

8X8 INC /DE/
Form DEF 14A
July 19, 2010

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

SCHEDULE 14A INFORMATION

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 the use of the Commission only (as permitted by Rule 14a-6(e)(2))
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material Pursuant to §240.14(a)-12

8X8, INC.

(Name of Registrant as Specified in its Charter)

Payment of Filing Fee (Check the appropriate box):

No fee required.

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2. Aggregate number of securities to which transaction applies:
3. Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):
4. Proposed maximum aggregate value of transaction:
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8X8, INC.

NOTICE OF THE 2010 ANNUAL MEETING OF STOCKHOLDERS

AUGUST 31, 2010

Dear Stockholder:

The 2010 Annual Meeting of Stockholders (the "2010 Annual Meeting") of 8x8, Inc., a Delaware corporation (the "Company"), will be held Tuesday, August 31, 2010, at 1:30 p.m., local time, at the corporate offices of the Company at 810 West Maude Avenue, Sunnyvale, California 94085, for the following purposes:

1. To elect five directors to hold office until the 2011 Annual Meeting of Stockholders and until their respective successors have been elected and qualified. The nominees are Bryan R. Martin, Guy L. Hecker, Jr., Christopher McNiffe, Joe Parkinson, and Donn Wilson;
2. To ratify the appointment of Moss Adams LLP as the Company's independent registered public accounting firm for the fiscal year ending March 31, 2011; and
3. To transact such other business as may properly come before the 2010 Annual Meeting or any adjournment of the 2010 Annual Meeting.

These items of business are more fully described in the proxy statement accompanying this notice. Only stockholders of record at the close of business on July 9, 2010, are entitled to notice of and to vote at the 2010 Annual Meeting or at any adjournment or postponement thereof.

All stockholders are cordially invited to attend the 2010 Annual Meeting in person. However, to ensure your representation at the 2010 Annual Meeting, you are urged to vote as promptly as possible. Any stockholder of record attending the 2010 Annual Meeting may vote in person even if he or she has previously returned a proxy. For ten days prior to the 2010 Annual Meeting, a complete list of stockholders entitled to vote at the 2010 Annual Meeting will be available for examination by any stockholder, for any purpose relating to this 2010 Annual Meeting, during ordinary business hours at the Company's corporate headquarters located at 810 West Maude Avenue, Sunnyvale, California 94085.

By Order of the Board of
Directors

Bryan R. Martin
Chairman and Chief Executive Officer

Sunnyvale, California
July 19, 2010

8X8, INC.

810 West Maude Avenue
Sunnyvale, California 94085

PROXY STATEMENT

INFORMATION CONCERNING SOLICITATION AND VOTING

General

The accompanying proxy is solicited by the Board of Directors (the "Board") of 8x8, Inc. (referred to throughout this proxy statement as "8x8," the "Company," "we," "us," and "our"), a Delaware corporation, for use at the 2010 Annual Meeting of Stockholders (the "2010 Annual Meeting") to be held August 31, 2010, at 1:30 p.m., local time, or at any adjournment thereof. The 2010 Annual Meeting will be held at our principal executive offices at 810 West Maude Avenue, Sunnyvale, California 94085. Our telephone number is (408) 727-1885.

A notice of the Internet availability of the proxy materials (the "Notice") is being mailed on or about July 22,

2010 to all beneficial owners of shares of our common stock as of the record date of July 9, 2010 (the "Record Date"). Unless a beneficial owner of shares registered in the name of a nominee such as a bank or broker, or "street name," previously has requested delivery of written proxy materials, he or she will not receive the proxy and proxy statement, but through the Notice will receive instructions on viewing these proxy materials and providing voting instructions to the nominee record holder. In addition, we will mail to all registered stockholders as of the Record Date our Annual Report on Form 10-K for the year ended March 31, 2010, ("Annual Report"), proxy and this proxy statement on or about July 23, 2010. On the Record Date, we had 63,552,641 shares of common stock issued and outstanding held in street name or by registered stockholders.

