

OSI SYSTEMS INC
Form DEF 14A
October 12, 2010
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 14A

(Rule 14a-101)

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

Filed by the Registrant Filed by a Party other than the Registrant

Check the appropriate box:

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

OSI Systems, Inc.

(Name of Registrant as Specified in its Charter)

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

Payment of Filing Fee (Check the appropriate box):

No fee required.

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(1) Amount Previously Paid:

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(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

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12525 Chadron Avenue

Hawthorne, California 90250

October 12, 2010

Dear Stockholder:

You are cordially invited to attend the Annual Meeting of Stockholders of OSI Systems, Inc., which will be held at 10:00 a.m., local time, on November 30, 2010, at the Company's principal offices at 12525 Chadron Avenue, Hawthorne, California. All holders of OSI Systems, Inc. common stock as of the close of business on October 3, 2010 are entitled to vote at the Annual Meeting.

We have enclosed herewith a Notice of Annual Meeting of Stockholders, a Proxy Statement and a Proxy Card. Each describes the actions expected to be taken at the Annual Meeting. The Proxy Statement describes the items in detail and also provides information about our Board of Directors and named executive officers. We have also enclosed a copy of our Annual Report on Form 10-K for the fiscal year ended June 30, 2010, which I encourage you to read. It includes our audited, consolidated financial statements and information about our operations, markets and products.

Your vote is very important. Whether or not you plan to attend the Annual Meeting, please vote as soon as possible. Your vote will ensure your representation at the Annual Meeting if you cannot attend in person.

You may vote by Internet, telephone or by sending in your Proxy Card. In addition, you may also choose to vote in person at the Annual Meeting.

Thank you for your ongoing support and continued interest in OSI Systems, Inc.

Sincerely,
Victor S. Sze
Secretary

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12525 Chadron Avenue

Hawthorne, California 90250

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

Date and Time: 10:00 a.m., local time, on Tuesday, November 30, 2010

Location: The Company's principal offices, 12525 Chadron Avenue, Hawthorne, California, 90250

Proposals:

- 1.To elect six directors to hold office for a one-year term and until their respective successors are elected and qualified;
- 2.To ratify the appointment of Moss Adams LLP as the Company's independent registered public accounting firm for the fiscal year ending June 30, 2011;
- 3.To approve an amendment and restatement of the 2006 Equity Participation Plan of OSI Systems, Inc., to increase the number of shares authorized for issuance under the plan by 1,350,000 shares and to increase the limit on the number of shares that may be granted as restricted stock by 675,000 shares; and
- 4.To transact such other business as may properly come before the Annual Meeting or any adjournment thereof.

Record Date: The Board of Directors has fixed the close of business on October 3, 2010, as the record date for the determination of stockholders entitled to notice of and to vote at the Annual Meeting and all adjourned meetings thereof.

Voting: Whether or not you plan to attend the Annual Meeting, it is important that you vote your shares. You may vote by signing and returning the enclosed Proxy Card, *via* the Internet, by telephone or by written ballot at the Annual Meeting, as more fully described in the Proxy Statement. Any of these methods will ensure representation of your shares at the Annual Meeting. If you later desire to revoke your proxy for any reason, you may do so in the manner described in the attached Proxy Statement.

Important Notice Regarding the Availability of Proxy Materials for the Annual Meeting of Stockholders to be held on November 30, 2010: This Proxy Notice, the accompanying Proxy Statement and Annual Report on Form 10-K for the fiscal year ended June 30, 2010, are available <http://www.proxyvote.com>.

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OSI SYSTEMS, INC.

12525 Chadron Avenue

Hawthorne, California 90250

PROXY STATEMENT

GENERAL INFORMATION

This Proxy Statement is being furnished in connection with the solicitation of proxies by the Board of Directors of OSI Systems, Inc. (the Company) for use at its Annual Meeting of Stockholders (Annual Meeting), to be held at 10:00 a.m., local time on November 30, 2010, at the Company's principal offices at 12525 Chadron Avenue, Hawthorne, California 90250, and at any adjournment thereof.

The Company is making its proxy materials, which include the Notice of Annual Meeting of Stockholders, Proxy Statement, Proxy Card and its most recent Annual Report on Form 10-K (Proxy Materials), available to its stockholders *via* the Internet, although those stockholders who have previously requested to receive printed copies instead will receive their Proxy Materials in the mail.

Stockholders of record as of the close of business on October 3, 2010, will receive a Notice of Internet Availability of Proxy Materials. The Notice of Internet Availability of Proxy Materials contains instructions about how to access the Proxy Materials and vote *via* the Internet without attending the Annual Meeting. If you receive a Notice of Internet Availability of Proxy Materials, but would instead prefer to receive a printed copy of the Proxy Materials rather than downloading them from the Internet, you may do so by following the instructions for requesting such materials included in the Notice of Internet Availability of Proxy Materials.

If you are a stockholder that receives a printed copy of the Proxy Materials by mail, you may view the Proxy Materials on the Internet at <http://www.proxyvote.com>. However, in order to direct your vote without attending the Annual Meeting you must complete and mail the Proxy Card or voting instruction card enclosed (postage pre-paid return envelope also enclosed) or, if indicated on the Proxy Card that you receive, by telephone or Internet voting. Please refer to the Proxy Card that you receive for instructions.

When a proxy is properly submitted, the shares it represents will be voted in accordance with any directions noted thereon. Any stockholder giving a proxy has the power to revoke it at any time before it is voted by written notice to the Secretary of the Company, by issuance of a subsequent proxy as more fully described on your Proxy Card. In addition, a stockholder attending the Annual Meeting may revoke his or her

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proxy and vote in person if he or she desires to do so, but attendance at the Annual Meeting will not of itself revoke the proxy.

At the close of business on October 3, 2010, the record date for determining stockholders entitled to notice of and to vote at the Annual Meeting, the Company had issued and outstanding 18,653,913 shares of common stock, \$0.001 par value (Common Stock). A majority of the shares outstanding on the record date, present in person at the Annual Meeting or represented at the Annual Meeting by proxy, will constitute a quorum for the transaction of business. Shares that are voted FOR ALL, FOR, WITHHOLD FOR ALL, AGAINST or ABSTAIN (as applicable) for proposal are treated as being present at the Annual Meeting for purposes of establishing a quorum. Each share of Common Stock entitles the holder of record thereof to one vote on any matter coming before the Annual Meeting.

A Proxy Card, when properly submitted *via* the Internet, telephone or mail, also confers discretionary authority with respect to amendments or variations to the matters identified in the Notice of Annual Meeting of Stockholders and with respect to other matters which may be properly brought before the Annual Meeting. At the time of printing this Proxy Statement, the Company's management was not aware of any other matters to be presented for action at the Annual Meeting. If, however, other matters which are not now known to management

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should properly come before the Annual Meeting, the proxies hereby solicited will be exercised on such matters in accordance with the best judgment of the proxy holders.

Abstentions and broker non-votes represented by submitted proxies will be included in the calculation of the number of the shares present at the Annual Meeting for the purposes of determining a quorum. Broker non-votes means shares held of record by a broker that are not voted because the broker has not received voting instructions from the beneficial owner of the shares and either lacks or declines to exercise the authority to vote the shares in its discretion.

Proposal One. Directors are elected by a plurality and the nominees who receive the most votes will be elected. Proposal One is considered a non routine matter under NASDAQ Stock Market (NASDAQ) rules and, accordingly, brokerage firms and nominees do not have the authority to vote their clients unvoted shares on Proposal One or to vote their clients shares if the clients have not furnished voting instructions within a specified period of time prior to the Annual Meeting. Abstentions and broker non-votes will decrease the number of votes cast in director elections.

Proposal Two. To be approved, the ratification of Moss Adams LLP, as the Company s independent registered accounting firm must receive the affirmative vote of the majority of the shares of Common Stock present in person or by proxy at the Annual Meeting and entitled to vote. Proposal Two is considered a routine matter under NASDAQ rules and, accordingly, brokerage firms and nominees have the authority to vote their clients unvoted shares on Proposal Two as well as to vote their clients shares where the clients have not furnished voting instructions within a specified period of time prior to the Annual Meeting. Abstentions and broker non-votes will not affect the outcome of the vote on Proposal Two.

Proposal Three. To be approved, the proposal to ratify the Amended and Restated 2006 Equity Participation Plan of OSI Systems, Inc. must receive the affirmative vote of the majority of the outstanding shares of Common Stock present in person or by proxy at the Annual Meeting and entitled to vote. Proposal Three is considered a non routine matter under NASDAQ rules and, accordingly, brokerage firms and nominees do not have the authority to vote their clients unvoted shares on Proposal Three or to vote the clients shares if the clients have not furnished voting instructions within a specified period of time prior to the Annual Meeting. Abstentions and broker non-votes will have the same effect as a vote against Proposal Three.

It is anticipated that the Notice of Internet Availability of Proxy Materials and the Proxy Materials will be mailed on or about October 18, 2010. All stockholders entitled to vote at the Annual Meeting will receive either the Notice of Internet Availability of Proxy Materials or a printed copy of the Proxy Materials. The Company will pay the expenses of soliciting proxies for the Annual Meeting, including the cost of preparing, assembling, posting on the Internet and mailing the Notice of Internet Availability of Proxy Materials and the Proxy Materials. Proxies may be solicited personally, by mail, by e-mail, over the Internet, or by telephone, by directors, officers and regular employees of the Company who will not be additionally compensated therefore.

The matters to be considered and acted upon at the Annual Meeting are more fully discussed below.

Important Notice Regarding the Availability of Proxy Materials for the Annual Meeting of Stockholders to be held on November 30, 2010: The Proxy Notice, this Proxy Statement and Annual Report on Form 10-K for the fiscal year ended June 30, 2010, are available at <http://www.proxyvote.com>.

Table of Contents**ELECTION OF DIRECTORS***(Proposal No. 1 of the Proxy Card)***Nominees**

The Board of Directors consists of six members. At each annual meeting of stockholders, directors are elected for a term of one year to succeed those directors whose terms expire on the annual meeting date.

The six candidates nominated for election as directors at the Annual Meeting are Deepak Chopra, Ajay Mehra, Steven C. Good, Meyer Luskin, David T. Feinberg and William F. Ballhaus. The enclosed Proxy will be voted in favor of these individuals unless other instructions are given. If elected, the nominees will serve as directors until the Company's next annual meeting of stockholders, and until their successors are elected and qualified. If any nominee declines to serve or becomes unavailable for any reason, or if a vacancy occurs before the election (although the Company knows of no reason to anticipate that this will occur), the proxies may be voted for such substitute nominees as the Board of Directors may designate.

