compensation and H.R. Committee

During fiscal 2007, the Compensation and H.R. Committee of the Board of Directors consisted of Messrs. Hart (Chair) and Vij and Dr. Rogerson. Each of these individuals qualifies as (i) an "independent director" under the requirements of The NASDAQ Stock Market, (ii) a "non-employee director" under Rule 16b-3 of the Securities Exchange Act of 1934 (the "1934 Act"), (iii) an "outside director" under Section 162(m) of the Code and (iv) an "independent outside director" as that term is defined by RiskMetrics Group, formerly Institutional Shareholder Services.

The Compensation and H.R. Committee is responsible for ensuring that our executive compensation programs are effectively designed, implemented and administered. In particular, the committee reviews the corporate goals and objectives and approves the compensation for our Named Executive Officers. The compensation includes base salary and incentive non-equity and equity compensation as well as executive benefits and perquisites. Additionally, the committee reviews annually the compensation philosophy and structure for our non-executive employees. The committee has sole authority delegated to it by the Board to make equity grants to our Named Executive Officers.

Our Compensation and H.R. Committee has adopted a charter, a copy of which may be found on our website at "www.coherent.com" "Company" "Corporate Governance."

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The committee may meet with or without management present, at its discretion. The committee regularly conducts an executive session without management present. The objective of these sessions is to enable the committee to discuss compensation issues without those who will be affected by the decisions in attendance.

Role of Executive Officers in Compensation Decisions

The Compensation and H.R. Committee regularly meets with Dr. Ambroseo, our chief executive officer, to obtain recommendations with respect to the compensation programs, practices and packages for our Named Executive Officers. Additionally, Ms. Simonet, our chief financial officer, Mr. Victor, our executive vice president of human resources, and Mr. DiMarco, our general counsel are regularly invited to meetings of the committee or otherwise asked to assist the committee. Such assistance includes, providing financial information and analysis for the committee and its compensation consultants, taking minutes of the meeting or providing legal advice, the development of compensation proposals for consideration, and providing insights regarding our employees (executive and otherwise). Named Executive Officers will attend portions of committee meetings when requested, but will leave the meetings as appropriate when matters which will potentially affect them personally are discussed. From time to time, outside legal counsel will attend committee meetings. The Compensation and H.R. Committee makes decisions regarding Dr. Ambroseo's compensation without him present.

Role of Compensation Consultants

In fiscal 2007, the Compensation and H.R. Committee engaged two separate compensation consultants: Aon Consulting ("Aon"), the committee's consultant from 2004 through August, 2007 and after interviewing several consulting firms, RAF Advisors, LLP ("RAF") beginning in August, 2007. RAF changed its name to Farient Advisors in early calendar 2008 and is referred to as "Farient" herein. Review of executive compensation during fiscal 2007 generally was deferred by the committee due to the Company's internal historical stock option review. The committee believed that fiscal 2007 was an appropriate time to review and interview a number of compensation consultants. Since the compensation decisions during fiscal 2007 were delayed, Aon provided from time to time, input on the committee's work, as requested and, specifically, provide recommendations for the adoption of the 2007 VCP discussed below during the fourth quarter of fiscal 2006.

Farient was retained to conduct a comprehensive review and analysis of our executive compensation program and to make recommendations for fiscal 2008 compensation. This review and analysis was requested by the Committee, with instructions to be as comprehensive as possible and to reevaluate each component of compensation. Farient serves at the discretion of the committee and does no other work for the Company other than that authorized by the committee. The committee believes that it is critical for the compensation consultant to meet with management, especially our chief executive officer for input on other executives, for perspective on the impact of compensation recommendations.

Additional to the committee's retained consultant, Coherent participates in and maintains a subscription to the Radford Executive Compensation Survey to provide benchmark data and overall practices report to assist the Company with regards to employees generally and such data includes executive compensation data. Such data is from time to time presented to the committee at its request.

The Board of Directors also determined that it would prefer a separate consultant for consideration of Board-related compensation to avoid any perceived conflict of interest for the committee's advisor, Farient. Following this determination, the Board directed Mr. DiMarco, our general counsel, to interview and retain a separate compensation consultant to provide a comprehensive review on compensation for membership on the Board and its committees and to make recommendations from time to time to the Board with regards to such compensation matters. Mr. DiMarco, on behalf, and at the direction, of the Board, retained Compensia, Inc. ("Compensia").

Following a recommendation from Compensia, the Board determined the compensation to be paid for service on special committees, including the Special Committee and the Special Litigation Committee. The Board did not otherwise make determinations on Board compensation during fiscal 2007. The Board has asked Compensia to continue reviewing such compensation and to make further recommendations during fiscal 2008.

Note on Voluntary Stock Option Review

During fiscal 2007, the Special Committee conducted a voluntary review of Coherent's historical stock option granting practices and related issues. As a result of this review, compensation decisions during 2007 were unusual in several respects, including:

The review and adjustment to salaries for Named Executive Officers during 2007 was deferred until after the investigation was completed; and

During the review, Coherent was not current in its filings with the SEC and, thus, was unable to issue restricted stock and refrained from granting options to its Named Executive officers during fiscal 2007.

For a further discussion of this review, please refer to Note 12. "Employee Stock Option and Benefit Plans" of the Notes Consolidated Financial Statements.

Pay Positioning Strategy and Benchmarking of Compensation

Coherent strives to position the midpoint of its target compensation ranges near the 50th percentile of its peers, resulting in targeted total compensation that is competitive within our labor market for performance that meets the objectives established by the committee. An individual's actual salary, non-equity incentive compensation opportunity and equity compensation may fall below or above the target position based on the individual's experience, seniority, skills, knowledge, performance and contributions. These factors are weighed individually by the Committee in its judgment, and no one factor takes precedence over others nor is any formula used in making these decisions. The chief executive officer's review of the performance of his direct reports is carefully considered by the Committee in making individual pay decisions. Actual pay will be higher or lower than the targeted amounts for each individual based primarily on Company performance.

In analyzing our executive compensation program relative to this target market positioning, the committee utilizes a comparative analysis of the compensation of our executive officers measured against a group of peer companies selected with the assistance of Aon and management. For fiscal 2008, Fariant recommended that the committee approve modifications to the group of peer companies for conducting compensation analyses to better reflect the Company's size, strategy and business. For fiscal 2007, the peer companies were Adaptec Inc., Altera Corporation, Cirrus Logic, Cymer Inc., Cypress Semiconductor, Integrated Device Technology, JDS Uniphase, Lam Research, Linear Technology, Newport Corporation, Novellus Systems, Plantronics Inc., PMC-Sierra, Inc., Trimble Navigation Limited and Varian, Inc.

The committee is committed to reviewing and updating, if necessary, the peer group annually to ensure that the comparisons are meaningful. Several factors are considered in selecting the peer group, the most important of which are:

Industry (primarily companies in the Electronic Equipment and Semiconductor sub-industry classifications defined by the Global Industry Classification Standard (GICS) system);

Revenue level (as a proxy for complexity). (The committee's focus is companies with between \$200 million and \$2 billion in revenues); and

Geographic location (primarily Bay Area and technology markets)

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The committee's perspective is that companies that meet these criteria are the most likely competitors for executive talent in our labor markets.

For fiscal 2008, Fariant recommended that the committee approve modifications to the group of peer companies for conducting compensation analyses based on the factors above to better reflect the Company's size, strategy and business. Following these recommendations, the committee removed Varian, Inc. and added Axcelis Technologies Inc. and FEI Company to the peer group for fiscal 2008.

Components of Compensation

The principal components of Coherent's executive officer compensation during fiscal 2007 included:

Base salary;

Variable non-equity incentive payments;

Long-term equity-based incentive awards;

Change of control protection;

Retirement savings benefits provided under a 401(k) plan and under a deferred compensation plan; and

Executive perquisites and benefit programs generally available to other employees.