Furthermore, stockholders who wish to view our Annual Report, as filed with the Securities and Exchange Commission, or the SEC, including our audited financial statements, will find it available on the Investor Relations section of our web site at

<http://www.8x8.com> or through the SEC's electronic data system at <http://www.sec.gov>. To request a printed copy of our proxy and Annual Report, which we will provide to you free of charge, either: write to 8x8's Investor Relations Department at 8x8, Inc., 810 West Maude Avenue, Sunnyvale, CA 94085; call us at (866) 587-8516; or email us at 2010@8x8.com.

QUESTIONS AND ANSWERS ABOUT THE PROXY MATERIALS AND THE 2010 ANNUAL MEETING

Q: What information is contained in this proxy statement?

A:

The information in this proxy statement relates to the proposals to be voted on at the 2010 Annual Meeting, the voting process, the compensation of our directors and most highly paid executive officers in fiscal 2010, and certain other required information.

Q: What is the Notice?

A:

The Notice is a document mailed to beneficial owners of shares held in street names to provide notice in accordance with SEC rules of:

- the date, time and location of the meeting;
- the identification of each matter to be acted upon at the meeting and the management's recommendations;
- a list of materials available;
- a toll free number, email address and website address where stockholders may request a free paper or emailed copy of the materials;

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- a control number needed in order to vote; and
- a legend indicating:

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- ◆ that the Notice is only an overview of the proxy materials that are available on the Internet and that stockholders are encouraged to review the proxy materials before voting;
- ◆ the exact Internet address where stockholders can access the materials; and
- ◆ the need for stockholders to make a timely request if they wish to receive, free of charge, a paper or email copy of the materials.

We favor the Notice method of disseminating required information for the 2010 Annual Meeting because it reduces printing and mailing costs and the resulting impact on the environment.

Q: What shares can I vote?

A:

Each share of 8x8 common stock issued and outstanding as of the Record Date is entitled to be voted on all proposals presented at the 2010 Annual Meeting. You may vote all shares owned by you as of the Record Date, including (1) shares held directly in your name as the *stockholder of record* and (2) shares held for you as the *beneficial owner in street name*.

Q: How many votes am I entitled to per share?

A:

Each holder of shares of common stock is entitled to one vote for each share of common stock held as of the Record Date.

Q: Can I attend the 2010 Annual Meeting?

A:

You are entitled to attend the 2010 Annual Meeting only if you were an 8x8 stockholder or joint holder as of the Record Date, or if you hold a valid proxy for the 2010 Annual Meeting. You should be prepared to present government-issued photo identification (such as a driver's license or passport) for admittance. If you are not a stockholder of record but hold shares in street name through a broker, trustee or nominee, you should be prepared to provide proof of beneficial ownership as of the Record Date, such as your most recent account statement prior to July 9, 2010, a copy of the voting instruction card provided by your bank, broker, trustee or nominee, or other similar evidence of ownership.

The meeting will begin promptly at 1:30 p.m., local time. Check-in will begin at 12:30 p.m. local time, and you should allow ample time for the check-in procedures.

Q: How can I vote my shares in person at the 2010 Annual Meeting?

A:

Shares held in your name as the stockholder of record may be voted by you in person at the 2010 Annual Meeting. Shares held beneficially in street name may be voted by you in person at the 2010 Annual Meeting only if you obtain a valid proxy from the broker, trustee or nominee that holds your shares giving you the right to vote the shares. Even if you plan to attend the 2010 Annual Meeting, we recommend that you also submit your vote prior to the meeting to ensure your vote will be counted if you later decide not to attend the meeting.

Q: How can I vote my shares without attending the 2010 Annual Meeting?

A:

If you hold shares directly as the stockholder of record, you may direct how your shares are voted without attending the 2010 Annual Meeting in accordance with the instructions below and those included in the proxy statement and proxy. Our Chief Executive Officer and our Chief Financial Officer have been designated by the Board to be the proxy holders for the 2010 Annual Meeting. They will cast votes for Proposals One and Two at the meeting in accordance with the direction provided in the proxy.

Registered stockholders may vote:

By Internet

—Registered stockholders of record with Internet access may submit proxies by following the "INTERNET" instructions on their proxy cards until 2:00 a.m., Eastern Time, on August 31, 2010.