If a quorum is present and voting, the six nominees for directors receiving the highest number of votes will be elected as directors. Abstentions and shares held by brokers that are present, but not voted because the brokers were prohibited from exercising discretionary authority, *i.e.*, broker non-votes, will be counted as present only for purposes of determining if a quorum is present.

The nominees for election as directors at this meeting are as follows:

Name	Age	Position	Director Since
Deepak Chopra	59	Chairman of the Board of Directors, Chief Executive Officer and President	1987
Ajay Mehra	48	Director, Executive Vice President, and President of Security division	1996
Steven C. Good(1)(2)(3)(4)	68	Director	1987
Meyer Luskin(1)(2)(3)(4)	85	Director	1990
David T. Feinberg(3)	48	Director	2010
William F. Ballhaus(1)	65	Director	2010

- (1) Member of Audit Committee
- (2) Member of Compensation Committee
- (3) Member of Nominating and Governance Committee
- (4) Member of Executive Committee

Business Experience

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Deepak Chopra is the founder of the Company and has served as President, Chief Executive Officer and a Director since the Company's inception in May 1987. He has served as the Company's Chairman of the Board of Directors since February 1992. Mr. Chopra also serves as the President and Chief Executive Officer of several of the Company's major subsidiaries. From 1976 to 1979 and from 1980 to 1987, Mr. Chopra held various positions with ILC, a publicly-held manufacturer of lighting products, including serving as Chairman of the Board of Directors, Chief Executive Officer, President and Chief Operating Officer of its United Detector Technology division. In 1990, the Company acquired certain assets of ILC's United Detector Technology division. Mr. Chopra has also held various positions with Intel Corporation, TRW Semiconductors and RCA Semiconductors. Mr. Chopra holds a Bachelor of Science degree in Electronics and a Master of Science degree in Semiconductor Electronics from Punjab Engineering College in Chandigarh, Punjab, India and a Master of Science degree in Semiconductor Electronics from the University of Massachusetts, Amherst. Mr. Chopra was selected to serve as a director because of his expertise in the field of electrical engineering as well as his long-standing experience managing the Company.

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Ajay Mehra has served as a Director since March 1996. Mr. Mehra is Executive Vice President of the Company and President of the Company's Security division. Mr. Mehra joined the Company as Controller in 1989 and served as Vice President and Chief Financial Officer from November 1992 until November 2002, when he was named the Company's Executive Vice President. Prior to joining the Company, Mr. Mehra held various financial positions with Thermador/Waste King, a household appliance company, Presto Food Products, Inc. and United Detector Technology. Mr. Mehra holds a Bachelor of Arts degree from the School of Business of the University of Massachusetts, Amherst and a Master of Business Administration degree from Pepperdine University. Mr. Mehra was selected to serve as a director because of his financial management experience and experience managing the Company's Security division.

Steven C. Good has served as a Director of the Company since September 1987. He is a consultant for the accounting firm of JH Cohn LLP. Mr. Good founded the accounting firm of Good, Swartz, Brown & Berns in 1976, and has been active in consulting and advisory services for businesses in various sectors, including the manufacturing, garment, medical services and real estate development industries. Mr. Good founded California United Bancorp and served as its Chairman through 1993. From 1997 until the company was sold in 2006, Mr. Good served as a Director of Arden Realty Group, Inc., a publicly-held Real Estate Investment Trust listed on the New York Stock Exchange. Mr. Good currently serves as a Director of Kayne Anderson MLP Investment Company and Kayne Anderson Energy Total Return Fund, Inc., each of which is listed on the New York Stock Exchange. He also formerly served as a Director of California Pizza Kitchen, Inc. from 2005 to 2008, Yobet.com from 2006 to 2008, and the Walking Company Holdings, Inc. from 1997 to 2009. Mr. Good holds a Bachelor of Science degree in Business Administration from the University of California, Los Angeles and attended its Graduate School of Business. Mr. Good was selected to serve as a director because of his audit, finance and accounting expertise.

Meyer Luskin has served as a Director of the Company since February 1990. Since 1958, Mr. Luskin has served as a Director of Scope Industries, which is engaged principally in the business of recycling and processing food waste products into animal feed and has also served as its President, Chief Executive Officer and Chairman since 1961. Mr. Luskin currently also serves as a Director of Myricom, Inc., a computer and network infrastructure company, and as a Director of the Board of Advisors of the Santa Monica UCLA Medical Center and Orthopedic Hospital. Mr. Luskin also serves as a trustee of the Orthopedic Hospital. Mr. Luskin holds a Bachelor of Arts degree from the University of California, Los Angeles and a Masters in Business Administration from Stanford University. Mr. Luskin was selected to serve as a director because of his long-standing experience managing complex business operations.

David T. Feinberg has served as a Director of the Company since March 2010. Dr. Feinberg has served as the chief executive officer of the UCLA Hospital System and associate vice chancellor since July 2007. Prior to assuming this position, Dr. Feinberg was the medical director of the Resnick Neuropsychiatric Hospital (NPH) at UCLA. Dr. Feinberg is board certified in the specialties of child and adolescent psychiatry, adult psychiatry and addiction psychiatry. He is a professor of clinical psychiatry in the David Geffen School of Medicine at UCLA. Dr. Feinberg graduated *cum laude* in economics from the University of California, Berkeley in 1984, and graduated with distinction from the University of Health Sciences/The Chicago Medical School in 1989. He earned his master of business administration from Pepperdine University in 2002. Dr. Feinberg was selected to serve as a director because of his knowledge of the healthcare industry and his experience managing a large, internationally-renown hospital system.

William F. Ballhaus, Jr. has served as a Director of the Company since May 2010. From 2000 to 2007, Dr. Ballhaus, now retired, served as President and then as Chief Executive Officer of Aerospace Corporation, a nonprofit organization dedicated to the application of science and technology to the solution of critical issues in the nation's space program. Between 1990 and 2000, Dr. Ballhaus' career included positions within the aerospace industry, including Corporate Vice President, Engineering and Technology for Lockheed Martin Corporation and President, Aero and Naval Systems and President, Civil Space & Communications, both for Martin Marietta. Between 1971 and 1989, Dr. Ballhaus worked for the National Aeronautics and Space

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Administration (NASA), including as Director of its Ames Research Center. Dr. Ballhaus, who has published more than 40 papers on computational aerodynamics, obtained a Ph.D. in Engineering in 1971 and a BS and MS in Mechanical Engineering in 1967 and 1968, both from the University of California at Berkeley. Dr. Ballhaus was selected to serve as a director because of his experience in managing providers of technology and technical services to government agencies.

Retirement and Resignation from the Board of Directors

Chand R. Viswanathan, who had served as a director of the Company since 2001, retired from his position on March 5, 2010.

Leslie E. Bider, who had served as a director of the Company since 2006, resigned his position and the committees on which he served on May 5, 2010, in order to devote more time to his duties as chief executive officer of a private health advisory firm. At the time of his resignation, Mr. Bider was a member of the Nominating and Governance Committee and the Audit Committee.

Relationships Among Directors or Executive Officers

There are no arrangements or understandings known to the Company between any of the directors or nominees for director of the Company and any other person pursuant to which any such person was or is to be elected a director.

Ajay Mehra is the first cousin of Deepak Chopra. Other than this relationship, there are no family relationships among the directors or Named Executive Officers of the Company (for a list of Named Executive Officers, See Compensation of Executive Officers and Directors Summary Compensation Table).

Board Leadership Structure and Role in Risk Oversight

The Board of Directors is responsible for risk oversight of the Company. Risks facing the Company include competitive, economic, operational, financial, accounting, liquidity, tax, regulatory, foreign country, safety, employment, political and other risks. Risks are reported to the Board of Directors through the Company's executive officers, who are responsible for the identification, assessment and management of the Company's risks. The Board of Directors regularly discusses the risks reported by the Company's executive officers and reviews with management strategies and actions to mitigate the risks and the status and effectiveness of such strategies and actions.

The Board of Directors is structured, in part, to optimize its risk oversight capabilities, including by combining the positions of Chief Executive Officer and Chairman and delegating certain risk oversight functions to its committees. The Company believes that currently combining the positions of Chief Executive Officer and Chairman serves as an effective link between management's role of identifying, assessing and managing risks and the Board of Directors' role of risk oversight. Mr. Chopra possesses in-depth knowledge of the issues, opportunities and challenges the Company faces, and is thus well positioned to develop agendas and highlight issues that ensure that the Board of Directors' time and attention are focused on the most critical matters. In addition, the Board of Directors has determined that this leadership structure is optimal because it believes that having one leader serving as both the Chairman and Chief Executive Officer provides decisive, consistent and effective leadership,

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as well as clear accountability. Having one person serve as Chairman and Chief Executive Officer also enhances the Company's ability to communicate its message and strategy clearly and consistently to its stockholders, employees, and other companies with which it does business. Although the Company believes that the combination of the Chairman and Chief Executive Officer roles is appropriate under current circumstances, it will continue to review this issue periodically to determine whether, based on the relevant facts and circumstances, separation of these offices would serve the Company's best interests and the best interests of its stockholders.

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To efficiently oversee the Company's risks, the committees of the Board of Directors are delegated oversight responsibility for particular areas of risk. For example, the Audit Committee oversees management of risks related to accounting, auditing and financial reporting and maintaining effective internal controls for financial reporting. The Nominating and Governance Committee oversees risks related to the effectiveness of the Board of Directors. The Compensation Committee oversees risks related to the Company's executive compensation policies and practices. The Executive Committee oversees risks related to the Company's strategic transactions. The Company does not have a lead independent director.

Board of Directors Meetings and Committees of the Board of Directors

There were six meetings of the Board of Directors and the Board of Directors acted pursuant to unanimous written consent on four additional occasions during the fiscal year ended June 30, 2010. The Board of Directors has established an Audit Committee, Compensation Committee, Executive Committee and Nominating and Governance Committee. The members of each committee are appointed by the majority vote of the Board of Directors. All persons serving as a director during the full fiscal year ended June 30, 2010, attended more than 75% of the aggregate number of meetings held by the Board of Directors and all committees on which such director served. All persons serving as a director during less than the full fiscal year, attended more than 75% of the aggregate number of meetings that occurred during their tenure.

The Board of Directors has determined that each of the directors, except Mr. Chopra and Mr. Mehra, is independent within the meaning of the rules and regulations of the U.S. Securities and Exchange Commission (SEC) and NASDAQ director independence standards (Listing Standards), as currently in effect. Furthermore, the Board of Directors has determined that each of the members of each of the committees of the Board of Directors is independent within the meaning of the rules and regulations of the SEC and the NASDAQ Listing Standards, as currently in effect.