These components were selected because the committee believes that a combination of salary, incentive pay, benefits and perquisites is necessary to help us attract and retain the executive talent on which Coherent's success depends. The variable components are structured to allow the committee to reward performance throughout the fiscal year and to provide an incentive for executives to appropriately balance their focus on short-term and long-term strategic goals. The fixed components, including salary, benefits and perquisites, are structured to provide a minimum level of security for our executives relative to their day-to-day spending needs and long-term needs for income. The committee believes that, when taken together, these components are effective in achieving the objectives of our compensation program and philosophy and are reasonable relative to our strategy of managing total compensation near the 50th percentile of market practices.

The committee annually reviews the entire compensation program with the assistance of its compensation consultant (which was Aon for most of fiscal 2007 and Fariant at the end of fiscal 2007 and for fiscal 2008). However, the Compensation and H.R. Committee may at any time review one or more components as necessary or appropriate to ensure such components remain competitive and appropriately designed to reward performance. In setting compensation levels for a particular Named Executive Officer, the committee considers both individual (as described above) and corporate factors.

As noted herein, the committee did not make any equity grants to the Named Executive Officers during fiscal 2007 as a result of the historical equity grant review. However, equity grants from prior years were still outstanding during fiscal 2007 and therefore were part of the package affecting executive reward opportunities as discussed herein. For example, in November 2006, the previously granted tranche of performance-based restricted stock did not vest due to the Company's financial performance in fiscal 2006.

Base Salary and Variable Non-Equity Incentive Compensation

Base Salary

Coherent provides base salary to its Named Executive Officers and other employees to compensate them for services rendered on a day-to-day basis during the fiscal year. The Compensation and H.R. Committee reviewed information provided by its compensation consultant and, upon request, from the

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Radford Executive Compensation Survey and peer companies' proxy filings with respect to similarly situated individuals at the peer companies to assist it in determining base salary for each Named Executive Officer. In addition, the committee considers each individual's experience, skills, knowledge and responsibility. In reviewing each Named Executive Officer other than the chief executive officer, the committee also considers such individual's performance review provided by the chief executive officer. With respect to the chief executive officer, the committee additionally considers the performance of Coherent as a whole.

Due to Coherent's voluntary internal review of its historical equity grants, the Compensation and H.R. Committee determined not to consider changes to the compensation of the Named Executive Officers until that review was completed. Accordingly, in the fourth quarter of fiscal 2007, following the announcement of the completion of the Special Committee's internal review, the Compensation and H.R. Committee asked Farient to review executive officer compensation. Farient noted that Mr. DiMarco's base salary was below the 50th percentile of the peer group and recommended to the committee that it increase his annual base salary from \$250,000 to \$300,000, which put his base salary slightly below the 50th percentile, but brought his overall direct cash component (including non-equity incentive-based compensation) to approximately the 50th percentile. The Compensation and H.R. Committee approved that recommendation and such salary increase was affected in the first quarter of fiscal 2008.

Variable Non-Equity Incentive Compensation

To focus each executive officer on the importance of the performance of Coherent, a substantial portion of the individual's potential short-term compensation is in the form of variable incentive pay that is tied to achievement of goals established by the Compensation and H.R. Committee. In fiscal 2007, Coherent maintained two specific incentive cash programs under which executive officers were eligible to receive bonuses: 2007 Variable Compensation Plan ("2007 VCP") and Productivity Incentive Plan ("PIP"). In the first quarter of fiscal 2008, the Compensation and H.R. Committee of the Board of Directors approved an amendment to PIP that removed executive officers (including the Named Executive Officers) from being eligible participants for awards thereunder. Going forward, the committee felt that PIP was not a material part of compensation for the Named Executive Officers and that it would be administratively more effective to have the variable non-equity incentive compensation for Named Executive Officers under a single plan.

2007 VCP

The 2007 VCP was designed to promote the growth and profitability of Coherent. It provides incentive compensation opportunity in line with targeted market rates to our Named Executive Officers who are critical to the successful development and attainment of the Company's business objectives. Under the 2007 VCP, participants were eligible to receive quarterly bonuses if specific performance goals set by the committee at the beginning of the year are achieved. The Compensation and H.R. Committee established these goals when it adopted the 2007 VCP during the fourth quarter of Fiscal 2006. In setting the performance goals, the Compensation and H.R. Committee assesses the anticipated difficulty and relevant importance to the success of Coherent of achieving the performance goals.

The actual awards (if any) payable for any each quarter varied depending on the extent to which actual performance meets, exceeds or falls short of the goals approved by the committee. The 2007 VCP established goals tied to varying levels of achievement by Coherent for quarterly revenue and pre-tax profits. When determining achievement to goals, the committee excludes items, including but not limited to, for example, the fiscal impact of stock option expensing under FASB 123 (R), stock investigation costs, impairment or restructuring charges, and the impact of significant acquisitions. The amount each participant may receive can fluctuate between 0% and 150% of the targeted amount for each quarter. If Coherent fails to meet at least 90% of the goal for each of the targets for a particular

quarter, the participant would not receive any bonus for that particular quarter. As noted above, the committee set these performance goals to focus the management team on increasing the performance of the Company through increasing quarterly revenue and pretax profits. The committee and its advisor, Aon, chose to focus on revenue growth and pretax profits so that the executive management was incentivized to deliver the type of growth which benefits the shareholders, namely increasing sales and profitability. The specific goals used to determine VCP awards in each quarter include detailed information on the Company's cost structure and business plans and are therefore deemed confidential business information, the disclosure of which could result in competitive harm. The committee believes that the goals are reasonably difficult to achieve, as demonstrated by the fact that the Company did not achieve all of the targets set by the committee for fiscal 2007, resulting in a payout less than the targeted amount.

The table below describes for each Named Executive Officer (i) the target percentage of base salary, (ii) the potential award range as a percentage of base salary, and (iii) the actual award earned for fiscal 2007.

| Named Executive Officer | Target Percentage of Base Salary | Payout Percentage Range of Base Salary | Actual Award | Actual Award Percentage of Base Salary |
|-------------------------|--|---|---------------|---|
| John R. Ambroseo | 100% | 0-150% | \$ 348,303 | 64% |
| Helene Simonet | 70% | 0-150% | \$ 156,510 | 44% |
| Luis Spinelli | 50% | 0-150% | \$ 79,684 | 32% |
| Ron Victor | 50% | 0-150% | \$ 76,290 | 32% |
| Bret DiMarco | 50% | 0-150% | \$ 131,302(*) | 53%(*) |
| <i>Former Employee</i> | | | | |
| Paul Meissner | 50% | 0-150% | \$ 69,811 | 25% |

(*)

Mr. DiMarco received a minimum of one hundred percent of his target bonus percentage for the first full four quarters of his employment as part of his employment terms.

For fiscal 2008, the Compensation and H.R. Committee chose bonus target percentages of base salary that are the same as shown in the table immediately above as the committee believes these percentages remain consistent with market practices among the peers. Additionally, in approving the 2008 Variable Compensation Plan in the first quarter of Fiscal 2008, the committee, upon recommendation of Farient, determined the amount each participant may receive can fluctuate between 0 and 200% of the targeted amount. If Coherent fails to meet at least 80% of the goal for each of the targets for a particular quarter under the 2008 Variable Compensation Plan, the participant will not receive any bonus for that particular quarter. The committee determined to increase the cap from 150% to 200% and to decrease the achievement threshold from 90% to 80% to reflect the volatile nature of quarterly performance results in technology companies and to be consistent with peer pay practices. Based on a review of past performance goals and the goals for fiscal 2008, the committee believes that the performance goals established for fiscal 2008 are difficult to achieve.

PIP

The PIP is designed to encourage and reward the efforts of employees in support of Coherent's business objectives by providing a share in Coherent's profitability. During fiscal 2007, PIP was structured so that at the end of each quarter in which the Company makes a pre-tax net profit, part of the profit is distributed to employees based on the plan calculation. The PIP calculation is 50% of the Company quarterly pre-tax profit percentage multiplied by the quarterly base earnings of participating employees. The award is capped at 5% of quarterly base salary and there is no targeted amount. In fiscal 2007, the Named Executive Officer received the following amounts pursuant to PIP awards: Dr. Ambroseo (\$24,026), Ms. Simonet (\$15,423), Mr. Spinelli (\$10,993), Mr. Victor (\$10,525) and

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Mr. DiMarco (\$10,969). As noted above, the Named Executive Officers will not participate in PIP in fiscal 2008.