By Mail

—After receiving the proxy materials from us, registered stockholders may submit proxies by completing, signing and dating their proxy cards and mailing them in the accompanying pre-addressed envelopes. Proxy cards submitted by mail must be received by the time the 2010 Annual Meeting is called to order for your shares to be voted.

By Telephone

—Registered stockholders of record may vote over the telephone by dialing the toll-free number listed on the proxy card. Telephone voting for stockholders of record will close at 2:00 a.m., Eastern Time, on August 31, 2010.

Beneficial owners of shares held in street name should follow the instructions for submitting proxy or voting instructions specified in the Notice.

Q: Can I change my vote?

A: You may change your vote at any time prior to the vote at the 2010 Annual Meeting. If you are the stockholder of record, you may change your vote by granting a new proxy bearing a later date (which automatically revokes the earlier proxy) using any of the methods described above (and until the applicable deadline for each method), by providing a written notice of revocation to 8x8, Inc., Attn: Secretary, 810 West Maude Avenue, Sunnyvale, CA 94085, prior to your shares being voted, or by attending the 2010 Annual Meeting and voting in person. Attendance at the meeting will not cause your previously granted proxy to be revoked unless you specifically so request. For shares you hold beneficially in street name, you may change your vote by submitting new voting instructions to your broker, trustee or nominee following the instructions they provided or, if you have obtained a legal proxy from your broker or nominee giving you the right to vote your shares, by attending the meeting and voting in person.

Q: How many shares must be present or represented to conduct business at the 2010 Annual Meeting?

A:

The quorum requirement for holding and transacting business at the 2010 Annual Meeting is that holders of a majority of the voting power of the issued and outstanding common stock of 8x8 must be present in person or represented by proxy. Both abstentions and broker non-votes are counted for the purpose of determining the presence of a quorum.

Q: What is the voting requirement to approve each of the proposals?

A:

In the election of directors, the five persons receiving the highest number of "FOR" votes at the 2010 Annual Meeting will be elected. You may vote each share that you own separately for each candidate. The proposal to ratify the appointment of Moss Adams, LLP as our independent registered public accounting firm may be approved by voting "FOR" the proposal. Approval of this proposal requires the affirmative vote of a majority of the shares present, in person or by proxy, and entitled to vote.

Q: What happens if additional matters are presented at the 2010 Annual Meeting?

A:

Other than the items of business described in this proxy statement, we are not aware of any additional business to be acted upon at the 2010 Annual Meeting. If you grant a proxy, the named proxy holders, Bryan Martin and Dan Weirich, will have the discretion to vote your shares on any additional matters properly presented for a vote at the meeting. If, for any reason, any of our nominees is not available as a candidate for director, the named proxy holders will vote your proxy for such other candidate or candidates as may be nominated by the Board.

Q: How will votes be counted at the 2010 Annual Meeting?

A:

An automated system administered by Broadridge Financial Solutions, Inc. ("Broadridge") will tabulate stockholder votes by proxy instructions submitted by beneficial owners over the Internet, by telephone, or by proxy cards mailed to Broadridge. Our transfer agent, Computershare Investor Services, will tabulate stockholder votes submitted by proxies submitted by stockholders of record other than beneficial owners. The inspector of the election will tabulate votes cast in person at the 2010 Annual Meeting.

With respect to the tabulation of proxies for purposes of constituting a quorum, abstentions, votes withheld and broker non-votes are treated as present. A properly executed proxy card marked "withhold" with respect to the election of one or more directors will not be voted with respect to the director(s) and will have no effect on the election of directors.

An abstention on any of the other proposals will have the same effect as a vote against the proposal. A broker "non-vote" occurs when a nominee holding shares for a beneficial owner does not have discretionary voting power with respect to a proposal and has not received instructions from the beneficial owner. If the nominee broker properly, and in a timely manner, requests instructions from the beneficial owner and does not receive them, under applicable rules the broker has discretionary authority to vote on certain routine matters such as the ratification of the our independent registered public accounting firm in Proposal Two. However, as a result of a recent amendment of the New York Stock Exchange rule applicable to voting shares held in brokerage accounts by its member firms with respect to voting in election for directors, if you do not vote your shares on Proposal One (Election of Directors), your broker can no longer vote them for you and your shares will remain unvoted for this purpose. Previously, if your broker did not receive instructions from you, the broker was permitted to vote your shares for you in director elections. Therefore, it is very important that you vote your shares for all proposals, including the election of directors.