Audit Committee

The Company has a separately designated, standing Audit Committee established in accordance with Section 3(a)(58)(A) of the Securities Exchange Act of 1934, as amended (the Exchange Act). The Audit Committee makes recommendations for selection of the Company's independent public accountants, reviews with the independent public accountants the plans and results of the audit engagement, approves professional services provided by the independent public accountants, reviews the independence of the independent public accountants, considers the range of audit and any non-audit fees, and reviews the financial statements of the Company and the adequacy of the Company's internal accounting controls and financial management practices. All members of the Audit Committee are independent, as independence for audit committee members is defined in the listing standards applicable to the Company.

The Audit Committee currently consists of Messrs. Good, Luskin and Ballhaus. The Board of Directors has determined that, based upon his work experience, Mr. Good qualifies as an Audit Committee Financial Expert as this term has been defined under the rules and regulations of the SEC. To date, no determination has been made as to whether the other members of the Audit Committee also qualify as Audit Committee Financial Experts.

There were four meetings of the Audit Committee during the fiscal year ended June 30, 2010. See Report of Audit Committee. The charter of the Audit Committee is available under the Investor Relations section of our website <http://www.osi-systems.com>.

Compensation Committee

The Compensation Committee is responsible for determining compensation for the Company's executive officers, reviewing and approving executive compensation policies and practices, and providing advice and input

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to the Board of Directors in the administration of the Company's equity compensation plans. The Compensation Committee engages and consults with independent compensation consultants in the performance of its duties. The Compensation Committee currently consists of Messrs. Luskin and Good. There were three meetings of the Compensation Committee during the fiscal year ended June 30, 2010. See *Compensation Committee Report*.

The Compensation Committee acts pursuant to a written charter adopted by the Board of Directors, a copy of which is available under the Investor Relations section of the Company's website <http://www.osi-systems.com>.

Nominating and Governance Committee

The Nominating and Governance Committee is responsible for evaluating nominations for new members of the Board of Directors. The Nominating and Governance Committee currently consists of Messrs. Good, Luskin and Feinberg. There were two meetings of the Nominating and Governance Committee during the fiscal year ended June 30, 2010.

The Nominating and Governance Committee will consider candidates based upon their business and financial experience, personal characteristics, expertise that is complementary to the background and experience of other Board of Directors members, willingness to devote the required amount of time to carrying out the duties and responsibilities of membership on the Board of Directors, willingness to objectively appraise management performance, and any such other qualifications the Nominating and Governance Committee deems necessary to ascertain the candidate's ability to serve on the Board of Directors.

The Nominating and Governance Committee has sought to identify director nominees that have diverse professional and educational backgrounds that are believed to complement the skills offered by existing Board of Directors members.

The Nominating and Governance Committee acts pursuant to a written charter adopted by the Board of Directors. The charter of the Nominating and Governance Committee is available under the Investor Relations section of the Company's website <http://www.osi-systems.com>.

Executive Committee

The Executive Committee convenes for the purpose of advising and consulting with the Company's management regarding potential acquisitions, mergers and strategic alliances. The Executive Committee consists of Messrs. Good and Luskin. There were six meetings of the Executive Committee during the fiscal year ended June 30, 2010.

The Executive Committee acts pursuant to a written charter adopted by the Board of Directors, a copy of which is available under the Investor Relations section of the Company's website <http://www.osi-systems.com>.

Director Nomination Process

The Nominating and Governance Committee will consider director candidates recommended by stockholders. Stockholders who wish to submit names of candidates for election to the Board of Directors must do so in writing. The recommendation should be sent to the following address: c/o Secretary, OSI Systems, Inc., 12525 Chadron Avenue, Hawthorne, CA 90250. The Company's Secretary will, in turn, forward the recommendation to the Nominating and Governance Committee. The recommendation should include the following information:

A statement that the writer is a stockholder and is proposing a candidate for consideration by the Nominating and Governance Committee;

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The name and contact information for the candidate;

A statement of the candidate's occupation and background, including education and business experience;

Information regarding each of the factors listed above, sufficient to enable the committee to evaluate the candidate;

A statement detailing (i) any relationship or understanding between the candidate and the Company, or any customer, supplier, competitor, or affiliate of the Company, and (ii) any relationship or understanding between the candidate and the stockholder proposing the candidate for consideration, or any affiliate of such stockholder; and

A statement that the candidate is willing to be considered for nomination by the committee and willing to serve as a director if nominated and elected.

Stockholders must also comply with all requirements of the Company's Bylaws, a copy of which is available from our Secretary upon written request, with respect to nomination of persons for election to the Board of Directors. The Company may also require any proposed nominee to furnish such other information as the Company or the committee may reasonably require to determine the eligibility of the nominee to serve as a director. In performing its evaluation and review, the committee generally does not differentiate between candidates proposed by stockholders and other proposed nominees, except that the committee may consider, as one of the factors in its evaluation of stockholder recommended candidates, the size and duration of the interest of the recommending stockholder or stockholder group in the equity of the Company.

There are no stockholder nominations for election to our Board to be voted on at this year's Annual Meeting. All of this year's nominees for director are all currently directors of the Company. Stockholders wishing to submit nominations for next year's annual meeting of stockholders must notify the Company of their intent to do so on or before the date on which nominations must be received by the Company in accordance with its Bylaws and the rules and regulations of the SEC. For details see Stockholder Proposals.

Compensation Committee Interlocks and Insider Participation

The Compensation Committee is composed of two non-employee directors, Messrs. Luskin and Good. No executive officer of the Company has served during the fiscal year ended June 30, 2010 or subsequently as a member of the board of directors or compensation committee of any entity which has one or more executive officers who serve on the Company's Board of Directors or the Compensation Committee. During the fiscal year ended June 30, 2010, no member of the Company's Compensation Committee had any relationship or transaction with the Company required to be disclosed pursuant to Item 404 of Regulation S-K under the Exchange Act.

The Board of Directors unanimously recommends that you vote FOR the election of each of Deepak Chopra, Ajay Mehra, Steven C. Good, Meyer Luskin, David T. Feinberg and William F. Ballhaus, Jr. as directors of the Company. Holders of proxies solicited by this Proxy Statement will vote the proxies received by them as directed on the Proxy or, if no direction is made, for each of the above-named nominees. The election of directors requires a plurality of the votes cast by the holders of the Company's Common Stock present in person at the Annual Meeting or represented by proxy, and entitled to vote on the subject matter of the proposal.

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**RATIFICATION OF SELECTION OF
INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

(Proposal No. 2 of the Proxy Card)

The Audit Committee of the Board of Directors has selected Moss Adams LLP (Moss Adams) as the Company s independent registered public accountants for the year ending June 30, 2011, and has further directed that management submit the selection of independent registered public accountants for ratification by the Company s stockholders at the Annual Meeting. Moss Adams has no financial interest in the Company and neither it nor any member or employee of the firm has had any connection with the Company in the capacity of promoter, underwriter, voting trustee, director, officer or employee.

In the event that the Company s stockholders fail to ratify the selection of Moss Adams, the Audit Committee will reconsider whether or not to retain the firm. Even if the selection is ratified, the Audit Committee and the Board of Directors in their discretion may direct the appointment of a different independent accounting firm at any time during the year if they determine that such a change would be in the Company s and its stockholders best interests.

Representatives of Moss Adams are expected to be present at the Annual Meeting and they will have an opportunity to make a statement if they so desire and are expected to be available to respond to appropriate questions.

The Board of Directors unanimously recommends a vote FOR the ratification of Moss Adams as the Company s independent registered public accountants for the fiscal year ending June 30, 2011. Holders of proxies solicited by this Proxy Statement will vote the proxies received by them as directed on the Proxy or, if no direction is made, in favor of this proposal. In order to be adopted, this proposal must be approved by the affirmative vote of the holders of a majority of the shares of Common Stock present and voting at the Annual Meeting.

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RATIFICATION OF AMENDMENT TO 2006 EQUITY PARTICIPATION PLAN

(Proposal No. 3 of the Proxy Card)

The Company is asking stockholders to approve an amendment to the Company's 2006 Amended and Restated Equity Participation Plan (the 2006 Plan) to increase the number of shares authorized for issuance under the 2006 Plan by 1,350,000 shares and to increase the limit on the number of shares (out of these 1,350,000 shares) that may be granted as restricted stock by 675,000 shares. The Board of Directors approved this amendment in September 2010, subject to stockholder approval.

The Board of Directors believes that the increase in the number of shares authorized for issuance under the 2006 Plan and the increase in the number of shares that may be granted as restricted stock are in the best interests of the Company in light of the growth of the Company and the continuing need to provide equity-based incentives to attract and retain the most qualified personnel. In addition, awards under the 2006 Plan provide employees an opportunity to acquire or increase their ownership stake in the Company, and the Board of Directors believes this aligns their interests with those of the Company's stockholders, creating strong incentives for employees to work hard for the Company's future growth and success.

Plan History

The 2006 Plan was originally named the 1997 Stock Option Plan and has been in place since 1997. The 2006 Plan was amended and restated in 2006 to add the authority to grant restricted stock under the plan, to change the name of the plan to the 2006 Amended and Restated Equity Participation Plan, and to extend the term of the plan to September 16, 2016. The 2006 Plan was also previously amended and restated in 2007 to increase the number of shares authorized for issuance under the plan by 2,000,000 shares, to limit the number of shares of restricted stock available for issuance under the plan to 1,000,000 shares, and to raise from 85% of market value to 100% of market value, the lowest exercise price at which stock options may be granted under the plan.

Summary of Material Changes to the 2006 Amended and Restated Equity Participation Plan

Increase in the Number of Authorized Shares. The 2006 Plan currently authorizes the issuance of an aggregate of 5,350,000 shares of the Company's Common Stock. As of September 2, 2010, an aggregate of 2,843,946 of these shares had been issued (exclusive of outstanding awards), an aggregate of 2,248,561 shares were subject to outstanding awards and an aggregate of 257,493 shares were available for future awards under the 2006 Plan. Of the 2,248,561 shares subject to outstanding awards, an aggregate of 1,599,253 shares were subject to outstanding options with a weighted average exercise price of \$17.84 and a weighted average term of 4.9 years, and an aggregate of 649,308 shares were subject to unvested restricted stock awards. Of the 257,493 shares available for future awards, an aggregate of 149,246 shares were available to be issued as restricted stock awards. The 2006 Plan is the Company's only equity compensation plan and all the outstanding awards are outstanding under the 2006 Plan.

The proposed amendment increases the total aggregate number of shares available for issuance under the 2006 Plan by 1,350,000 shares from 5,350,000 to 6,700,000 shares of Common Stock. The number and kind of shares available under the 2006 Plan are subject to adjustment for stock dividends, stock splits and in certain other situations, as further described in the 2006 Plan. The proposed increase in the number of shares

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authorized under the 2006 Plan would represent approximately 7.33% of the issued and outstanding shares of Common Stock of the Company as of September 2, 2010.