Long-Term, Equity-Based Incentive Awards

Equity-based awards are made to our employees, including the Named Executive Officers, under Coherent's 2001 Stock Plan. The goal of our equity-based award program is to provide employees and executives the perspective of an owner with a stake in the success of Coherent, thus further increasing alignment with stockholder interest. Coherent's typical long-term incentive program consists of stock options, time-based restricted stock and incentive-based restricted stock. However, as noted above, we did not make any new grants of long-term, equity based compensation during fiscal 2007 due to the voluntary historical stock option grant review. Grants from prior years were still outstanding during the year, however, and are discussed in more detail below.

Specifically, during the third quarter of fiscal 2006, the Compensation and H.R. Committee adopted a performance-based restricted stock program for certain employees of the Company, including the Named Executive Officers. The restricted stock grants were subject to annual vesting over three years depending upon the achievement of performance measurements tied to Coherent's internal metrics for revenue growth and adjusted EBITDA as a percentage of sales. Similar to the 2007 VCP goals, the committee felt that a three year goal of revenue and adjusted EBITDA as a percentage of sales improvements were the correct goals for incentivizing the management team. The committee set these goals so that they were challenging to achieve. The vesting of the restricted stock is variable, so that the number of shares earned can range from 0% to 125% of the grant target for fiscal 2006 and 0% to 200% of the grant target for fiscal 2007 and fiscal 2008. In addition, the aggregate shares of restricted stock will be awarded on a staggered basis as follows: 25% in 2006, 35% in 2007 and 40% in 2008. Given the variability, the range of the aggregate number of shares of restricted stock which can be earned by the Company's Named Executive Officers over the three year period is as follows: Dr. Ambroseo 0-52,562 shares; Ms. Simonet 0-24,468 shares; Mr. Spinelli 0-10,875 shares; Mr. Victor 0-6,706 shares and Mr. DiMarco 0-5,981 shares.

For fiscal 2006, Coherent's revenue growth and adjusted EBITDA as a percentage of sales were sufficient to provide for an achievement of 115% under the performance-based restricted stock program and, accordingly, the Named Executive Officers had the shares vest in the first quarter of fiscal 2007 set forth in the table below. Based on the revenue growth and EBITDA percentage for fiscal 2007, no shares under the program vested in the first quarter of fiscal 2008.

Shares of restricted stock vested and distributed to Named Executive Officers due to fiscal 2006 performance:

| Named Executive Officer | Aggregate Shares Granted | Shares Withheld by Coherent for the payment of applicable taxes | Net Shares Received by Named Executive Officer |
|-------------------------|--------------------------------|--|--|
| John R. Ambroseo | 8,308 | 2,971 | 5,337 |
| Helene Simonet | 3,867 | 1,383 | 2,484 |
| Luis Spinelli | 1,719 | 615 | 1,104 |
| Ron Victor | 1,060 | 379 | 681 |
| Bret DiMarco | 945 | 338 | 607 |
| <i>Former Employee</i> | | | |
| Paul Meissner | 2,005 | 717 | 1,288 |

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In the first quarter of fiscal 2008 the committee made a grant of stock options to certain employees, including certain of the Named Executive Officers upon the recommendation of Fariant. These grants were made following the conclusion of the voluntary stock option review and in recognition of the fact that no long-term incentive compensation was provided during 2007. Stock options were selected as the equity vehicle for grant since they create an incentive to enhance shareholder value, help to retain valuable talent through vesting provisions, and were available for grant during the period of voluntary stock option review. Grants to selected individuals, including Dr. Ambroseo, Ms. Simonet, and Mr. DiMarco included both a market based portion tied to competitive pay practices and an above market portion provided to recognize the extraordinary contributions of these individuals during the stock option review process and to encourage their retention. These grants featured a shorter vesting period than our traditional grants (18 months rather than three years) to recognize that the grants would have been made at the beginning of the year rather than after year end absent the stock option review process.

Equity Award Practices

Our broad-based employee stock option program is designed to promote long-term retention and recognize individual performance. Participation is driven by the annual review process. Guidelines are based on competitive market practice for grants for new hires, promotions, and ongoing performance-related grants. Typically, an employee may be offered an option or restricted stock upon beginning employment and may be eligible for periodic grants thereafter. The size of grants (and eligibility for same) is influenced by the prevailing guidelines and the individual's performance or particular requirements at the time of hire. Employees, including the Named Executive Officers, are also eligible to participate in our Employee Stock Purchase Plan.

Stock Grant Process

During fiscal 2006, the Compensation and H.R. Committee delegated authority to an equity grant committee consisting of Dr. Ambroseo, Ms. Simonet and Mr. Victor to grant non-executive officer employee grants within the range approved by the committee. In fiscal 2007, there were only two option grants, both to employees who were not Named Executive Officers, the equity grant committee acted on one occasion and made a single grant. In fiscal 2007, the other equity grant was made by the Compensation and H.R. Committee.

During the first quarter of fiscal 2008, following the recommendation of the Special Committee, the Board of Directors approved a number of refinements to our stock grant processes. Beginning in fiscal 2008, the committee process for granting equity awards is as follows:

The Compensation and H.R. Committee has the authority to make equity grants to both executive officers and other service providers;

The Compensation and H.R. Committee has delegated authority to the equity grant committee, consisting of the chief executive officer and chief financial officer, to meet on the second Friday of any particular month to make equity grants consistent with previously approved guidelines to non-executive officer service providers;

The Compensation and H.R. Committee will make grants in open trading window periods with grants effective on the date of such meeting, or, if due to exigent circumstances they meet in a closed window period, the grant will be effective 45 days thereafter; and

Neither committee may grant equity awards by written consent.

Stock Grant Policies

The Board of Directors and/or the Compensation and H.R. Committee annually considers a "burn rate" by which the annual grants of equity awards under the 2001 Stock Plan will not exceed. "Burn rate" is the potential dilution of common shares outstanding if all new equity grants are vested and/or exercised, expressed as a percentage of common shares outstanding.

Due to the historical stock option investigation no burn rate target was set for fiscal 2007. Only two non-executive officers received option grants during fiscal 2007 and, therefore, the fiscal year "burn rate" was only 0.11%.

In the first quarter of fiscal 2008, the Compensation and H.R. Committee granted an aggregate of 774,500 shares subject to options, representing 2.46% percent of Coherent's outstanding common stock as of December 31, 2008. With the assistance of Farient, the committee has reviewed this burn rate relative to peer practices and found that the total dilution was consistent with the median of peer practices.

In general, we issue only nonqualified stock options to employees and executives, although we have issued incentive stock options in the past. In the last few years, we have typically granted options subject to either two or three year vesting, with an equal tranche vesting on each of the applicable calendar anniversaries following the grant date. These grants typically have a life of six years. As noted above, in the grants made in the first quarter of fiscal 2008 which vest over 18 months due to the delay in making the grants, the committee determined that in order to have an immediate significant retention impact, the grants were made with half of the shares vesting in each of April 2008 and April 2009.

Deferred Compensation

Executive officers are eligible to participate in our 401(k) Retirement Plan on the same terms as all other U.S. employees. Our 401(k) Retirement Plan is a tax-qualified plan and thereby subject to certain Internal Revenue Code limitations on the dollar amounts of deferrals and company contributions that can be made to plan accounts. These limitations apply to our more highly-compensated employees (including the Named Executive Officers).