Q: Who will serve as inspector of elections?

A:

The inspector of elections will be a representative from the Company.

Q: What should I do if I receive more than one set of voting materials?

A: You may receive more than one set of voting materials, including multiple copies of this proxy statement and multiple proxy cards or multiple Notices. For example, if you hold your shares in more than one brokerage account, you may receive a separate Notice for each brokerage account in which you hold shares. If you are a stockholder of record and your shares are registered in more than one name, you will receive more than one proxy card. Please vote using each control number and proxy card that you receive.

Q: Who will bear the cost of soliciting votes for the 2010 Annual Meeting?

A:

The Company is making this solicitation and will pay the entire cost of preparing, assembling, printing, mailing and distributing these proxy materials and soliciting votes. If you choose to access the proxy materials or vote over the Internet, you are responsible for any Internet access charges you may incur. If you choose to vote by telephone, you are responsible for any telephone charges you may incur. In addition to the mailing of these proxy materials, the solicitation of proxies or votes may be made in person, by telephone or by electronic communication by our directors, officers and employees, who will not receive any additional compensation for such solicitation activities.

PROPOSAL ONE:

ELECTION OF DIRECTORS

Nominees

The Board currently consists of five directors, all of whom have been nominated for re-election at the 2010 Annual Meeting.

Proxies cannot be voted for a greater number of persons than the number of nominees named. Each of the directors elected at the 2010 Annual Meeting will hold office until the 2011 Annual Meeting of Stockholders or until his successor has been duly elected and qualified. Unless otherwise instructed, the proxy holders will vote the proxies received by them for each of our five nominees named below, all of whom are directors currently serving on the Board. In the event that any of our nominees becomes unable or declines to serve as a director at the time of the 2010 Annual Meeting, the proxy holders will vote the proxies for any substitute nominee who is designated by the current Board to fill the vacancy. It is not expected that any nominee listed below will be unable or will decline to serve as a director. The names of the nominees and certain information about each of them are set forth below.

Name	Age	Principal Occupation	Director Since
Bryan R. Martin	42	Chairman of the Board and Chief Executive Officer, 8x8, Inc.	2001
Guy L. Hecker, Jr. (1)(2)	77	Retired Major General	1997
Christopher McNiffe (1)(3)(4)	49	General Manager, Image Sensor Solutions, Eastman Kodak Company	2004

Joe Parkinson

64

Investor

2006

Donn Wilson (1)(3)(4)

74

Chairman of the Board and Chief Executive Officer, YC+G Holdings, Inc.

2003

(1) Member of the audit committee

(2) Lead director

(3) Member of the compensation committee

(4) Member of the nominating committee

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Photo: 8x8, Inc. Board of Directors (from left to right): Donn Wilson, Joe Parkinson,
Bryan Martin, Ret. Major General Guy L. Hecker, Jr., Christopher McNiffe

Except as indicated below, each nominee or incumbent director has been engaged in the principal occupation set forth above during the past five years. There are no family relationships between any of our directors or executive officers. There are also no arrangements or understandings between any director, nominee or executive officer and any other person pursuant to which he or she has been or will be selected as a director and/or executive officer.

Bryan R. Martin

has served as Chairman of the Board since December 2003. Mr. Martin has served as Chief Executive Officer and as a director since February 2002. From February 2001 to February 2002, he served as President and Chief Operating Officer and a director of the Company. He served as Senior Vice President, Engineering Operations from July 2000 to February 2001 and as the Company's Chief Technical Officer from August 1995 to August 2000. He also served as a director from January 1998 to July 1999. In addition, Mr. Martin served in various technical roles for the Company from April 1990 to August 1995. He received a B.S. and a M.S. in Electrical Engineering from Stanford University.