Increase in the Limit on Authorized Shares that May be Granted as Restricted Stock. The 2006 Plan currently limits the number of shares of Common Stock that may be granted as restricted stock under the plan to 1,000,000 shares. The proposed amendment would increase the limit on the number shares available for grant under the 2006 Plan as restricted stock by 675,000 shares from 1,000,000 shares to 1,675,000 shares of Common Stock.

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If Proposal No. 3 is approved by the Company's stockholders, then a total of 1,607,493 shares would be available for future awards under the 2006 Plan and out of those 1,607,493 shares up to 824,246 shares would be available for future awards as restricted stock.

Summary of 2006 Amended and Restated Equity Participation Plan

The proposed amendment described above would be effectuated by amending and restating the 2006 Plan in the form set forth in this Proxy Statement as Appendix A. The following is a summary of the principal provisions of the 2006 Plan, as proposed for approval. This summary is not a complete description of all of the provisions of the 2006 Plan. It is qualified in its entirety by reference to the full text of the 2006 Plan.

Eligibility. Employees (including officers), consultants, or non-employee directors of the Company and its subsidiaries are eligible to participate in the 2006 Plan. As of September 2, 2010, there were approximately 3,190 employees and consultants, including five named executive officers and four non-employee directors eligible to receive awards under the 2006 Plan.

Types of Awards. Awards that may be granted are stock options (both nonstatutory stock options and incentive stock options) and restricted stock awards (each individually, an "award").

Shares Authorized for Issuance. If Proposal No. 3 is approved, the total number of shares authorized for issuance under the 2006 Plan will increase from 5,350,000 to 6,700,000 shares. As of September 2, 2010, a total of 18,425,431 shares of our Common Stock were issued and outstanding.

Limit on Shares Authorized for Grant as Restricted Stock. If Proposal No. 3 is approved, the total number of shares that may be granted under the 2006 Plan as restricted stock awards will increase from 1,000,000 to 1,675,000 shares of Common Stock.

Shares Returned to the Plan. The shares of Common Stock covered by the portion of any stock option granted under the 2006 Plan which expires or remains unexercised shall become available again for grant under the 2006 Plan. If any shares of Common Stock subject to a restricted stock award expire or are otherwise terminated, cancelled, surrendered or forfeited, then such shares of Common Stock shall also be available again for grant under the 2006 Plan.

Per-Share Exercise Price. The per-share exercise price of stock options granted under the 2006 Plan must equal at least the fair market value of a share of Common Stock on the grant date of the option. As of September 2, 2010, the fair market value of a share of the Company's Common Stock was \$31.54.

Repricing. If Proposal No. 3 is approved, the 2006 Plan will include an express prohibition on repricing of options granted under the Plan without stockholder approval. The express prohibition on repricing would provide that except in connection with a corporate transaction involving the Company (including, without limitation, any stock dividend, stock split, extraordinary cash dividend, recapitalization, reorganization, merger, consolidation, split-up, spin-off, combination, or exchange of shares), the terms of outstanding awards may not be amended to reduce the exercise price of outstanding options or cancel outstanding options in exchange for cash, other awards or options with an

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exercise price that is less than the exercise price of the original options without stockholder approval.

Number of Shares Per Calendar Year. No person will be eligible to receive more than 425,000 shares in any calendar year pursuant to the grant of stock options under the 2006 Plan.

Term, Vesting and Exercisability. Awards become vested and exercisable, as applicable, within such periods, or upon such events, as determined by the administrator and as set forth in the related award agreement. Vesting may be based on the passage of time in connection with services performed for the Company or upon achievement of performance goals or other criteria. The maximum term of each option is ten years from the date

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of grant. As a matter of practice, options have generally been subject to a three-year vesting period with a one-year period before any vesting occurs and restricted stock awards have generally been subject to a four-year vesting period with a one-year period before any vesting occurs. Awards cease vesting on the date of termination of service or the death or disability of the employee, and options generally expire three months after the termination of the employee's service to the Company or up to six months following the date of death or disability.

Method of Exercise. The exercise price of options and the purchase price, if any, of other stock awards may be paid by cash, check, broker assisted same-day sales or other methods permitted by the 2006 Plan, the administrator and applicable law.

Adjustment of Shares. In the event of a stock dividend, recapitalization, stock split, reverse stock split, subdivision, combination, reclassification or similar change in the capital structure of the Company then appropriate adjustments to the number and class of shares of stock subject to the 2006 Plan and awards outstanding under the plan shall be made by the Board of Directors, subject to any required action by our stockholders and subject to compliance with applicable securities laws.

Stockholder Approval. Stockholder approval is required for certain types of amendments to the 2006 Plan.

Administration. The Compensation Committee administers the 2006 Plan except when the Board of Directors elects to directly administer the 2006 Plan.

Corporate Transactions. In the event of a merger or consolidation of the Company with or into another corporation or entity in which the Company does not survive, or in the event of a sale of all or substantially all of the assets of the Company in which the stockholders of the Company receive securities of the acquiring entity or an affiliate thereof, all awards shall be assumed or equivalent awards shall be substituted by the successor corporation (or other entity) or a parent or subsidiary of such successor corporation (or other entity); provided, however, that if such successor does not agree to assume the awards or to substitute equivalent awards therefor, the administrator, in the exercise of its sole discretion, may permit the exercise of any of the awards prior to consummation of such event, even if such awards were not otherwise exercisable.

Amendment or Termination of 2006 Plan. The Board of Directors may at any time amend or terminate the 2006 Plan in any respect; provided, that the Board may not, without the approval of the stockholders of the Company, amend the 2006 Plan if the modification requires stockholder approval under NASDAQ rules.

Termination Date. The 2006 Plan will terminate on September 16, 2016, unless terminated earlier.

Summary of Federal Income Tax Consequences of Awards Granted under the 2006 Equity Participation Plan

The following is a general summary as of the date of this Proxy Statement of the U.S. federal income tax consequences to the Company and participants in the 2006 Plan with respect to awards granted under the 2006 Plan. U.S. federal tax laws may change and U.S. federal, state and local tax consequences for any participant will depend upon his or her individual circumstances.

Tax Treatment of the Participant

Incentive Stock Options. An optionee will recognize no income upon grant of an ISO and will incur no tax upon exercise of an ISO unless for the year of exercise the optionee is subject to the alternative minimum tax (AMT). If the optionee holds the shares purchased upon exercise of the ISO (the ISO Shares) for more than one year after the date the ISO was exercised and for more than two years after the ISO s grant date (the required holding period), then the optionee generally will realize long-term capital gain or loss (rather than ordinary income or loss) upon disposition of the ISO Shares. This gain or loss will equal the difference between the amount realized upon such disposition and the amount paid for the ISO Shares upon the exercise of the ISO.

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If the optionee disposes of ISO Shares prior to the expiration of the required holding period (a disqualifying disposition), then gain realized upon such disposition, up to the difference between the option exercise price and the fair market value of the ISO Shares on the date of exercise (or, if less, the amount realized on a sale of such ISO Shares), will be treated as ordinary income. Any additional gain will be capital gain, and treated as long-term capital gain or short-term capital gain depending upon the amount of time the ISO Shares were held by the optionee.

Alternative Minimum Tax. The difference between the exercise price and fair market value of the ISO Shares on the date of exercise is an adjustment to income for purposes of the AMT. Alternative minimum taxable income is determined by adjusting regular taxable income for certain items, increasing that income by certain tax preference items and reducing this amount by the applicable exemption amount. If a disqualifying disposition of the ISO Shares occurs in the same calendar year as exercise of the ISO, there is no AMT adjustment with respect to those ISO Shares. Also, upon a sale of ISO Shares that is not a disqualifying disposition, alternative minimum taxable income is reduced in the year of sale by the excess of the fair market value of the ISO Shares at exercise over the amount paid for the ISO Shares.

Nonstatutory Stock Options. An optionee will not recognize any taxable income at the time a NSO is granted. However, upon exercise of a NSO, the optionee must include in income as compensation an amount equal to the difference between the fair market value of the shares on the date of exercise and the optionee's exercise price. The included amount must be treated as ordinary income by the optionee and will be subject to income tax withholding by the Company if the optionee is an employee. Upon resale of the shares by the optionee, any subsequent appreciation or depreciation in the value of the shares will be treated as long-term or short-term capital gain or loss depending upon the amount of time the NSO shares were held by the optionee.

Restricted Stock. A participant receiving restricted shares for services recognizes taxable income when the shares become vested. Upon vesting, the participant will include in ordinary income an amount, which will be subject to income tax withholding by the Company if the participant is an employee, equal to the difference between the fair market value of the shares at the time they become substantially vested and any amount paid for the shares. Upon resale of the shares by the participant, subsequent appreciation or depreciation in the value of the shares is treated as long-term or short-term capital gain or loss depending on the amount of time the shares were held by the participant.

Tax Treatment of Company

Subject to any withholding requirement, the standard of reasonableness, and (if applicable) Section 162(m) of the Code, the Company generally will be entitled to a deduction to the extent any participant recognizes ordinary income from an award granted under the 2006 Plan.

Accounting Treatment

The Company will recognize compensation expense in connection with awards granted under the 2006 Plan as required under applicable accounting standards. The Company currently recognizes compensation expense associated with equity awards over an award's requisite service period and establishes fair value of equity awards in accordance with applicable accounting standards.

New Plan Benefits

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As of the date hereof, the Company cannot determine the benefits or amounts that will be received by or allocated to any individual or group resulting from the approval of the amendment to the 2006 Plan. The following table sets forth the aggregate number of shares subject to option and restricted stock awards granted to certain individuals and groups under the 2006 Plan during the Company's last fiscal year, which ended June 30, 2010.

Table of Contents**2006 Amended and Restated Equity Participation Plan**

Named Executive Officers:	Number of Options Granted	Number of Restricted Shares Granted
Deepak Chopra, Chairman, President and Chief Executive Officer		60,000
Alan Edrick Executive V.P. and Chief Financial Officer	85,000	15,000
Ajay Mehra Executive V.P. of the Company, President of Security division	85,000	15,000
Victor S. Sze Executive V.P., General Counsel and Secretary	55,000	10,000
Manoocher Mansouri President, Optoelectronics and Manufacturing Division	30,000	7,500
All current executive officers as a group	255,000	107,500
All current non-employee directors as a group		19,000
All employees, excluding current executive officers	2,500	121,300

Equity Compensation Plan Information

The following table provides information concerning the Company's equity compensation plans as of June 30, 2010.

Plan category	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted-average exercise price of outstanding options, warrants and rights (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column(a)) (c)
Equity compensation plans approved by security holders(1)(2)	1,556,110	17.46	524,017
Equity participation plans not approved by security holders		N/A	
Total	1,556,110	17.46	524,017

(1) Includes shares of our Common Stock issuable upon exercise of options under the Company's 2006 Equity Participation Plan.