Prior to January 1, 2006, Coherent maintained two non-qualified deferred compensation plans. Effective on that date, we suspended further deposits into our Supplementary Retirement Plan and continue to maintain a Deferred Compensation Plan for executive management personnel and certain former members of the board of directors. The purpose of the Deferred Compensation Plan is to permit eligible participants the option to defer receipt of compensation pursuant to the terms of the plan. The Deferred Compensation Plan permits participants to contribute, on a pre-tax basis, up to 75% of their base salary earnings, up to 100% of their bonus pay and commissions and up to 100% of directors' annual retainer and meeting fees earned in the upcoming plan year. Plan participants may invest deferrals in a variety of different deemed investment options. To preserve the tax-deferred status of deferred compensation plans, the IRS requires that the available investment alternatives be "deemed investments." Participants do not have an ownership interest in the funds they select; the funds are only used to measure the gains or losses that are attributed to the participant's deferral account over time. There are no plan provisions that provide for "above market or preferential earnings" as defined by the rules and regulations of the SEC. The participant's deferrals and earnings are reflected on Coherent's financial statements and remain a general asset of the Company. Participants have the status of unsecured creditors of Coherent with respect to the payment of plan benefits. Separate distribution elections are made by the plan participant for each plan year and include lump sum payment, annual installments and future year scheduled in-service withdrawals.

At our discretion, we may provide for contributions in excess of the Internal Revenue Code limit to qualified 401(k) plans to be made to the non-qualified deferred compensation plan. The calculation for this non-qualified plan contribution is 6% of eligible compensation (as defined by the 401(k) qualified plan) less the 401(k) qualified plan match limit. In fiscal year 2007, two contributions were made to the non-qualified deferred compensation plan for certain Named Executive Officers one contribution for plan year 2005 and one for plan year 2006. These amounts are listed in the "Non-Qualified Deferred Compensation Table" below.

The committee considers the DCP to be a reasonable and appropriate program because it allows the Named Executive Officers and members of the Board to accumulate retirement benefits at a rate, relative to their overall income, that is comparable to the rate that other employees are able to accumulate retirement benefits, and promotes executive officer retention by offering a deferred compensation plan that is comparable to and competitive with what is offered by other companies in the peer group of companies.

Change in Control and Severance Plan

We have adopted the Change in Control and Severance Plan (the "change in control plan") which provides certain benefits in the event of a change in control of Coherent for certain employees, including each of our Named Executive Officers. Benefits are provided under this plan if there is a tender offer or merger resulting in Coherent being acquired by another company or entity and the executive's employment is terminated or a material change in his or her responsibilities, compensation or work location occurs following a change in control. The committee and our Board of Directors believe that the prospect of such a change in control would likely result in our executive officers facing personal uncertainties and distractions from how a change in control might affect them. To allow the Named Executive Officers to focus solely on the best interests of our stockholders in the event of a possible, threatened or pending change in control, and encourage them to remain with Coherent despite the possibility that a change in control might affect them adversely. This change in control plan therefore serves as an important retention tool to ensure that personal uncertainties do not dilute our executive's complete focus on promoting stockholder value.

The change in control plan provides for reasonable severance benefits. These benefits are payable in the event that a change in control of the Company occurs *and* thereafter the executive officer's employment is terminated without cause or the executive officer resigns due to a material change in responsibilities, compensation or work location within 24 months of the change in control. See below (under the heading *Change in Control Arrangement*) for more details on this plan.

The committee and our Board adopted the change in control plan in January 1991 and it was amended in February 2005. During fiscal 2008, the plan was revised to reflect certain changes pursuant to regulation 409A under the Internal Revenue Code.

Perquisites and Other Personal Benefits.

Our Named Executive Officers are provided the following perquisites and other personal benefits: automobile benefit and residual purchase; and capped executive medical reimbursement.

During fiscal 2007, the Company maintained a vehicle program whereby executive officers were eligible to receive either (a) a monthly automobile allowance or (b) have the auto allowance apply as amortization against the purchase price of a vehicle purchased and owned by the Company over such period of time for the amortized value of the automobile to reach 20% of the original value of the car, not to exceed four years ("amortized method"). The chief executive officer's monthly automobile allowance, if selected, is equal to 115% of the other executive's allowance. In addition to the monthly allowance, executive officers are either reimbursed for or provided gas, oil, maintenance and insurance for the vehicle by the Company. For all personal miles driven, the executive officer has imputed income

based on regulations prescribed by the Internal Revenue Service. These regulations take into account the cost of the vehicle and number of personal miles driven. Auto allowances are set annually using a prescribed formula. For vehicles purchased and owned by the Company, the executive officer is required to either (a) purchase such vehicle from the Company for the unamortized amount any time or (b) return the car for sale by the Company and reimburse the Company for the difference between the value of the car from such sale and the amortized balance at the time the car is returned to the Company. Annually, the individual incurs imputed income on the personal use, including fuel, on the value of the automobile as determined using the Internal Revenue Service methodology. The executive officer also incurs imputed income on the positive difference, if any, between the amortized value of the car after four years and its fair market value (as determined by Kelly Blue Book trade in value in "good condition"). Once purchased from the Company, the vehicle is owned by the executive officer. In addition, in the event of the termination of the employment of the executive officer, the executive officer would have to purchase the vehicle at the then-current amortized value and incur the imputed income highlighted above. Executive officers are eligible to elect a new vehicle under the amortized method whenever a car is purchased from the Company. The executive officer's taxable income is impacted by the value of the vehicle at initial purchase (e.g. the higher the value of the car, the higher imputed income amount to the individual) and if the amortized value will not be scheduled to reach 20% of the purchase price after four years, then the individual will have to have a set amount withheld from his or her paycheck to allow the amortization to reach 20% of the purchase price within four years, but the amortized value will be higher in the event that a new car is chosen prior to four years, with a resulting higher imputed income. The committee has determined, with advice from Fariant, that the use of a company-owned vehicle is a perquisite which is reasonable in the context of the overall compensation levels of our Named Executive Officers.

Each Named Executive Officer also receives up to \$5,000 per calendar year of reimbursement for uninsured medical expenses with the Company paying the executive's taxes on the amount of the benefit. The committee determined that this medical reimbursement is reasonable in the context of the overall compensation levels of our Named Executive Officers.

Other Compensation

All of our U.S. employees, including the Named Executive Officers, are entitled to participate in the Company's vacation buy-out policy. To the extent that an employee who has been with the Company for at least six months has currently earned but unused vacation time, he or she may elect to "buy-out" his or her vacation by receiving a lump sum payment, subject to applicable tax withholding.

Additionally, all of our U.S. employees, including the Named Executive Officers, are eligible to receive a life insurance policy in the amount of two times base salary up to a maximum of \$500,000 for each Named Executive Officer at the Company's expense. Coherent pays the premiums for such policy so long as the Named Executive Officer remains an employee, with the beneficiary selected by the Named Executive Officer.

Compensation and H.R. Committee Operations and Decision Making

The committee held 5 meetings in fiscal 2007. Typically, the committee has considered Named Executive Officer base salary and other compensation during March or April of each fiscal year.

Tax and Accounting Considerations

The Company's compensation programs are affected by each of the following:

Accounting for Stock-Based Compensation The Company accounts for stock-based compensation in accordance with the requirements of FASB Statement 123(R). The company also takes into

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consideration FASB Statement 123(R) and other generally accepted accounting principles in determining changes to policies and practices for its stock-based compensation programs.

Change in Control Program The Company has structured its Change in Control and Severance Plan program so that in the event payment of benefits constitutes a "parachute" payment under Section 280G of the Internal Revenue Code, the Company will revise and limit the payment so that the Company does not incur additional tax burden on behalf of the participant. For more information, refer to the "Change in Control Arrangements" section.

Section 162(m) of the Internal Revenue Code This section limits the deductibility of compensation for our chief executive officer and our four other most highly compensated named executive officers unless the compensation is less than \$1 million during any fiscal year or is "performance-based" under Section 162(m). Our 2001 Stock Plan is designed so that option grants thereunder are fully tax-deductible. Cash compensation and restricted stock awards are not granted under plans which have been so designed. We may from time to time pay compensation to our executive officers that may not be deductible when, for example, we believe that such compensation is appropriate and in the best interests of the stockholders after taking various factors into consideration, including business conditions and the performance of such executive officer.

