

AGERE SYSTEMS INC  
Form 10-K/A  
January 26, 2007

As filed with the Securities and Exchange Commission on January 26, 2007

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**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**  
Washington, D.C. 20549

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**Form 10-K/A No. 1**

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

**For the fiscal year ended September 30, 2006**

**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 001-16397**

**Agere Systems Inc.**

(Exact name of registrant as specified in its charter)

**Delaware**

(State or other jurisdiction of incorporation or organization)

**22-3746606**

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

**1110 American Parkway N.E.**

**Allentown, Pennsylvania**

(Address of principal executive offices)

**18109**

(Zip Code)

Registrant's telephone number, including area code **610-712-1000**

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

**Title of Each Class**

Common Stock, \$.01 par value

**Name of Each Exchange on Which Registered**

New York Stock Exchange

**Securities registered pursuant to Section 12(g) of the Act: None.**

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 Exchange Act. Yes [ ] No [X]

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 [X] 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. [X]

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 [X]

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 [X]

The aggregate market value of voting common equity held by non-affiliates of the registrant as of March 31, 2006 was approximately \$2.5 billion, based on the reported last sale price on the New York Stock Exchange of such equity on such date.

As of November 24, 2006, 167,675,327 shares of common stock were outstanding.

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**Agere Systems Inc.**  
**Form 10-K/A No. 1**  
**For the Year Ended September 30, 2006**

### EXPLANATORY NOTE

Because of our proposed merger with LSI Logic Corporation, we will not be filing a definitive proxy statement for our 2007 annual meeting with the Securities and Exchange Commission within the time required in order to be able to incorporate by reference parts of Part III of this report from that proxy statement. Accordingly, we are filing this amendment to include in this report, the additional information required by Part III of Form 10-K.

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**PART II**

**Item 9B. Other Information**

We will be holding our 2007 annual meeting of stockholders on March 29, 2007. Stockholders of record on February 2, 2007 will be entitled to notice of and to vote at the meeting. We anticipate distributing proxy materials to our stockholders for this meeting in mid-February. The deadline for submitting shareholder proposals for this meeting under Rule 14a-8 under the Securities Exchange Act of 1934 and under our bylaws has passed.

**PART III**

**Item 10. Directors and Executive Officers of the Registrant**

We have a code of conduct that applies to all Directors, officers and employees, including our principal executive officer, principal financial officer and principal accounting officer. You can find our code of conduct on our website by going to the following address: <http://www.agere.com/governance>, and clicking on the link for our code of conduct. We will post any amendments to the code of conduct, as well as any waivers that are required to be disclosed by the rules of either the Securities and Exchange Commission or the New York Stock Exchange, at that location on our website.

Our Board of Directors has adopted Corporate Governance Guidelines and charters for the Audit, Compensation and Nominating/Corporate Governance Committees of the Board of Directors. You can find these documents on our website by going to the following address: <http://www.agere.com/governance>, and clicking on the appropriate link.

You can also obtain a printed copy of any of the materials referred to above by contacting us at the following address:

Agere Systems Inc.  
1110 American Parkway NE  
Room 10A-301C  
Allentown, PA 18109  
Attn: Response Center  
Telephone: 1-800-372-2447

The Audit Committee of our Board of Directors is an "audit committee" for purposes of Section 3(a)(58) of the Securities Exchange Act of 1934. The members of that committee are: Thomas P. Salice (Chair), Richard S. Hill and Harold A. Wagner.

*Audit Committee Financial Expert*

Our Board of Directors has determined that the Chairman of the Audit Committee, Mr. Salice, is an "audit committee financial expert," as that term is defined in Item 401(h) of Regulation S-K under the Securities Exchange Act of 1934. In making this determination, our Board of Directors considered Mr. Salice's educational background and his business experience, which is described below under "Members of the Board of Directors - Directors Whose Terms Expire in 2009." The Board of Directors has also determined that Mr. Salice is "independent" for purposes of Section 303A of the New York Stock Exchange Listed Company Manual and Section

10A(m)(3) of the Securities Exchange Act of 1934.

Information concerning our executive officers is set forth in Part I of this report.

### **Members of the Board of Directors**

#### *Directors Whose Terms Expire in 2007*

*Richard L. Clemmer*, Director since October 2002. Mr. Clemmer has been Agere's President and Chief Executive Officer since October 2005. Mr. Clemmer has over 30 years of experience in the technology industry, where he has held a variety of executive, financial and management positions. Between June 2004 and October 2005, he was an active partner at Shelter Capital Partners, a private investment fund. Between 2003 and October 2005, he was Chairman and President of Venture Capital Technology LLC, which was focused on investing in and consulting for technology companies, primarily involved as Chairman of uNav Microelectronics, an emerging global positioning systems chipset company. Between May 2001 and January 2003, he was on the board of directors and served as an executive at PurchasePro.com, Inc., a provider of electronic procurement and strategic sourcing solutions.