(2) Of the 524,017 securities remaining available for future issuance under the Company's 2006 Equity Participation Plan, 349,121 shares are available to be issued as restricted stock.

Certain information concerning the Company's grants of equity-based awards under the 2006 Plan during the Company's past three fiscal years is summarized in the following table.

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Fiscal Year	Options Granted	Restricted Stock Awards Granted	Total	Weighted Average Number of Common Shares Outstanding
2010	257,500	247,800	505,300	17,874,000
2009	332,500	227,626	560,126	17,518,000
2008	279,000(1)(2)	202,700	481,700(1)(2)	17,428,000

- (1) In fiscal 2008, the Company assumed outstanding option awards that had been issued under the Rapiscan 2006 Equity Participation Plan which were converted into 622,309 outstanding options under the 2006 Plan.

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The Rapiscan 2006 Equity Participation Plan had been maintained by Rapiscan Systems Holdings, Inc., which was a majority owned subsidiary of the Company that had outside minority interest holders. In fiscal 2008, the Company repurchased the minority interest in exchange for cash and these options were assumed in connection of a short form merger pursuant to which Rapiscan Systems Holdings, Inc. became a wholly owned subsidiary of the Company. The 622,309 options that were assumed and converted are not included in the number of options granted in fiscal 2008 or in the number of total awards granted in fiscal 2008.

- (2) In fiscal 2008, the Company assumed outstanding option awards that had been issued under the Spacelabs 2005 Equity Participation Plan which were converted into 456,226 outstanding options under the 2006 Plan. The Spacelabs 2005 Equity Participation Plan had been maintained by Spacelabs Healthcare, Inc., which was a majority owned subsidiary of the Company that had outside minority interest holders. In fiscal 2008, the Company repurchased the minority interest in exchange for cash and these options were assumed in connection with a short form merger pursuant to which Spacelabs became a wholly owned subsidiary of the Company. The 456,226 options that were assumed and converted are not included in the number of options granted in fiscal 2008 or in the number of total awards granted in fiscal 2008.

The Board of Directors unanimously recommends that you vote FOR the ratification of the amendment of the 2006 Plan to amend the 2006 Plan to increase the number of shares of Common Stock authorized for issuance under the plan by 1,350,000 shares and increase the limit on the number of shares of restricted stock available for issuance under the plan by 675,000 shares. Holders of proxies solicited by this Proxy Statement will vote the proxies received by them as directed on the Proxy. In order to be adopted, this proposal must be approved by the affirmative vote of the holders of a majority of the shares of Common Stock present and voting at the Meeting.

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COMPENSATION OF EXECUTIVE OFFICERS AND DIRECTORS

Compensation Discussion & Analysis

This Compensation Discussion and Analysis describes the Company's compensation philosophy, objectives, and processes, including the methodology for determining executive compensation for the Named Executive Officers, as defined under the section entitled "Compensation of Executive Officers and Directors" Summary Compensation Table. Please also refer to the more detailed compensation disclosures beginning with and following the Summary Compensation Table contained in this Proxy Statement.

Overview of Compensation Philosophy and Guiding Principles

The Company recognizes and values the critical role that executive leadership plays in its performance. The Company's executive compensation philosophy is intended to ensure that executive compensation is aligned with its long-term business strategy, objectives and stockholder interests, and is designed to attract, motivate and retain highly qualified executives.

Role of the Compensation Committee

The Company's Board of Directors appoints members to the Compensation Committee. The Compensation Committee is responsible for establishing and approving all compensation for the Named Executive Officers, including base salaries, annual incentive bonuses, long-term equity incentive compensation, benefits and perquisites, and other compensation.

Compensation for each of the Named Executive Officers (other than the Chief Executive Officer) is recommended to the Compensation Committee by the Chief Executive Officer. Compensation for the Chief Executive Officer is established by the Compensation Committee on its own.

Each member of the Compensation Committee is independent within the meaning of the rules and regulations of the SEC and the Nasdaq Listing Standards, as currently in effect.

Executive Compensation Methodology

The Compensation Committee takes into account various qualitative and quantitative indicators of corporate and individual performance in determining the level and composition of compensation to be paid to the Named Executive Officers. In general, the process by which the Compensation Committee makes decisions relating to executive compensation includes, but is not limited to, consideration of the factors set forth in the following table:

Qualitative Factors	Quantitative Factors
Furtherance of Long-term Goals	Compensation Paid In Prior Years
Individual Performance and Experience	Financial Performance of Company / Division
Demonstration of Leadership Skills and Ability	Performance Relative to Benchmarks
Achievement of Strategic Targets	

The Compensation Committee also evaluates the compensation of the Named Executive Officers in light of information regarding the compensation practices and corporate financial performance of other companies. The Compensation Committee assesses competitive market compensation against executive compensation surveys prepared by outside compensation consultants engaged by the Compensation Committee. During the year ended June 30, 2010, the Compensation Committee engaged Towers Watson & Co. for such purposes and reviewed the following published survey data:

Towers Watson Data Services 2009/2010 Top Management Compensation Report Durable Goods Manufacturing, \$200M \$1B Revenue;

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Towers Watson Data Services 2008/2009 Long-Term Incentives Policies and Practices General Industry, \$500M \$1B Revenue; and

William M. Mercer 2009 Executive Compensation Survey Durable Goods Manufacturing, \$600M Revenue.

The surveys reflect compensation levels and practices for executives holding comparable positions at the companies covered by the surveys. The survey data included: (i) base salary; (ii) annual bonus; (iii) total cash compensation; (iv) long- term incentives and (v) total compensation.

The Compensation Committee reviewed these surveys to obtain information regarding current compensation practices and to analyze how executive compensation for the Named Executive Officers compares to prevailing practices.

In implementing the Company s compensation program, the Compensation Committee seeks to achieve balance among the following factors, among others:

Compensation Factors	Relative Weight
Alignment with Stockholder Interests	Primary Importance (overriding principle for all compensation decisions)
Accomplishment of Long-Term Strategic Goals and Objectives	Highly Important
Attracting and Retaining Executive Talent	Highly Important
Meeting Current Budget and Financial Targets	Important
Accomplishment of Near-Term Strategic Goals and Objectives	Important

All compensation decisions are designed to encourage performance that enhances long-term stockholder value. The Compensation Committee believes that attracting and retaining executive talent capable of achieving the Company s long-term, strategic objectives is the best way to align executive compensation decisions with the interests of stockholders. The Compensation Committee also believes that meeting current budget and financial targets as well near-term strategic goals demonstrates whether an executive is on track to accomplish longer-term objectives.

Executive Compensation Program Elements

The particular elements of the compensation program for the Named Executive Officers consist of the following:

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Fixed Compensation. Fixed compensation for Named Executive Officers consists principally of base salary. Base salary is set to attract and retain executive talent. It provides a fixed rate of pay and is generally not at risk of upward or downward adjustment until the following year. Base salaries for the Named Executive Officers are established at levels considered appropriate in light of the duties and scope of responsibilities of each executive officer's position, and the experience the individual brings to the position. Salaries are reviewed periodically and adjusted, typically on an annual basis, to reflect sustained individual performance. In determining whether base salary increases for fiscal year 2010 were appropriate, the Compensation Committee considered the Company's general financial performance, the minimum base salary amount provided for in the Named Executive Officer's employment agreement, a subjective determination of each Named Executive Officer's responsibilities, past performance and expected future contributions.

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Base salary is intended to provide a fixed salary as compensation for ongoing responsibilities. The Compensation Committee believes that annual incentive bonuses and long-term compensation/equity awards, on the other hand, provide executives with the opportunity for substantial rewards for achieving successful performance, and has tended to rely more on those elements than on year-to-year base salary adjustments to reward executives for individual or Company performance.

Variable Compensation. Variable compensation for Named Executive Officers consists principally of annual incentive bonuses and long-term incentive compensation in the form of equity based awards. In determining variable compensation the Compensation Committee considers both qualitative and quantitative factors, including the following:

Qualitative Factors	Quantitative Factors
Quality of the Management of Units or Functions Managed by the Named Executive Officer	Financial Performance (including earnings per share and internal metrics)
Leadership of Personnel Under the Named Executive Officer's Management	Financial Performance Metrics for Business Units Managed by the Named Executive Officer
Execution of Strategically Important Projects	Compensation Surveys Provided by External Advisors
Overall Effectiveness of Units or Functions Managed by the Named Executive Officer	
Contributions to the Formulation of Company Strategy and Tactics	
Contributions to Shareholder Value	
Management of Risk	

Named Executive Officers are eligible for an annual incentive bonus. Annual incentive bonuses are designed to focus the Company's Named Executive Officers on annual operating achievement and near-term success.

The particular performance achievements for each of the Named Executive Officers (other than the Chief Executive Officer) are recommended by the Chief Executive Officer and reviewed by the Compensation Committee. The Compensation Committee also reviews and approves the amounts to be paid to each of the Named Executive Officers, based on the Chief Executive Officer's recommendation. The performance achievements for the Chief Executive Officer are established by the Compensation Committee. The Compensation Committee also reviews and approves the amounts to be paid to the Chief Executive Officer.

Having agreed on the performance achievements, the Compensation Committee also assesses the value that each of the Named Executive Officers provided through the generation of new sources of revenue, achievement of operational efficiencies, management of risk and completion of strategic initiatives. During fiscal 2010, the annual incentive bonus amounts earned by the Named Executive Officers ranged from between 17% to 100% of base salary.

The annual incentive bonus for fiscal year 2010 paid to each of the Named Executive Officers is shown in the Bonus column of the Summary Compensation Table.

The Company's long-term incentive program is designed to retain the Named Executive Officers and to align the interests of the Named Executive Officers with the long-term interests of the Company's stockholders, namely the achievement of sustainable, long-term stock price appreciation. The Company's long-term incentive program consists of periodic grants of restricted stock and stock options which are made at the discretion of the Compensation Committee under the Company's Amended and Restated 2006 Equity Participation Plan (the Equity Plan).

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The size and timing of grants for each of the Named Executive Officers (other than the Chief Executive Officer) are recommended by the Chief Executive Officer and reviewed and approved by the Compensation Committee. The size and timing of grants for the Chief Executive Officer are established by the Compensation Committee.

Decisions regarding the amount of the grant and other discretionary aspects of the grant take into consideration Company performance, the Named Executive Officer's level of responsibility, the ability of the individual to affect overall financial performance and the nature and terms of grants made in prior years. However, the Compensation Committee also considers a number of factors that are not directly tied to the performance of the executive officer, including the number and value of equity grants previously made under the Equity Plan, dilution effects on the Company's stockholders and prevailing practices in the market.