Section 409A of the Internal Revenue Code Section 409A imposes additional significant taxes in the event that an executive officer, director or service provider received "deferred compensation" that does not satisfy the requirements of Section 409A.

Compensation Committee Interlocks and Insider Participation

During fiscal 2007, the Compensation and H.R. Committee of the Board of Directors consisted of Messrs. Hart (Chair), Rogerson and Vij. None of the members of the Compensation and H.R. Committee has been or is an officer or employee of Coherent. None of our executive officers serves on the board of directors or compensation committee of a company that has an executive officer that serves on our Board of Directors or Compensation and H.R. Committee. No member of our Board of Directors is an executive officer of a company in which one of our executive officers serves as a member of the board of directors or compensation committee of that company.

Compensation and H.R. Committee Report

The Compensation and H.R. Committee of the Board has reviewed and discussed the Compensation Discussion and Analysis required by Item 402(b) of Regulation S-K with management and, based on such review and discussions, the Compensation and H.R. Committee recommended to the Board of Directors that the Compensation Discussion and Analysis be included in this Annual Report on Form 10-K.

COMPENSATION AND H.R. COMMITTEE OF THE BOARD OF
DIRECTORS

John Hart, Chairman
Garry Rogerson
Sandeep Vij

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Compensation of Directors

During fiscal 2007, we paid our non-employee directors an annual retainer (depending upon position) and per meeting fees for service on the Board of Directors. In fiscal 2007, the annual retainer amounts for non-employee directors were as follows:

Chairman of the Board: \$41,000

Lead independent director: \$33,000

Chairman of the Audit Committee: \$33,000

Chairman of the Compensation and H.R. Committee: \$25,000

Chairman of the Governance and Nominating Committee: \$25,000

Member of the Board: \$25,000

Additionally, non-employee members of the Board of Directors received \$2,000 per board meeting attended, plus \$1,000 per committee meeting attended, except that the Chairman of the Audit Committee received \$3,000 per meeting of the Audit Committee attended, and the Chairmen of the Compensation and H.R. Committee and the Governance and Nominating Committee, respectively, received \$2,000 per meeting of the Compensation and H.R. Committee and the Governance and Nominating Committee attended. As discussed above, each director serving on the Special Committee and/or the Special Litigation Committee earned \$4,000 per month for service thereon.

The chart below summarizes the gross cash amounts earned by non-employee directors for service during fiscal 2007 on the Board and its committees (all amounts in dollars):

| Name | Annual Board and Chairperson service including per Board meeting attended | Audit Committee | Compensation and H.R. Committee | Nominating and Governance Committee | Special Committee | Special Litigation Committee | Total |
|-------------------------|---|-----------------|---------------------------------|-------------------------------------|-------------------|------------------------------|---------|
| Charles W. Cantoni | 43,000 | 10,000 | | 6,000 | | | 59,000 |
| John H. Hart | 43,000 | | 10,000 | 6,000 | | | 59,000 |
| Garry W. Rogerson | 53,667(1) | 10,000 | 5,000 | | 44,000 | | 112,667 |
| Lawrence Tomlinson | 51,000 | 30,000 | | | 44,000 | | 125,000 |
| Sandeep Vij | 43,000 | | 5,000 | 12,000 | 36,000 | 8,000 | 104,000 |
| <i>Former Directors</i> | | | | | | | |
| Bernard Couillaud | 37,333(2) | | | | | | 37,333 |
| Robert Quillinan | 25,144(3) | | | | | | 25,144 |

(1) Includes pro rated amount for service as Lead Independent Director before becoming Chairman of the Board.

(2) Includes pro rated amount for service as Chairman of the Board before resigning.

(3) Includes pro rated amount for service as a director before resigning.

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The chart below summarizes the amounts earned by non-employee directors for service during fiscal 2007:

| Name | Fees Paid in Cash (\$) | Stock Awards \$(1)(2) | Option Awards \$(1)(3) | Total (\$) |
|-------------------------|---------------------------|--------------------------|---------------------------|------------|
| Charles W. Cantoni | 59,000 | 23,340 | (4) | 82,340 |
| John H. Hart | 59,000 | 23,340 | 115,708 | 198,048 |
| Garry W. Rogerson | 112,667 | 23,340 | 163,379 | 299,386 |
| Lawrence Tomlinson | 125,000 | 23,340 | 115,169 | 263,509 |
| Sandeep Vij | 104,000 | 23,340 | 159,472 | 286,812 |
| <i>Former Directors</i> | | | | |
| Bernard Couillaud | 37,333 | 23,340 | (4) | 60,673 |
| Robert Quillinan | 25,144 | 23,340 | 115,169 | 163,653 |

(1) These amounts do not reflect compensation actually received. Rather, these amounts represent the aggregate expense recognized by the Company for financial statement reporting purposes in fiscal year 2007, in accordance with FAS 123(R), for restricted stock units and stock options which were granted prior to fiscal year 2007 under the Company's Director Stock Plan. The assumptions used to calculate the value of these stock units and stock options are set forth in Note 12. "Employee Stock Option and Benefit Plans" of the Notes to the Consolidated Financial Statements.

(2) The directors' aggregate holdings of restricted stock units as of the end of fiscal year 2007 were as follows (the vesting for which is 100% on March 29, 2009 to the extent such individual is a member of the Board at such time):

| | |
|--------------------|--------------|
| Charles W. Cantoni | 2,000 shares |
| John H. Hart | 2,000 shares |
| Garry W. Rogerson | 2,000 shares |
| Lawrence Tomlinson | 2,000 shares |
| Sandeep Vij | 2,000 shares |

(3) The directors' aggregate holdings of stock option awards (both vested and unvested) as of the end of fiscal year 2007 were as follows:

| | |
|--------------------|---------------|
| Charles W. Cantoni | 56,000 shares |
| John H. Hart | 51,500 shares |
| Garry W. Rogerson | 47,000 shares |
| Lawrence Tomlinson | 38,800 shares |
| Sandeep Vij | 48,000 shares |

(4) These directors had options for which the expense was accelerated in fiscal 2006 as provided under FAS123(R) and the terms of the Director Option Plan the directors were eligible to retire. At retirement the options would be fully vested. All expense related to the options was recognized prior to fiscal 2007.

Our 1998 Directors' Stock Plan was adopted by the Board of Directors on November 24, 1998 and was approved by the stockholders on March 17, 1999. The 1998 Directors' Stock Plan was amended on March 23, 2003, and was further amended on March 30, 2006, when the 1998 Directors' Stock Plan was renamed the 1998 Director Stock Plan (the "1998 Director Plan"). As of September 30, 2007, 150,000 shares were reserved for issuance thereunder. Under the terms of the 1998 Director Plan, the number of shares reserved for issuance thereunder is increased each year by the number of shares necessary to restore the total number of shares reserved to 150,000 shares.

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As of September 29, 2007, the 1998 Director Plan provided for the automatic and non-discretionary grant of a non-statutory stock option to purchase 24,000 shares of the Company's common stock to each non-employee director on the date on which such person becomes a director. Thereafter, each non-employee director will be automatically granted a non-statutory stock option to purchase 6,000 shares of common stock on the date of and immediately following each Annual Meeting of Stockholders at which such non-employee director is reelected to serve on the Board of Directors, if, on such date, he or she has served on the Board of Directors for at least three months. Such plan provides that the exercise price shall be equal to the fair market value of the common stock on the date of grant of the options.

Additionally, as of September 29, 2007, the 1998 Director Plan provides for the automatic and non-discretionary grant of 2,000 shares of restricted stock units ("RSUs") to each non-employee director on the date on which such person becomes a director. Thereafter, each non-employee director will be automatically granted 2,000 shares of RSUs on the date of and immediately following each Annual Meeting of Stockholders at which such non-employee director is reelected to serve on the Board of Directors, if, on such date, he or she has served on the Board of Directors for at least three months.