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Between 1996 and May 2001, Mr. Clemmer was Executive Vice President, Finance and Chief Financial Officer of Quantum Corp., which was a provider of hard disk drives and other storage solutions. Prior to Quantum, Mr. Clemmer served at Texas Instruments Incorporated for over 20 years, including between 1988 and 1996 as Senior Vice President and Chief Financial Officer of Texas Instruments Incorporated's Semiconductor Group. Mr. Clemmer is a director of i2 Technologies, Inc. Age: 54.

In September 2002, while Mr. Clemmer was Chairman, Chief Executive Officer and Chief Financial Officer of PurchasePro, having been asked to take over from prior management, PurchasePro filed a voluntary petition under Chapter 11 of the United States Bankruptcy Code in connection with an agreement to sell substantially all of its assets.

*Michael J. Mancuso*, Director since July 2006. From 1994 to 2006, Mr. Mancuso was chief financial officer of General Dynamics, a supplier of business aviation and aircraft services, land and amphibious combat systems and shipbuilding and marine systems. Prior to joining General Dynamics in 1993, he was vice president and controller of United Technologies Corporation's Pratt and Whitney Commercial Engine business unit. He also served 21 years with General Electric in various financial management positions. Mr. Mancuso is a director of SPX Corporation and The Shaw Group. Age: 64.

*Kari-Pekka Wilska*, Director since December 2005. Since October 2005, Mr. Wilska has been a partner at Austin Ventures, a venture capital firm. Prior to joining Austin Ventures, Mr. Wilska was President of Vertu Ltd., a subsidiary of Nokia Corporation and a provider of luxury mobile phones. From 1993 to 2004, Mr. Wilska held a variety of leadership positions in Nokia's U.S. mobile phone operations. Mr. Wilska is also a director of Brightpoint, Inc. and Mavenir Systems. Age: 59.

#### *Directors Whose Terms Expire in 2008*

*Richard S. Hill*, Director since July 2003. Mr. Hill has been Chief Executive Officer and a director of Novellus Systems, Inc., a supplier of integrated circuit manufacturing equipment, since 1993 and has been Chairman of its board of directors since 1996. Before joining Novellus, Mr. Hill spent 12 years at Tektronix, Inc., where he held a variety of positions, including President of Tektronix Development Company, Vice President of the Test and Measurement Group and President of Tektronix Components Corporation. Prior to joining Tektronix, he held engineering management and engineering positions at General Electric, Motorola and Hughes Aircraft Company. Mr. Hill is a director of Arrow Electronics, Inc. and the University of Illinois Foundation. Age: 54.

*Arun Netravali*, Director since July 2004. Since November 2004, Mr. Netravali has been managing partner of OmniCapital Group LLC, a venture capital firm. From January 2002 to April 2003, Mr. Netravali was Chief Scientist for Lucent Technologies Inc., a provider of services, systems and software for communications networks, working with academic and investment communities to identify and implement new networking technologies. From 1999 to January 2002, Mr. Netravali was President of Bell Labs as well as Lucent's Chief Technology Officer and Chief Network Architect. Mr. Netravali currently serves on the board of Level 3

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Communications Inc. and on the advisory board of Veridicom International Inc. Age: 60.

*Harold A. Wagner*, Director since March 2001 and Chairman of the Board of Directors since December 2001. In December 2000, Mr. Wagner retired from his position as Chairman and Chief Executive Officer of Air Products and Chemicals, Inc., a multi-national chemicals manufacturing company, a position he had held since 1998. From 1992 to 1998, Mr. Wagner served as Chairman, President and Chief Executive Officer of Air Products and Chemicals. He is also a director of CIGNA Corporation, United Technologies Corporation and PACCAR Inc. He is a trustee of the Eisenhower Exchange Fellowships, Inc. and is a member of the Business Advisory Committee of A.P. Møller. Age: 71.

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*Directors Whose Terms Expire in 2009*

*Thomas P. Salice*, Director since July 2003. Mr. Salice is a co-founder and has been a managing member of SFW Capital Partners, LLC, a private equity firm, since January 2005. Prior to his current position, he served as Vice Chairman of AEA Investors LLC, a private equity firm, and had served at AEA Investors since 1989. Mr. Salice is a director of Mettler-Toledo International Inc. and Waters Corporation and is a trustee of Fordham University. Age: 47.