All equity awards are made at fair market value on the date of grant (which is the date on which the Compensation Committee authorizes the grant). Under the Equity Plan, fair market value is determined by the closing price of the Company's Common Stock on such dates. Equity awards typically vest in a series of installments over a three or four-year vesting period. The Compensation Committee believes that this vesting period provides an incentive for the Named Executive Officers to remain with the Company and also focuses the Named Executive Officers on the long-term performance and business objectives of the Company for the benefit of stockholders.

During fiscal year 2010, the fair market value of awards given to each of the Named Executive Officers increased as compared to the awards given in fiscal year 2009, primarily because of the Company's improved financial and operational performance.

The Compensation Committee believes that the size of each Named Executive Officer's equity awards is consistent with the Company's compensation objectives of aligning incentives with the desired individual performance of the Named Executive Officer, the Company's long term financial goals and factors that create long-run stockholder value.

Benefits and Perquisites. Benefits and perquisites are designed to attract and retain key employees. Currently, the Named Executive Officers are eligible to participate in benefit plans available to all employees including the Company's 401(k) Plan, Equity Plan, Employee Stock Purchase Plan, medical, dental, and vision health insurance plans and life and long-term disability insurance plans. The 401(k) Plan, Employee Stock Purchase Plan and the medical, vision and dental plans require each participant to pay a contributory amount. The Company has elected to pay amounts contributed to medical, dental, and vision health insurance plans and life and long-term disability insurance plans on behalf of the Named Executive Officer. In addition, the Company maintains an executive medical reimbursement plan under which the Named Executive Officer receives reimbursement for out-of-pocket expenses not covered by their health insurance plans. The Company provides a discretionary matching contribution to its 401(k) Plan for participating employees, including the Named Executive Officers. Employee individual plan contributions are subject to the maximum contribution allowed by the Internal Revenue Service. The Company also leases automobiles or provides an auto allowance to each of the Named Executive Officers.

The Company maintains a Nonqualified Deferred Compensation Plan that is unfunded for federal tax purposes and allows the Named Executive Officers and a select group of other managers or highly compensated employees (as designated by the Compensation Committee) to defer a specified percentage of certain compensation, including salary, bonuses and commissions. The Deferred Compensation Plan also allows the Company to make discretionary contributions and matching contributions on behalf of eligible participants. Distributions may be made in a lump sum (or in installments if elected in accordance with the terms of the Deferred Compensation Plan) upon termination of employment, disability, a specified withdrawal date, or death. Additional information about this plan is summarized below under the heading Nonqualified Deferred Compensation.

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The Company also maintains a Nonqualified Defined Benefit Plan that is unfunded for federal tax purposes and that constitutes an unsecured promise by the Company to make payments to participants in the

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future following their retirement, termination in connection with a change in control of the Company, or their death or disability. Under the terms of the Defined Benefit Plan, a committee designated by the Board of Directors may select participants from among the Named Executive Officers and a select group of managers or other highly compensated employees. Currently, Mr. Chopra is the participant in this plan. Additional information about this plan is summarized below under the heading Pension Benefits.

Total Compensation Mix

The Compensation Committee believes that the elements described above provide a well proportioned mix of equity-based, at risk or performance based compensation, and retention based compensation that produces short-term and long-term incentives and rewards. The Company believes this compensation mix provides the Named Executive Officers a measure of security as to the minimum levels of compensation that they are eligible to receive, while motivating the Named Executive Officers to focus on the business measures that will produce a high level of performance for the Company, as well as reducing the risk of recruitment of highly qualified executive talent by the Company's competitors. The mix of annual incentives and the equity-based awards likewise provides an appropriate balance between short-term financial performance and long-term financial and stock performance. The Company believes that its compensation mix results in a pay-for-performance orientation that is aligned with its compensation philosophy, which takes into account individual, group and company performance.

Employment Agreements

The Company has entered into employment agreements with Messrs. Chopra, Edrick, Mehra and Sze. The terms of each of such agreements are summarized below under the heading Employment Agreements.

Impact of Accounting and Tax on the Form of Compensation

The Compensation Committee considers applicable tax, securities laws and accounting regulation in structuring and modifying its compensation arrangements and employee benefit plans. The Compensation Committee has considered the impact of Generally Accepted Accounting Standards on the Company's use of equity-based awards. This consideration factored heavily in the Company's decision with respect to stock options grants made in fiscal year 2010. The Compensation Committee also considers the limits on deductibility of compensation imposed by Section 162(m) of the Code with respect to annual compensation exceeding \$1.0 million and Section 280(b) of the Code with respect to change in control payments exceeding specified limits.

Business Experience of Executive Officers

The following table sets forth the names, ages and positions of each of the Company's executive officers (the Named Executive Officers):

Name	Age	Position
Deepak Chopra	59	Chairman of the Board of Directors, Chief Executive Officer and President

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Alan Edrick	42	Executive Vice President and Chief Financial Officer
Ajay Mehra	48	Director, Executive Vice President, and President of Security division
Victor Sze	43	Executive Vice President and General Counsel
Manoocher Mansouri	54	President of Optoelectronics and Manufacturing division

Deepak Chopra is President and Chief Executive Officer of the Company. He also serves as Chairman of the Board of Directors. Mr. Chopra is the founder of the Company and has served as President, Chief Executive Officer and a Director since the Company's inception in May 1987. He has served as the Company's Chairman of the Board of Directors since February 1992. Mr. Chopra also serves as the President and Chief Executive Officer of several of the Company's major subsidiaries. From 1976 to 1979 and from 1980 to 1987, Mr. Chopra

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held various positions with ILC, a publicly-held manufacturer of lighting products, including serving as Chairman of the Board of Directors, Chief Executive Officer, President and Chief Operating Officer of its United Detector Technology division. In 1990, the Company acquired certain assets of ILC's United Detector Technology division. Mr. Chopra has also held various positions with Intel Corporation, TRW Semiconductors and RCA Semiconductors. Mr. Chopra holds a Bachelor of Science degree in Electronics and a Master of Science degree in Semiconductor Electronics from Punjab Engineering College in Chandigarh, Punjab, India and a Master of Science degree in Semiconductor Electronics from the University of Massachusetts, Amherst.

Alan Edrick is Executive Vice President and Chief Financial Officer of the Company. Mr. Edrick joined the Company as Executive Vice President and Chief Financial Officer in September 2006. Mr. Edrick has more than two decades of financial management and public accounting experience, including mergers and acquisitions, capital markets, financial planning and analysis and regulatory compliance. Between 2004 and 2006, Mr. Edrick served as Executive Vice President and Chief Financial Officer of BioSource International, Inc., a biotechnology company, until its sale to Invitrogen Corporation. Between 1998 and 2004, Mr. Edrick served as Senior Vice President and Chief Financial Officer of North American Scientific, Inc., a medical device and specialty pharmaceutical company. Between 1989 and 1998, Mr. Edrick was employed by Price Waterhouse LLP in various positions including Senior Manager, Capital Markets. Mr. Edrick received his Bachelor of Arts degree from the University of California, Los Angeles and a Master of Business Administration degree from the Anderson School at the University of California, Los Angeles.

Ajay Mehra is Executive Vice President of the Company and President of the Company's Security division. Mr. Mehra is also a member of the Company's Board of Directors. Mr. Mehra joined the Company as Controller in 1989 and served as Vice President and Chief Financial Officer from November 1992 until November 2002, when he was named the Company's Executive Vice President. Mr. Mehra became a Director in March 1996. Prior to joining the Company, Mr. Mehra held various financial positions with Thermador/Waste King, a household appliance company, Presto Food Products, Inc. and United Detector Technology. Mr. Mehra holds a Bachelor of Arts degree from the School of Business of the University of Massachusetts, Amherst and a Master of Business Administration degree from Pepperdine University.

Victor S. Sze is Executive Vice President and General Counsel of the Company. Mr. Sze joined the Company as Vice President of Corporate Affairs and General Counsel in March 2002. In November 2002, Mr. Sze was appointed Secretary of the Company. In September 2004, Mr. Sze was appointed Executive Vice President. From 1999 through November 2001, Mr. Sze served as in-house counsel to Interplay Entertainment Corp., a developer and worldwide publisher of interactive entertainment software, holding the title of Director of Corporate Affairs. Prior to joining Interplay Entertainment Corp., Mr. Sze practiced law with the firm of Wolf, Rifkin & Shapiro in Los Angeles. Mr. Sze holds a Bachelor of Arts degree in economics from the University of California, Los Angeles and a juris doctorate from Loyola Law School.

Manoocher Mansouri is President of the Company's Optoelectronics and Manufacturing division. Mr. Mansouri joined the Company in 1982 and was named President of its Optoelectronics and Manufacturing division in June 2006. Mr. Mansouri has over 25 years of experience in the optoelectronics industry. Mr. Mansouri has served as President of the Company's OSI Optoelectronics, Inc. subsidiary since May 2000. Mr. Mansouri holds a Bachelor of Science degree in electrical engineering from the University of California, Los Angeles as well as an Executive Program in management certificate from the Anderson School at the University of California, Los Angeles.

Table of Contents**Summary Compensation Table**

The following table sets forth the compensation for the principal executive officer, the principal financial officer, the three highest paid executive officers of the Company serving as executive officers on June 30, 2010 whose individual remuneration exceeded \$100,000 for the fiscal year ended June 30, 2010, and up to two additional individuals for whom disclosure would have been provided but for the fact that the individual was not serving as an executive officer of the Company at the end of the fiscal year (the Named Executive Officers) (1):

Name and Principal Position	Year	Salary (\$)	Bonus (\$)	Stock Awards (\$)	Option Awards (2)(\$)	Change in Pension Value and Nonqualified Deferred All Other Compensation		Total (\$)
						Earnings(3)(\$)	(4)(5)(6)(7)(\$)	
Deepak Chopra Chairman, President and Chief Executive Officer	2010	1,000,000	1,000,000	982,200		1,033,041	85,894	4,101,135
	2009	1,000,000	900,000	522,360	332,611	2,037,409	86,864	4,879,244
	2008	1,000,000	700,000	694,360	447,663		118,951	2,960,974
Alan Edrick Executive V.P. and Chief Financial Officer	2010	363,923	300,000	245,550	478,550		55,177	1,443,200
	2009	350,769	285,000	177,500	244,045		58,514	1,115,828
	2008	327,596	220,000	141,190	475,630		37,847	1,202,263
Ajay Mehra Executive V.P. of the Company, President of Security division	2010	384,461	300,000	245,550	478,550		84,796	1,493,357
	2009	378,942	285,000	177,500	244,045		83,465	1,168,952
	2008	371,827	200,000	121,170	356,254		71,429	1,120,680
Victor S. Sze Executive V.P., General Counsel and Secretary	2010	334,349	272,000	163,700	309,650		65,256	1,144,955
	2009	326,826	240,000	120,050	163,599		63,118	913,593
	2008	311,827	135,000	87,980	262,994		43,439	841,240
Manoocher Mansouri President of Optoelectronics and Manufacturing division	2010	265,085	45,000	122,775	168,900		38,204	639,964
	2009	237,500	60,000	78,450			34,694	410,644
	2008	225,000	40,000	107,938	62,947		21,628	457,513