The 1998 Director Plan provides that with respect to any options held by a director who retires after at least eight years of service on the Board, such director shall fully vest in and have the right to exercise his or her option as to both vested and unvested shares as of such date. The option will remain exercisable for the lesser of (i) two (2) years following the date of such director's retirement or (ii) the expiration of the option's original term.

There were neither options nor restricted stock awards granted to any non-employee director during fiscal 2007 because we did not hold an annual meeting. Coherent has announced that its annual meeting of stockholders will be held on March 19, 2008. The annual meeting will be for both fiscal 2006 and fiscal 2007.

As of September 29, 2007, 95,700 shares had been issued on exercise under the 1998 Director Plan. There were no options exercised by non-employee directors during fiscal 2007.

Stock Ownership Guidelines

The Board of Directors has adopted a stock ownership guideline for members of the Board, which provide that each director shall purchase a minimum of \$25,000 worth of Coherent common stock within the first year of his or her tenure on the Board and that each director shall be required to purchase at least \$100,000 worth of Coherent common stock within three years of election to the Board. Such shares purchased shall be retained during each director's tenure on the Board.

Executive Compensation

Fiscal 2007 Summary Compensation Table

The table below presents information concerning the total compensation of Coherent's Named Executive Officers for the fiscal year ended September 30, 2007.

Since no equity awards were granted to Named Executive Officers in fiscal 2007 other than the performance-based awards which vested in November 2006 as a result of fiscal 2006 performance, non-equity-based compensation accounted for all of the total compensation of the Named Executive Officers earned during that time period. The committee views this as an anomaly and, as discussed

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above, expects to make further equity-based compensation grants to Named Executive Officers in fiscal 2008 and did make extraordinary grants in the first fiscal quarter.

| Name and Principal Position | Fiscal Year | Salary (\$) | Stock Awards (\$)(1) | Option Awards (\$)(1) | Non-Equity Incentive Plan Compensation \$(2) | All Other Compensation (\$) | Total (\$) |
|--|--------------------|--------------------|-----------------------------|------------------------------|---|------------------------------------|-------------------|
| (a) | (b) | (c) | (e) | (f) | (g) | (i) | (j) |
| John R. Ambroseo, Chief Executive Officer and President | 2007 | 547,773 | 280,064 | 1,261,297 | 372,329 | 97,564(3) | \$ 2,559,027 |
| Helene Simonet, Executive Vice President and Chief Financial Officer | 2007 | 351,719 | 115,647 | 493,108 | 171,933 | 53,577(4) | \$ 1,185,984 |
| Luis Spinelli, Executive Vice President and Chief Technology Officer | 2007 | 250,759 | 45,159 | 203,860 | 90,677 | 63,447(5) | \$ 653,902 |
| Ronald A. Victor, Executive Vice President, Human Resources | 2007 | 239,983 | 37,399 | 163,660 | 86,815 | 53,312(6) | \$ 581,169 |
| Bret DiMarco, Executive Vice President and General Counsel | 2007 | 250,077 | 6,294 | 67,579 | 142,271(7) | 13,487 | \$ 479,708 |
| Former Employees | | | | | | | |
| Paul L. Meissner, Former Executive Vice President of Global Business Operations | 2007 | 74,566 | 58,300 | 328,156 | 76,686 | 26,632(8) | \$ 564,340 |

- (1) Reflects the dollar amount recognized for financial statement reporting purposes (disregarding an estimate of forfeitures related to service-based vesting conditions) for fiscal 2007, in accordance with FAS 123(R), and thus only includes amounts awarded or granted prior to fiscal 2007. The amounts for stock awards include both performance-based and time-based vesting restricted stock awards. The assumptions used in the valuation of these awards are set forth in Note 12. "Employee Stock Option and Benefit Plans" of the Notes to Consolidated Financial Statements in this Annual Report on Form 10-K. These amounts do not correspond to the actual value that will be recognized by the Named Executive Officers.
- (2) Reflects the dollar amounts earned under the 2007 VCP and PIP during fiscal 2007.
- (3) Includes amounts (a) contributed by us under the Company's 401(k) plan (\$13,500) and deferred compensation plan (\$37,139), (b) reflecting imputed income to Dr. Ambroseo from the sale of a Company car under the Company's auto use policy described above, (c) for debt forgiveness (see Item 13 hereof), (d) from the use of a Company-owned and maintained automobile ("Car Allowance") and (e) reimbursed pursuant to executive medical reimbursement.
- (4) Includes amounts (a) contributed by us under the Company's 401(k) plan (\$12,100) and deferred compensation plan (\$14,898), (b) from a Car Allowance and (c) reimbursed pursuant to executive medical reimbursement.
- (5) Includes amounts (a) contributed by us under the Company's 401(k) plan (\$13,467) and deferred compensation plan, (b) paid to Mr. Spinelli for buy-out of earned vacation, (c) from a Car Allowance, (d) earned under our patent award program (\$15,647) where Mr. Spinelli was an inventor and (e) reimbursed pursuant to executive medical reimbursement.
- (6) Includes amounts (a) contributed by us under the Company's 401(k) plan (\$13,378), (b) paid to Mr. Victor for buy-out of earned vacation, (c) from a Car Allowance, and (d) reimbursed pursuant to executive medical reimbursement.
- (7) Mr. DiMarco received a minimum of one hundred percent of his target bonus percentage for the first full four quarters of his employment as part of his employment terms.

- (8) Includes amounts (a) paid to Mr. Meissner for buy-out of earned vacation, (b) from a Car Allowance, and (c) reimbursed pursuant to executive medical reimbursement.

Grants of Plan-Based Awards in Fiscal 2007

Except as set forth in the footnotes, the following table shows all plan-based non-equity incentive awards granted to our named executive officers during fiscal year 2007. There were no grants of equity-based awards to any Named Executive Officer during fiscal 2007 other than the tranche of

performance-based restricted stock which vested in November 2006 as a result of fiscal 2006 performance.

**Estimated Possible and Future Payouts
Under Non-Equity Incentive Plan Awards(1)(2)**

| Name | Period | Threshold (\$) | Target (\$) | Maximum (\$) |
|------------------------|-------------|----------------|-------------|--------------|
| John Ambroseo | Fiscal 2007 | 0 | \$ 547,773 | \$ 821,660 |
| Helene Simonet | Fiscal 2007 | 0 | \$ 246,203 | \$ 369,305 |
| Luis Spinelli | Fiscal 2007 | 0 | \$ 125,380 | \$ 188,069 |
| Ronald Victor | Fiscal 2007 | 0 | \$ 119,992 | \$ 179,987 |
| Bret DiMarco | Fiscal 2007 | 0 | \$ 125,039 | \$ 187,558 |
| <i>Former Employee</i> | | | | |
| Paul Meissner | Fiscal 2007 | 0 | \$ 137,499 | \$ 206,248 |

- (1) The amounts shown in these columns reflect the minimum, target and maximum payment amounts that Named Executive Officers may receive under the 2007 VCP, depending on performance against the metrics described in further detail in the "2007 VCP" section in this Part III. The amounts range from zero to a cap of 150% of targeted award.
- (2) These amounts do not include payments under the PIP program for which there is no target. The PIP award ranges from zero to a cap of 5% of quarterly base salary. The PIP program is described in further detail in the "PIP" section in this Part III. As noted previously, the Named Executive Officers will not participate in PIP in fiscal year 2008.