*Rae F. Sedel*, Director since March 2001. Ms. Sedel has been a Managing Director since 1987, and a member of the board of directors since October 2005, of Russell Reynolds Associates, Inc., an executive recruiting firm. From 1991 until October 2005, she was the lead partner on sector verticals and, from 1991 until December 2004, she was head of the technology sector at Russell Reynolds. Before joining Russell Reynolds, Ms. Sedel spent fifteen years with Pacific Telesis Group, where she was Vice President-Consumer Markets. Age: 57.

**Section 16(a) Beneficial Ownership Reporting Compliance**

We believe that, under the Securities and Exchange Commission's rules for reporting of securities transactions by executive officers, directors and beneficial owners of more than 10% of our common stock, all required reports for fiscal 2006 were timely filed.

**Item 11. Executive Compensation**

**SUMMARY COMPENSATION TABLE**

Name and Principal Position (1)	Fiscal Year	Annual Compensation			Long-Term Compensation Awards		
		Salary (\$)	Bonus (\$)	Other Annual Compensation (\$)(2)	Restricted Stock Awards (\$)(3)	Securities Underlying Options (#)	All Other Compensation (\$)(4)
Richard L. Clemmer President and Chief Executive Officer	2006	636,825	425,000	140,369	3,022,500	500,000	10,800
John T. Dickson President and Chief Executive Officer	2006	66,667		1,400			6,174,820
	2005	800,000		35,727		200,000	14,040
	2004	800,000	320,000	33,843		250,000	23,331
Peter Kelly Executive Vice President and Chief Financial Officer	2006	400,000	120,000	34,854	1,343,000	175,000	9,060
	2005	400,000	200,000	51,286		100,000	25,922
	2004	400,000	150,000	29,351		100,000	8,910
Denis P. Regimbal Executive Vice President, Mobility	2006	291,667	110,000	18,054	1,007,250	115,000	9,127

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Samir F. Samhouri Executive Vice President, Networking	2006	250,000	120,000	35,650	1,007,250	115,000	10,765
Ruediger Stroh Executive Vice President, Storage	2006	279,451	120,000	34,074	1,343,000	200,000	101,560
Andrew Micallef Executive Vice President, Global Operations	2006	300,000	90,000	51,897	1,007,250	100,000	238,898
Jean F. Rankin Executive Vice President, General Counsel & Secretary	2006	320,000	96,000	35,862	1,007,250	100,000	9,360

(1) Mr. Clemmer was appointed President and Chief Executive Officer when Mr. Dickson retired from those positions in October 2005. Messrs. Micallef, Regimbal and Samhouri and Ms. Rankin became executive officers in October 2005. Following the management changes that occurred after Mr. Clemmer became President and Chief Executive Officer, the positions of Mr. Micallef and Ms. Rankin ceased being considered executive officer positions in December 2005. Mr. Stroh joined Agere in November 2005.

(2) For fiscal 2006, the amounts shown in this column are comprised of the following:

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Name	Car Allowance	Financial Counseling and Tax Gross-up	Commuting Expenses	Tax Gross-ups on International Assignment
				Payments
Mr. Clemmer	16,800	18,054	105,515	□
Mr. Dickson	1,400	□	□	□
Mr. Kelly	16,800	18,054	□	□
Mr. Regimbal	□	18,054	□	□
Mr. Samhouri	16,800	18,850	□	□
Mr. Stroh	15,400	18,674	□	□
Mr. Micallef	□	14,862	□	37,035
Ms. Rankin	16,800	19,062	□	□

Under Mr. Clemmer's employment agreement, we paid him \$100,000 to be used for housing and/or commuting expenses. We also provided him \$5,515 of additional commuting benefits during an initial, transition period after he became President and Chief Executive Officer.

(3) The amounts shown in this column represent the grant date value of restricted stock units received by the named individuals in fiscal 2006. This value was computed using the closing price of a share of common stock on the date of grant for each restricted stock unit. We

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do not pay dividend equivalents on restricted stock units. The following table gives information about the restricted stock units granted in fiscal 2006.