- (1) The Company has eliminated from this table the column titled "Non-Equity Incentive Plan Compensation" because no amounts would have been included in such column.
- (2) In accordance with rules promulgated by the Securities and Exchange Commission that became effective on February 28, 2010, the amounts in the "Stock Awards" and "Option Awards" column are based upon their aggregate grant date fair value as determined in accordance with Generally Accepted Accounting Principles. The rule also required us to recompute the value of the amounts reported for fiscal 2009 and 2008. In previous years, we were required to report the amounts recognized as an expense for financial statement reporting purposes.
- (3) The Company adopted a Nonqualified Defined Benefit Plan during fiscal year 2009. Mr. Chopra is currently the only participant in the Defined Benefit Plan. The amounts included in this column represent the aggregate change in the present value of the accumulated benefit based on actuarial assumptions, and therefore do not reflect the Company's liability as of June 30, 2010, under the plan or the plan's effect on the Company's earnings in the stated period.
- (4) The Named Executive Officers are eligible to participate in benefit plans available to all employees, including the Company's 401(k) Plan, Equity Plan, medical, dental, and vision health insurance plans and life and long-term disability insurance plans. The 401(k) Plan and the medical, vision and dental plans require each participant to pay a contributory amount. The Company has elected to pay amounts contributed to medical, dental, and vision health insurance plans and life and long-term disability insurance plans on behalf of the Named Executive Officer. In addition, the Company maintains an executive medical reimbursement plan under which the Named Executive

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Officer receives reimbursement for out-of-pocket expenses not covered by their health insurance plans. The Company provides a discretionary matching

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contribution to its 401(k) Plan for participating employees, including the Named Executive Officers. Employee individual plan contributions are subject to the maximum contribution allowed by the Internal Revenue Service. The Company also leases automobiles or provides an auto allowance to each of the Named Executive Officers.

- (5) Individual breakdowns of amounts set forth in All Other Compensation with respect to the fiscal year ended June 30, 2010 are as follows (in thousands):

Name	Matching	Car	Membership	Health	Life and L-T	Total All
	401(k) and			Insurance and		
	Nonqualified Deferred	Benefit	Dues	Reimbursement	Insurance	Compensation
	Compensation	(\$)	(\$)	Payments	Payments	(\$)
	Contributions(*)(\$)		(**)(%)	(\$)	(\$)	(\$)
Deepak Chopra	5,260	1,780	6,866	8,645	63,343	85,894
Alan Edrick	39,929	2,850		4,226	8,172	55,177
Ajay Mehra	42,962	5,563		25,278	10,993	84,796
Victor S. Sze	39,377	12,000		6,649	7,230	65,256
Manoocher Mansouri	22,855	7,200		5,861	2,288	38,204

(*) Company matching amounts for the 401(k) and Nonqualified Deferred Compensation plans are subject to vesting schedules specified in plan documents.

(**) Membership Dues consists of payments made to a golf club.

- (6) Individual breakdowns of amounts set forth in All Other Compensation with respect to the fiscal year ended June 30, 2009 are as follows (in thousands):

Name	Matching	Car	Membership	Health	Life and L-T	Total All
	401(k) and			Insurance and		
	Nonqualified Deferred	Benefit	Dues	Reimbursement	Insurance	Compensation
	Compensation	(\$)	(\$)	Payments	Payments	(\$)
	Contributions(*)(\$)		(**)(%)	(\$)	(\$)	(\$)
Deepak Chopra	4,600	1,780	4,963	9,229	66,292	86,864
Alan Edrick	37,326	2,850		7,705	10,633	58,514
Ajay Mehra	42,494	6,675		21,579	12,717	83,465
Victor S. Sze	37,632	12,000		4,476	9,010	63,118
Manoocher Mansouri	20,869	6,000		5,537	2,288	34,694

(*) Company matching amounts for the 401(k) and Nonqualified Deferred Compensation plans are subject to vesting schedules specified in plan documents.

(**) Membership Dues consists of payments made to a golf club.

- (7) Individual breakdowns of amounts set forth in All Other Compensation with respect to the fiscal year ended June 30, 2008 are as follows (in thousands):

Name	Matching	Car	Membership	Health	Life and L-T	Total All
	401(k) and			Insurance and		
	Nonqualified Deferred	Benefit	Dues	Reimbursement	Insurance	Compensation
	Compensation	(\$)	(\$)	Payments	Payments	(\$)
	Contributions(*)(\$)		(**)(%)	Payments	Payments	(\$)

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				(\$)	(\$)	
Deepak Chopra	4,600	1,780	5,348	19,500	87,723	118,951
Alan Edrick	8,716	12,000		7,832	9,299	37,847
Ajay Mehra	8,296	6,675		38,631	17,827	71,429
Victor S. Sze	7,527	12,000		15,555	8,357	43,439
Manoocher Mansouri	4,963	7,200		7,177	2,288	21,628

(*) Company matching amounts for the 401(k) and Nonqualified Deferred Compensation plans are subject to vesting schedules specified in plan documents.

(**) Membership Dues consists of payments made to a golf club.

Table of Contents**Grants of Plan-Based Awards Table**

The following table sets forth the plan-based awards made during the fiscal year ended June 30, 2010, to each of our Named Executive Officers(1):

Name	Position	Grant Date	All Other Stock Awards: Number of Shares of Stock or Units(2)(#)	All Other Option Awards: Number of Securities Underlying Options (3)(#)	Exercise or Base Price of Option Awards (4)(\$/Sh)	Grant Date Fair Value of Options and Awards (5)(\$)
Deepak Chopra	Chairman, President and Chief Executive Officer	9/1/2009	60,000			982,200
Alan Edrick	Executive V.P. and Chief Financial Officer	9/1/2009	15,000	85,000	16.37	478,550
Ajay Mehra	Executive V.P. of the Company, President of Security division	9/1/2009	15,000	85,000	16.37	478,550
Victor S. Sze	Executive V.P., General Counsel and Secretary	9/1/2009	10,000	55,000	16.37	309,650
Manoocher Mansouri	President, Optoelectronics and Manufacturing Division	9/1/2009	7,500	30,000	16.37	168,900

- (1) The Company has eliminated from this table the columns titled "Estimated Future Payouts Under Non-Equity Incentive Plan Awards" and "Estimated Future Payouts Under Equity Incentive Plan Award" because no amounts would have been included in such columns.
- (2) Restricted stock awards vest over a period of four years from the date of grant.
- (3) Stock options vest over a period of three years from the date of grant and expire 10 years from the date of grant.
- (4) The exercise price stock options is determined using the closing price of the Company's Common Stock on the date of grant.
- (5) The grant date fair value of the stock options and restricted stock shown in the table above was computed in accordance with Generally Accepted Accounting Standards and represents the total projected expense to the Company of grants made during the past fiscal year.

Table of Contents**Outstanding Equity Awards at Fiscal Year-End**

The following table sets forth the outstanding equity awards for each Named Executive Officer as of June 30, 2010(1):

Name and Principal Position	Option Awards				Stock Awards	
	Number of Securities Underlying Unexercised Options Exercisable (#)	Number of Securities Underlying Unexercised Options Unexercisable (2)(#)	Option Exercise Price (3)(\$)	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested (4)(#)	Market Value of Shares or Units of Stock That Have Not Vested(5)(\$)
Deepak Chopra Chairman, President and Chief Executive Officer	100,000		18.53	11/10/2010		
	50,000		17.90	6/22/2011		
	86,169		17.37	6/22/2011		
	9,756		26.81	11/21/2011		
	60,000		20.02	9/16/2017		
	26,667	53,333	12.52	1/11/2019		
					99,666	2,767,725
Alan Edrick Executive V.P., Chief Financial Officer	17,235		17.37	7/24/2011		
	25,000		17.99	7/30/2011		
	7,793		26.81	11/21/2011		
	48,000		20.02	9/16/2017		
	9,333	4,667	23.18	2/7/2018		
	3,334	6,666	20.92	7/28/2018		
	13,334	26,666	12.52	1/11/2019		
		85,000	16.37	8/31/2019		
					27,416	761,342
Ajay Mehra Executive V.P. of the Company, President of Security division	23,659		16.21	2/7/2011		
	43,077		18.53	2/5/2012		
	32,000		20.02	9/16/2017		
	9,333	4,667	23.18	2/7/2018		
	3,334	6,666	20.92	7/28/2018		
		26,666	12.52	1/11/2019		
		85,000	16.37	8/31/2019		
					26,916	747,457
Victor S. Sze Executive V.P., General Counsel and Secretary	5,516		16.21	2/7/2011		
	20,000		18.16	7/6/2011		
	12,926		17.37	7/6/2011		
	1,559		26.81	11/21/2011		
	24,000		20.02	9/16/2017		
	6,667	3,333	23.18	2/7/2018		
	1,667	3,333	20.92	7/28/2018		
	10,000	20,000	12.52	1/11/2019		
		55,000	16.37	8/31/2019		
					18,458	512,579
Manoocher Mansouri President, Optoelectronics and Manufacturing division	2,500		19.58	1/10/2011		
	1,724		16.21	4/17/2011		
	5,000	2,500	23.18	2/7/2018		

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30,000	16.37	8/31/2019	11,563	321,105
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- (1) The Company has eliminated from this table the columns titled Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Unearned Options, Equity Incentive Plan Awards: Number of

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- Unearned Shares, Units or Other Rights That Have Not Vested and Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested because no amounts would have been included in such columns.
- (2) Stock options vest over a period of three years from the date of grant and expire 10 years from the date of grant.
 - (3) The exercise price for stock options is determined using the closing price of the Company's Common Stock on the date of grant.
 - (4) Restricted stock awards vest over periods ranging between three and four years from the date of grant.
 - (5) The market value of restricted stock awards that have not yet vested is based on the number of unvested shares of stock on June 30, 2010, multiplied by the closing price of the Company's Common Stock on June 30, 2010 (\$27.77 per share).