Ret. Major General Guy L. Hecker, Jr.

has served as a director since August 1997 and lead director since January 2010. He was the founder of Stafford, Burke and Hecker, Inc., a consulting firm based in Alexandria, Virginia, and served as its President from 1982 to 2008. Prior to his retirement from the United States Air Force in 1982, Ret. Major General Hecker's duties included serving as Director of the Air Force Office of Legislative Liaison and an appointment in the Office of the Deputy Chief of Staff, Research, Development and Acquisition for the Air Force. Earlier, he served as a pilot and commander in both fighter and bomber aircraft units, including command of a bomber wing and an air division. During his Air Force career, Major General Hecker was awarded a number of military decorations, including the Air Force Distinguished Service Medal, the Silver Star, the Legion of Merit (awarded twice) and the Distinguished Flying Cross. He currently serves on the Board of Directors of Fountain Powerboat Industries, Inc. and The Citadel Foundation. Ret. Major General Hecker received a B.A. from The Citadel, an M.A. in International Relations from George Washington University, an honorary Ph.D. in military science from The Citadel and completed the management development program at Harvard Business School.

Christopher McNiffe

has served as a director since January 2004. Mr. McNiffe has served as General Manager of Eastman Kodak Company's Image Sensor Solutions Division since May 2003 and previously as Vice President of Sales and Marketing from January 2000 to April 2003. Mr. McNiffe served as our Vice President of

Sales and Marketing from July 1995 to January 2000 and also served as a director of the Company from January 1998 to January 2000. From June 1992 to July 1995, Mr. McNiffe held various sales and marketing management positions at the Company. Prior to joining the Company in 1992, Mr. McNiffe held design engineering and sales management positions with RCA Solid State and NCR Microelectronics. He received a B.S. in electrical engineering from Rutgers University.

Joe Parkinson

has served as a director since April 2006. Mr. Parkinson was an employee of our Company from November 2000 to January 2010, and previously served as a director from November 2000 to January 2004. Mr. Parkinson served as Chairman of the Board from November 2000 to December 2003, and served as Vice Chairman from December 2003 to January 2004. He also served as our Chief Executive Officer from January 2001 to February 2002, and was Chairman and Chief Executive Officer of Netergy Microelectronics, Inc., a subsidiary of the Company, from November 2000 to January 2001. He also served as our Chairman of the Board and Chief Executive Officer from June 1995 to January 1998. He previously served as Chairman of the Board and Chief Executive Officer of Micron Technology, Inc. Mr. Parkinson received a B.A. from Columbia College, a J.D. from Tulane University, and a L.L.M. in Taxation from New York University.

Donn Wilson

has served as a director since September 2003. Mr. Wilson served as Executive Vice President of Solidus Networks, Inc. (d/b/a Pay-by-Touch) from October 2003 to October 2005 and as a consultant to Pay-by-Touch from November 2005 to October 2007. Prior to that, Mr. Wilson was providing consulting services to Pay-by-Touch from January 2003 to October 2003. From 1986 to 1990, Mr. Wilson was an executive at Blockbuster Entertainment Videos. From 1981 to 1984, Mr. Wilson was an executive of Wendy's International and from 1957 to 1979 Mr. Wilson was an executive of McDonald's Corporation. Mr. Wilson received a B.S. in Industrial Psychology from Purdue University.

Vote Required and Recommendation

The five nominees receiving the highest number of affirmative votes of the shares entitled to vote on this matter shall be elected as directors.

The Board unanimously recommends that the stockholders vote "FOR" the election of the nominees set forth above.

REPORT OF THE AUDIT COMMITTEE OF THE BOARD OF DIRECTORS

The audit committee oversees our financial reporting process on behalf of the Board. Management is responsible for our internal controls, financial reporting process and compliance with laws, regulations and ethical business standards. Our independent registered public accounting firm is responsible for performing an integrated audit of our consolidated financial statements and of our internal control over financial reporting in accordance with standards of the public company accounting oversight board (United States), and to issue opinions thereon. The audit committee's responsibility is to monitor and oversee these processes. In this capacity, the audit committee provides advice, counsel, and direction to management and the auditors on the basis of the information it receives, discussions with management and the auditors, and the experience of the audit committee's members in business, financial and accounting matters.