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Outstanding Equity Awards at 2007 Fiscal Year-End

The following table presents information concerning unexercised options and stock that has not yet vested for each Named Executive Officer outstanding as of September 29, 2007.

| Name | Grant Date | Option Awards | | | | Stock Awards | |
|----------------|------------|---|--|--------------------------|------------------------|--|---|
| | | Number of Securities Underlying Unexercised Options (#) Exercisable | Number of Securities Underlying Unexercised Options (#) Unexercisable(2) | Option Exercise Price(1) | Option Expiration Date | Number of Shares or Units of Stock That Have Not Vested (#)(3) | Market Value of Shares or Units of Stock That Have Not Vested (\$)(3) |
| John Ambroseo | 3/30/2006 | 45,000 | 45,000 | \$ 35.01 | 3/30/2012 | 20,000 | \$ 641,600 |
| | 4/7/2005 | 90,000 | | \$ 33.71 | 4/7/2011 | | |
| | 3/25/2004 | 3,786 | | \$ 26.41 | 3/25/2010 | | |
| | 3/25/2004 | 146,214 | | \$ 26.41 | 3/25/2010 | | |
| | 4/4/2003 | 150,000 | | \$ 19.77 | 4/4/2009 | | |
| | 4/25/2002 | 6,468 | | \$ 30.92 | 4/25/2008 | | |
| | 4/25/2002 | 251,032 | | \$ 30.92 | 4/25/2008 | | |
| Helene Simonet | 3/30/2006 | 17,500 | 17,500 | \$ 35.01 | 3/30/2012 | 8,000 | \$ 256,640 |
| | 4/7/2005 | 25,000 | | \$ 33.71 | 4/7/2011 | | |
| | 3/25/2004 | 3,786 | | \$ 26.41 | 3/25/2010 | | |
| | 3/25/2004 | 66,214 | | \$ 26.41 | 3/25/2010 | | |
| | 4/4/2003 | 60,000 | | \$ 19.77 | 4/4/2009 | | |
| | 4/25/2002 | 96,766 | | \$ 30.92 | 4/25/2008 | | |
| | 4/25/2002 | 3,234 | | \$ 30.92 | 4/25/2008 | | |
| Luis Spinelli | 3/30/2006 | 5,000 | 5,000 | \$ 35.01 | 3/30/2012 | 3,000 | \$ 96,240 |
| | 4/7/2005 | 12,000 | | \$ 33.71 | 4/7/2011 | | |
| | 3/25/2004 | 3,786 | | \$ 26.41 | 3/25/2010 | | |
| | 3/25/2004 | 36,214 | | \$ 26.41 | 3/25/2010 | | |
| | 4/4/2003 | 5,058 | | \$ 19.77 | 4/4/2009 | | |
| | 4/4/2003 | 14,942 | | \$ 19.77 | 4/4/2009 | | |
| | 4/25/2002 | 1,766 | | \$ 30.92 | 4/25/2008 | | |
| 4/25/2002 | 3,234 | | \$ 30.92 | 4/25/2008 | | | |
| Ronald Victor | 3/30/2006 | 5,000 | 5,000 | \$ 35.01 | 3/30/2012 | 2,700 | \$ 86,616 |
| | 4/7/2005 | 11,000 | | \$ 33.71 | 4/7/2011 | | |
| | 3/25/2004 | 21,214 | | \$ 26.41 | 3/25/2010 | | |
| | 3/25/2004 | 3,786 | | \$ 26.41 | 3/25/2010 | | |
| | 4/4/2003 | 5,058 | | \$ 19.77 | 4/4/2009 | | |
| | 4/4/2003 | 19,942 | | \$ 19.77 | 4/4/2009 | | |
| | 4/25/2002 | 3,234 | | \$ 30.92 | 4/25/2008 | | |
| 4/25/2002 | 21,766 | | \$ 30.92 | 4/25/2008 | | | |
| Bret DiMarco | 6/7/2006 | 5,000 | 5,000 | \$ 33.30 | 6/7/2012 | | |

(1) The exercise prices indicated are the prices originally recorded by the Company at grant and have not been adjusted to reflect any new measurement date as a result of the Company's historical stock option review. Only the grants dated April 25, 2002 in the table had a new measurement date determined for accounting purposes, which had a lower closing price by \$0.16. No changes to the exercise price of these April 25, 2002 grants have been made.

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(2) For Messrs Ambroseo, Spinelli and Victor and Ms. Simonet, these shares vest on March 30, 2008 and for Mr. DiMarco on June 7, 2008.

(3) This column does not include the third tranche of restricted stock awards which are subject to the achievement of certain performance metrics, which will not be vested, if at all, until November 2008 and tied to the performance of the Company during fiscal 2007. The second tranche of these restricted stock awards were due to vest in November 2008, however, based on the performance of the Company during fiscal 2006, no shares vested. Market Value is determined by multiplying the number of shares by \$32.08, the closing price of the Company's common stock on September 28, 2007.

Stock Vested in Fiscal Year 2007

The following table presents information regarding the tranche of performance-based restricted stock which vested in November 2006 as a result of fiscal 2006 performance:

| Name (a) | Stock Awards | |
|------------------------|--|--|
| | Number of Shares Acquired on Vesting (#) (d) | Value Realized on Vesting \$(1) (e) |
| John Ambroseo | 8,308 | \$ 240,313 |
| Helene Simonet | 3,867 | \$ 111,855 |
| Luis Spinelli | 1,719 | \$ 49,723 |
| Ronald Victor | 1,060 | \$ 30,661 |
| Bret DiMarco | 945 | \$ 27,335 |
| <i>Former Employee</i> | | |
| Paul Meissner | 2,005 | \$ 57,996 |

(1) Based on the closing price on November 9, 2006 of \$28.9255.

Nonqualified Deferred Compensation for Fiscal Year 2007

The following table presents information regarding the non-qualified deferred compensation activity for each Named Executive Officer during fiscal 2007:

| Name | Executive Contributions in Last FY \$(1) | Registrant Contributions in Last FY \$(4) | Aggregate Earnings in Last FY (\$) | Aggregate Withdrawals/ Distributions (\$) | Aggregate Balance of Last FYE \$(2) |
|------------------------|--|---|--|--|--|
| John Ambroseo | \$ 370,748 | \$ 36,601 | \$ 437,296 | \$ | \$ 3,313,818 |
| | \$ | (5) | (5) 175,216(5) | (5) | (5) 1,247,580(5) |
| Leen Simonet | \$ 100,781 | \$ 14,682 | \$ 100,772 | \$ | \$ 754,399 |
| | \$ | (5) | (5) 25,574(5) | (5) | (5) 179,837(5) |
| Luis Spinelli | \$ 26,719 | \$ 3,385 | \$ 34,189 | \$ | \$ 302,281 |
| | \$ | (5) | (5) 56,174(5) | (5) | (5) 491,086(5) |
| Ron Victor | \$ 143,998 | \$ 2,158 | \$ 73,071 | \$ | \$ 662,087 |
| | \$ | (5) | (5) 29,415(5) | (5) | (5) 216,262(5) |
| Bret Dimarco(3) | N/A | | | | |
| <i>Former Employee</i> | | | | | |
| Paul Meissner(6) | \$ 634 | \$ | \$ 55 | \$ 689 | \$ |

(1)

Amounts in Executive Contribution in Last FY (\$) column consist of salary and/or bonus earned during fiscal year 2007, which is also reported in the Summary Compensation Table.

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- (2) The deferred compensation in a participants account is fully vested and is credited with positive or negative investment results based upon plan investment options selected by the participant.
- (3) Named officer was eligible but did not participant in the plan in fiscal 2007.
- (4) Amounts are company contribution payments in excess of the IRS 402(g) qualified plan limits made to the non-qualified "Deferred Compensation Plan" for plan year 2005 and 2006. Amounts reported in this column are also reported in the "All Other Compensation" column of the Summary Compensation Table on above.
- (5) Amounts represent account balances and earnings from the Supplementary Retirement Plan (SRP) which was suspended on January 1, 2006. Deferrals, both executive and Company, into this plan have been suspended. The "Deferred Compensation Plan" is the only non-qualified deferred compensation plan maintained for executive management.
- (6) Named officer terminated on January 12, 2007. The DCP account balance was distributed on August 16, 2007.