Option Exercises and Stock Vested Table

The following table sets forth information regarding the exercise of options by and the vesting of restricted stock held by each of the Named Executive Officers during fiscal year ended June 30, 2010:

Name and Principal Position	Option Awards		Stock Awards	
	Number of Shares Acquired on Exercise	Value Realized on Exercise(1) (\$)	Number of Shares Acquired on Vesting	Value Realized on Vesting(2) (\$)
Deepak Chopra Chairman, President and Chief Executive Officer	42,349	134,873	17,334	377,715
Alan Edrick Executive V.P., Chief Financial Officer	25,000	321,250	4,959	114,331
Ajay Mehra Executive V.P. of the Company, President of Security division	53,181	558,841	4,709	110,098
Victor S. Sze Executive V.P., General Counsel and Secretary	24,241	196,690	3,292	78,221
Manoocher Mansouri President, Optoelectronics and Manufacturing division	2,500	35,875	2,344	50,018

- (1) Represents the difference between the closing price of the Company's Common Stock on the date of exercise and the exercise price, multiplied by the number of shares covered by the options.
- (2) Represents the number of restricted stock awards that vested multiplied by the closing price of the Company's Common Stock on the date of vesting.

Pension Benefits

The Company maintains a Nonqualified Defined Benefit Plan (Defined Benefit Plan). The Defined Benefit Plan constitutes an unsecured promise by the Company to make payments to participants upon vesting. Mr. Chopra is currently the only participant in the Defined Benefit Plan.

Under the terms of his participation, upon reaching his retirement date, Mr. Chopra will be paid \$500,000 per year for 10 years. For each full year of service that Mr. Chopra continues his employment with the Company past the age 65, Mr. Chopra's benefit will increase by \$33,333 up to a maximum annual benefit of \$600,000. If Mr. Chopra terminates his employment with the Company within two years of a change in control (as defined in the plan), he will be entitled to receive, in a single lump-sum payment, the net present value of his accrued benefit. If a change in control occurs after Mr. Chopra's retirement and prior to or during his distributions under the Nonqualified Defined Benefit Plan, he will receive an accelerated payment of the net present value of all remaining distributions.

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Vesting of benefits under the Defined Benefit Plan occurs in accordance with a vesting schedule that is established by the Compensation Committee. As of June 30, 2010, Mr. Chopra was three-sevenths vested. If Mr. Chopra's employment with the Company continues, he will become four-sevenths vested on June 30, 2011 and fully vested on June 30, 2012. In addition, Mr. Chopra would become fully vested upon (i) his death or disability while actively employed by the Company, or (ii) upon a change of control of the Company.

The following table sets forth information regarding the Defined Benefit Plan for the participating Named Executive Officer during fiscal year ended June 30, 2010(1):

Name and Principal Position	Number of Years of Credited Service(#)	Present Value of Accumulated Benefit (\$)	Payments During Last Fiscal Year (\$)
Deepak Chopra Chairman, President and Chief Executive Officer	3	3,070,450	

(1) The Company has eliminated from this table the column titled "Plan Name" because only the Defined Benefit Plan is covered by this table.

Nonqualified Deferred Compensation

The Company adopted a nonqualified deferred compensation plan in May 2008 (the "Deferred Compensation Plan"). Under the Deferred Compensation Plan, a select group of the Company's management or highly compensated employees (as designated by the Compensation Committee), including the Named Executive Officers, may defer a specified percentage of their salary, bonuses and commissions and thereby defer taxation of these deferred amounts until actual payment of the deferred amounts in future years. The Named Executive Officers may elect to defer up to eighty percent (80%) of their base salary and up to one hundred percent (100%) of other types of eligible compensation. The Deferred Compensation Plan also allows the Company to make discretionary contributions and matching contributions on behalf of eligible participants.

Participants receive market-based returns on their deferred compensation amounts based on the performance of a variety of mutual fund-type investment vehicles chosen by them and which are similar to the investment vehicles made available to all employees participating in the Company's 401(k) Plan. Participants may at any time change their investment allocations among the investment vehicles made available under the Deferred Compensation Plan. The rates of return for the Named Executive Officers for deferred amounts in the Deferred Compensation Plan in fiscal 2010 ranged from 7.5% to 9.3%.

Distributions to participants may be made in a lump sum (or in installments if elected in accordance with the terms of the Deferred Compensation Plan) upon termination of employment, disability, a specified withdrawal date, or death.

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The following table sets forth information regarding contributions into the Deferred Compensation Plan made by or for each of the participating Named Executive Officers during the fiscal year ended June 30, 2010(1):

Name and Principal Position	Executive Contributions (\$)	Company Contributions (\$)	Aggregate Earnings (2)(\$)	Aggregate Withdrawals / Distributions (3)(\$)	Aggregate Balance (\$)
Alan Edrick Executive V.P., Chief Financial Officer	43,966	36,392	8,426	13,460	154,678
Ajay Mehra Executive V.P. of the Company, President of Security division	46,085	38,446	11,117	14,479	179,284
Victor S. Sze Executive V.P., General Counsel and Secretary	41,812	34,635	8,499	12,961	150,336
Manoocher Mansouri President, Optoelectronics and Manufacturing division	39,418	18,395	10,084		147,390

- (1) The amounts reported in the Company Contributions column are (and in past years were) reported as compensation in the Summary Compensation Table above. The amounts reported in the Aggregate Earnings column are not (and in past years were not) reported as compensation in the Summary Compensation Table above.
- (2) Represents earnings during the year ended June 30, 2010.

Employment Agreements

The Company has entered into employment agreements with Messrs. Chopra, Edrick, Mehra and Sze.

Deepak Chopra's Employment Agreement

On January 6, 2010, the Company entered into its current employment agreement with Mr. Chopra. Unless the agreement is terminated earlier in accordance with its terms, the agreement has a three-year term that automatically renews on each anniversary of the effective date of the agreement. The agreement provides for a base salary to be determined each year by the Company. Mr. Chopra is also eligible to receive discretionary bonus payments from the bonus pool established by the Company for its officers and employees and to participate in incentive compensation and other employee benefit plans established by the Company. The agreement contains certain restrictive covenants and other prohibitions that protect the Company's proprietary and confidential information following termination, and preclude Mr. Chopra during the term of the agreement or two years thereafter from soliciting for hire any individual that was an executive, supervisor or manager of the Company on, or within 90 days prior to, Mr. Chopra's last date of employment with the Company.

Under the terms of the agreement, the Company may terminate Mr. Chopra's employment at any time for cause (as defined in the agreement), or for the following additional reasons: (i) in the event of Mr. Chopra's death; (ii) because of physical or mental incapacity or disability, failure to perform the essential functions of his position for an aggregate period of 180 days within any 12 month period; or (iii) on 12 months' written notice, each as further detailed in the agreement. Mr. Chopra may also terminate his employment agreement for good reason (as defined in the

agreement).

In the event of the termination of Mr. Chopra's employment by the Company without cause or by Mr. Chopra for good reason, Mr. Chopra shall be entitled to a single lump-sum payment equal to three times the average of Mr. Chopra's highest two years out of the prior five years of total annual compensation, including: (i) base salary; (ii) bonus and incentive compensation; (iii) the fair value of any stock, options or other equity

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grants whether vested or not and (iv) the annualized value of all benefits and perquisites. Mr. Chopra would also receive the acceleration of vesting of all stock options and equity grants from the Company to Mr. Chopra, and an extension of time to exercise such stock options such that Mr. Chopra's right to exercise such stock options shall continue until the first anniversary of the last day of his employment, but in no event later than the expiration date of the options.

In the event of the termination of Mr. Chopra's employment by the Company without cause or by Mr. Chopra for good reason, within 90 days prior to or 12 months after a change of control (as defined in the agreement), then Mr. Chopra shall be entitled to the same lump sum payment described in the previous paragraph. Mr. Chopra may, at his option, and in lieu of receiving the forgoing, elect to receive a lump sum payment in an amount equal to the product of 2.99 multiplied by Mr. Chopra's base amount (as defined in Internal Revenue Code Section 280G(b)(3)).

The Company maintains a Nonqualified Defined Benefit Plan, the purpose of which is to provide specified payments to participants following retirement, termination in connection with a change in control of the Company, or the participant's death or disability. Currently, Mr. Chopra is the only employee that participates in this plan. Under the terms of his participation, commencing on the first day of the month following the date that he turns 65, Mr. Chopra will be paid \$500,000 per year for 10 years. For every year that Mr. Chopra continues his employment with the Company past the age 65, Mr. Chopra's benefit will increase by \$33,333. However, in no event will his total yearly benefit exceed \$600,000. If Mr. Chopra terminates his employment with the Company within two years of a change in control (as defined in the plan), he will be entitled to receive, in a single lump-sum payment, the net present value of his accrued benefit. If Mr. Chopra remains in the service of the Company for more than two years following a change in control, his benefit will continue as scheduled. If a change in control occurs after Mr. Chopra's retirement and prior to or during his distributions under the Nonqualified Defined Benefit Plan, he will receive an accelerated payment of the net present value of all remaining distributions. Mr. Chopra's benefits under the Nonqualified Defined Benefit Plan will vest equally over the remaining seven years of his service to the Company (assuming retirement at the age of 65).

Alan Edrick's, Ajay Mehra and Victor Sze's Employment Agreements

On September 22, 2008, the Company entered into its current employment agreement with each of Messrs. Edrick and Sze. On September 14, 2009, the Company entered into its current employment agreement with Mr. Mehra. (For purposes of this section, each of Messrs. Edrick, Mehra and Sze are each individually referred to as the Executive). The terms of such agreements are substantially identical. Unless the agreement is terminated earlier in accordance with its terms, the Company will employ the Executive until the later of (i) the third anniversary of the date of the agreement or (ii) one year following the date that the Company notifies the Executive of its election to end the term of the agreement. The agreement provides for a base salary to be determined each year by the Company. The Executive is also eligible to receive discretionary bonus payments from the bonus pool established by the Company for its officers and employees and to participate in incentive compensation and other employee benefit plans established by the Company. The agreement contains certain restrictive covenants and other prohibitions that protect the Company's proprietary and confidential information following termination, and preclude the Executive during the term of the agreement or two years thereafter from soliciting for hire any individual that was an executive, supervisor or manager of the Company on, or within 90 days prior to, Executive's last date of employment with the Company.

Under the terms of the agreement, the Company may terminate Executive's employment at any time for cause (as defined in the agreement), or for the following additional reasons: (i) in the event of the Executive's death; (ii) because of physical or mental incapacity or disability, failure to perform the essential functions of his position for an aggregate period of 60 days within any six-month period; or (iii) on 30 days' written notice, each as further detailed in the agreement. The Executive may also terminate his employment agreement for good reason (as defined in the agreement).

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In the event of the termination of the Executive's employment by the Company without cause or by the Executive for good reason, the Executive shall be entitled to: (i) an amount equal to 18 months' salary at the Executive's then-current base salary; (ii) an amount equal to 1.5 times the average bonus paid by the Company to the Executive in the three years preceding such terminatio