Name	Performance-Based	Time-Based Restricted	Value at Fiscal Year-End
	Restricted Stock Units Granted in Fiscal 2006 (#)	Stock Units Granted in Fiscal 2006 (#)	of All Restricted Stock Units Held (\$)
Mr. Clemmer	150,000	100,000	3,732,500
Mr. Kelly	50,000	50,000	1,493,000
Mr. Regimbal	25,000	50,000	1,119,750
Mr. Samhouri	25,000	50,000	1,119,750
Mr. Stroh	100,000	□	1,493,000
Mr. Micallef	25,000	50,000	1,119,750
Ms. Rankin	25,000	50,000	1,119,750

The performance-based restricted stock units shown in the table will be paid out on the fourth anniversary of the date of grant if our total stockholder return exceeds the market capitalization weighted total stockholder return of a peer group and the holder remains employed through that date. If the LSI Logic merger is completed, the performance test will be deemed satisfied. One quarter of the time-based restricted stock units shown in the table for Mr. Clemmer will be paid out on each of the first four anniversaries of the grant date if he remains employed through the date of payment. The other time-based restricted stock units shown in the table will be paid out on the second anniversary of the date of grant if the holder remains employed through that date. If the holder's employment terminates after the merger, the holder may be entitled to immediate payment of all restricted stock units under our Officer Severance Policy.

(4) For fiscal 2006, includes the following amounts:

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Name	401 (k)	Term Life	Sign-on	International	Severance
	Matching Contributions (\$)	Insurance Premiums (\$)	Bonus (\$)	Assignment Payments (\$)	Payments (\$)
Mr. Clemmer	6,600	4,200	□	□	□
Mr. Dickson	□	705	□	□	6,174,115
Mr. Kelly	6,300	2,760	□	□	□
Mr. Regimbal	7,567	1,560	□	□	□
Mr. Samhouri	9,925	840	□	□	□
Mr. Stroh	□	1,560	100,000	□	□
Mr. Micallef	6,500	1,110	□	231,288	□
Ms. Rankin	6,600	2,760	□	□	□

During fiscal 2006, Mr. Micallef was on a temporary, international assignment in Singapore. Under our international assignment policy, which is available to all employees on a temporary international assignment and is designed so that employees are not disadvantaged by their international assignment, Mr. Micallef received the amounts shown in the table above, which consist principally of additional living and travel expenses, as well as the tax gross-ups shown in the table in footnote 2.

OPTION GRANTS IN LAST FISCAL YEAR

Name	Number of Securities Underlying Options Granted (#)(2)	% of Total Options Granted to Employees in Fiscal Year	Exercise Price (\$/Share)	Expiration Date	Potential Realizable Value at Assumed Annual Rates of Stock Price Appreciation for Option Term (1)	
					5%	10%
Richard L. Clemmer	500,000	11.0	9.845	10/29/2012	2,003,952	4,670,080
John T. Dickson	□	□	□	□	□	□
Peter Kelly	175,000	3.9	13.315	11/30/2012	948,595	2,210,629
Denis P. Regimbal	115,000	2.5	13.315	11/30/2012	623,362	1,452,699
Samir F. Samhour	115,000	2.5	13.315	11/30/2012	623,362	1,452,699
Ruediger Stroh	200,000	4.4	13.315	11/30/2012	1,084,108	2,526,434
Andrew Micallef	100,000	2.2	13.315	11/30/2012	542,054	1,263,217
Jean F. Rankin	100,000	2.2	13.315	11/30/2012	542,054	1,263,217

(1) These amounts represent hypothetical gains that might be achieved for the respective stock options if exercised at the end of the option term. The assumed 5% and 10% rates of stock price appreciation are prescribed by the Securities and Exchange Commission. None of the assumed rates of stock price appreciation represents our estimate or projection of the future price of our common stock. The real value of the stock options in this table depends upon the actual changes in the market price of our common stock during the term of the stock options.

(2) One quarter of Mr. Clemmer's stock option becomes exercisable on each of the first four anniversaries of the grant date. One quarter of each of the other stock options shown in the table becomes exercisable on the first anniversary of the grant date. The remainder of each of these stock options becomes exercisable in equal monthly increments over a three-year period thereafter. Under our Officer Severance Policy, earlier exercisability of these options may occur following a change in control if the named individual subsequently leaves the company.

**AGGREGATED OPTION EXERCISES IN LAST FISCAL YEAR AND FISCAL YEAR-END OPTION VALUES**

Name	Shares		Number of Securities Underlying Unexercised Options at Fiscal Year-End		Value of Unexercised In-the-Money Options at Fiscal Year-End (\$)	
	Acquired on Exercise (#)	Value Realized (\$)	Exercisable	Unexercisable	Exercisable	Unexercisable
Richard L. Clemmer	□	□	14,000	500,000	29,290	2,542,500
John T. Dickson	□	□	□	□	□	□
Peter Kelly			267,852			