Change in Control Arrangements

The following table shows the potential payments and benefits that Coherent (or its successor) would be obligated to make or provide upon termination of employment of each our Named Executive Officers pursuant to the terms of the Change of Control Severance Plan. Other than this plan, there are no other employment agreements or other contractual obligations. For purposes of this table, it is assumed that each Named Executive Officer's employment terminated at the close of business on the last day of Fiscal 2007 (i.e., on September 30, 2007). The amounts reported below do not include the pension or nonqualified deferred compensation distributions that would be made to the Named Executive Officers following a termination of employment (for those amounts and descriptions, see the prior table). These payments are conditioned upon the execution of a form release of claims by the Named Executive Officer in favor of Coherent. There can be no assurance that a triggering event would produce the same or similar results as those estimated below if such event occurs on any other date or at any other price, or if any other assumption used to estimate potential payments and benefits is not correct. Due to the number of factors that affect the nature and amount of any potential payments or benefits, any actual payments and benefits may be different.

| Named Executive Officer | Multiplier for Base Salary and Bonus | Nature of Benefit | Termination for Cause | Any Other Termination |
|-------------------------|--------------------------------------|-------------------------------------|-----------------------|-----------------------|
| John Ambroseo | 2.99X | Salary Severance | | \$ 1,637,842 |
| | | Bonus Severance | | \$ 1,637,842 |
| | | Equity Compensation Acceleration(1) | | \$ 1,013,728 |
| | | Tax Gross Up(2) | | \$ 1,650,508 |
| | | Health Insurance(3) | | \$ 62,914 |
| | | Total Benefit | | \$ 4,352,492 |
| Helene Simonet | 2X | Salary Severance | | \$ 703,437 |
| | | Bonus Severance | | \$ 492,406 |
| | | Equity Compensation Acceleration(1) | | 429,872 |
| | | Health Insurance | | \$ 30,130 |
| | | Total Benefit | | \$ 1,655,845 |
| Luis Spinelli | 2X | Salary Severance | | \$ 501,518 |
| | | Bonus Severance | | \$ 250,759 |
| | | Equity Compensation Acceleration(1) | | \$ 173,232 |
| | | Health Insurance | | \$ 41,942 |
| | | Total Benefit | | \$ 967,451 |
| Ronald Victor | 2X | Salary Severance | | \$ 479,966 |
| | | Bonus Severance | | \$ 239,983 |
| | | Equity Compensation Acceleration(1) | | \$ 134,094 |
| | | Health Insurance | | \$ 30,130 |
| | | Total Benefit | | \$ 884,173 |
| Bret DiMarco | 2X | Salary Severance | | \$ 500,153 |
| | | Bonus Severance | | \$ 250,076 |
| | | Equity Compensation Acceleration(1) | | \$ 42,346 |
| | | Health Insurance | | \$ 41,942 |
| | | Total Benefit | | \$ 834,517 |

(1) Equity Compensation Acceleration is the value of the in-the-money value of invested stock options, restricted stock and performance shares, in each case as of September 28, 2007 (the last trading date before our fiscal year end) at the closing stock price on that date (\$32.08). The value of accelerated stock options are thus calculated by multiplying the number of unvested shares

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subject to acceleration by the difference between the exercise price and the closing stock price on September 28, 2007; the value of accelerated restricted stock is calculated by multiplying the number of unvested shares subject to acceleration by the closing stock price on September 28, 2007. This assumes immediate release and vesting of the 2008 fiscal portion (40% of target) of a three-year performance-based restricted stock program grant made in June 2006. This program is previously described under the "Long-Term, Equity-Based Incentive Awards" section of Components of Compensation.

- (2) Estimated reimbursement (by way of a tax "gross-up") for a 20% excise tax that would be due under Section 4999 of the Internal Revenue Code of 1986 on a portion of the amounts reported.
- (3) Health Insurance is an estimate of the cost of covering the individual and his covered dependents for three years, in the case of the chief executive officer and for two years for the other Named Executive officers.

The change in control plan provides for the payment of specified compensation and benefits upon certain terminations of the employment of the participants following a change in control of the Company. The Board has evaluated the economic and social impact of an acquisition or other change of control on its key employees. The Board recognizes that the potential of such an acquisition or change of control can be a distraction to its key employees and can cause them to consider alternative employment opportunities. The Board has determined that it is in the best interests of Coherent and its stockholders to assure that Coherent will have the continued dedication and objectivity of its key employees. The Board believes that the change of control plan will enhance the ability of our key employees to assist the Board in objectively evaluating potential acquisitions or other changes of control.

Furthermore, the Board believes a change of control plan aids us in attracting and retaining the highly qualified, high performing individuals who are essential to its success. The plan's assurance of fair treatment will ensure that key employees will be able to maintain productivity, objectivity and focus during the period of significant uncertainty that is inherent in an acquisition or other change of control. A change in control of Coherent is defined under the change of control plan to occur if a business combination occurs, an acquisition by any person directly or indirectly of fifty percent or more of the combined voting power of Coherent's common stock or a change in the composition of the Board where less than fifty percent are incumbent directors.

The change of control plan provides that if within 24 months after a change in control the Company terminates the executive's employment other than by reason of his death, disability, retirement or for cause, or the executive officer terminates his employment for "good reason," the executive will receive a lump sum severance payment equal to 2.99 (in the case of Dr. Ambroseo) or 2.0 (in the case of Messrs. Spinelli, Victor and DiMarco and Ms. Simonet) times the executive's annual base salary and annual bonus (assuming achievement of all performance requirements thereof). "Good reason" is defined in each Agreement as any of the following that occurs after a change in control of the Company: certain reductions in compensation; certain material changes in employee benefits and perquisites; a change in the site of employment; reduction in the executive's duties and responsibilities; the Company's failure to obtain the written assumption by its successor of the obligations set forth in the Agreement; attempted termination of employment on grounds insufficient to constitute a basis of termination for cause under the terms of the change of control plan; or the Company's of the provisions of the change of control plan. Under the terms of the plan, the executives will also have acceleration of all vesting conditions for equity grants and health care for the executive (and his or her covered family members) will be provided along the same terms for two years and, in the case of Dr. Ambroseo, three years. Further, Dr. Ambroseo will receive a gross-up for any Internal Revenue Code section 280G ("280G") excise taxes to the extent that the severance benefits are more than 20% over the limit imposed by 280G (i.e., more than 3.59x the "base amount" as defined by Section 280G). If the benefits are less than 20% over the limit, the benefits will be reduced to the extent necessary so

that no 280G excise tax is triggered. To the extent 280G is triggered as a result of the severance benefits for the other executive participants, such payments will either be paid in full or reduced so that the executive receives the maximum severance benefit without triggering 280G.

Employee Stock Purchase Plan

Our Employee Stock Purchase Plan (the "Purchase Plan") was adopted by the Board of Directors and approved by our stockholders in 1980. As of the end of fiscal 2007, a total of 224,536 shares of common stock remained available for issuance under the Purchase Plan. Eligible employees, including the Named Executive Officers may authorize payroll deductions up to 10% of their regular base salary to purchase shares at the lower of 85% of the fair market value of the common stock on the date of commencement of the offering or on the last day of the six-month offering period.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

COHERENT, INC.

Date: February 12, 2008

/s/ JOHN R. AMBROSEO

By: John R. Ambroseo
President and Chief Executive Officer

/s/ JOHN R. AMBROSEO

John R. Ambroseo
(Director and Principal Executive Officer)

February 12, 2008
Date

/s/ HELENE SIMONET

Helene Simonet
(Principal Financial and Accounting Officer)

February 12, 2008
Date

*

Charles W. Cantoni
(Director)

*

John H. Hart
(Director)

*

Garry W. Rogerson
(Director)

*

Lawrence Tomlinson
(Director)

*

Sandeep Vij
(Director)

*By John R. Ambroseo

Attorney-in-Fact

INDEX TO EXHIBITS

| Sequentially Exhibit Number | Exhibit |
|--|---|
| 31.1 | Certification of Chief Executive Officer pursuant to Exchange Act Rule 13a-14(a)/15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. |
| 31.2 | Certification of Chief Financial Officer pursuant to Exchange Act Rule 13a-14(a)/15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. |
| 32.1 | Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. |
| 32.2 | Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. |

All other exhibits required to be filed as part of this report have been incorporated by reference.

QuickLinks

EXPLANATORY NOTE

PART III.

ITEM 11. EXECUTIVE COMPENSATION

SIGNATURES

INDEX TO EXHIBITS