The audit committee reviewed and discussed our fiscal 2010 audited consolidated financial statements with our management and Moss Adams LLP, our independent registered public accounting firm for fiscal 2010. The audit committee discussed with such auditors matters required to be discussed by Statement on Auditing Standards No. 141 (The Auditor's Communication With Those Charged With Governance).

The audit committee also received from such auditors the written disclosures and the letter required by the Public Company Accounting Oversight Board Rule 3526 (Communications with Audit Committees Concerning Independence), and the audit committee discussed with Moss Adams LLP that firm's independence.

Based upon the audit committee's discussions with management and the auditors and the audit committee's review of the representations of management and the report of the auditors to the audit committee, the audit committee recommended to the Board, and the Board approved, the inclusion of our audited consolidated financial statements in our Annual Report on Form 10-K for the fiscal year ended March 31, 2010.

THE AUDIT
COMMITTEE
Guy L. Hecker, Jr.,
Chairman
Christopher McNiffe
Donn Wilson

PROPOSAL TWO:

RATIFICATION OF INDEPENDENT PUBLIC ACCOUNTANTS

The audit committee of the Board is directly responsible for the appointment of our independent registered public accounting firm. The audit committee has appointed Moss Adams LLP, Independent Registered Accounting Firm, to audit our financial statements for the fiscal year ending March 31, 2011. The Board proposes that the stockholders ratify this appointment. The audit committee understands the need for Moss Adams LLP to maintain objectivity and independence in its audits of our financial statements.

The audit committee retained Moss Adams LLP to audit our consolidated financial statements for fiscal 2010 and the audit committee retained Moss Adams LLP to provide other auditing and non-auditing services in fiscal 2010. The audit committee has reviewed all non-audit services provided by Moss Adams LLP and has concluded that the provision of such services was compatible with maintaining Moss Adams LLP's independence in the conduct of its auditing functions.

To help ensure the independence of the independent registered public accounting firm, the audit committee has adopted a policy for the pre-approval of all audit and non-audit services to be performed for us by our independent registered public accounting firm. The audit committee may delegate to one or more of its members the authority to grant the required approvals, provided that any exercise of such authority is presented to the full audit committee at its next regularly scheduled meeting.

On June 25, 2008, PricewaterhouseCoopers LLP was dismissed as our principal independent accountants and Moss Adams LLP was engaged as our new principal independent accountants to audit our financial statements for the year ending March 31, 2009. During the fiscal year ended March 31, 2008 and through June 25, 2008, there have been no reportable events (as defined in Item 304(a)(1)(v) of Regulation S-K).

We previously disclosed the dismissal of PricewaterhouseCoopers LLP and the appointment of Moss Adams LLP in a Form 8-K filed with the SEC on July 1, 2008. In connection with the filing of that Form 8-K, we provided PricewaterhouseCoopers LLP a copy of the disclosures made herein, which are the same disclosures that were included in that Form 8-K and requested PricewaterhouseCoopers LLP furnish us a letter addressed to the SEC stating whether or not it agrees with the statements herein. PricewaterhouseCoopers LLP previously provided us that letter, a copy of which was filed with the SEC as an exhibit to that Form 8-K.

The following table sets forth the aggregate fees billed to us by Moss Adams LLP and PricewaterhouseCoopers LLP for the fiscal years ended March 31, 2010 and 2009:

<u>Service Categories</u>	Fiscal 2010	Fiscal 2009
Audit fees (1)	\$363,425	\$359,900

Tax fees (2)

13,260

0

Total

\$376,685

\$359,900

1. Audit Fees consist of fees billed for professional services rendered for the audit of our consolidated annual financial statements, audit of the effectiveness of our internal control over financial reporting, and review of the interim consolidated financial statements included in quarterly reports.

2. Tax fees consist of fees billed for professional services rendered for review of our Section 382 analysis.

Vote Required and Recommendation

The ratification of the selection of Moss Adams LLP as our independent registered public accounting firm for fiscal 2011 will require the affirmative vote of holders of a majority of the shares entitled to vote on this matter. Votes withheld will be counted for purposes of determining the presence or absence of a quorum, but are not counted as affirmative votes. In the event that stockholders fail to ratify the appointment, the audit committee will reconsider its selection. Even if the selection is ratified, the audit committee, in its discretion, may direct the appointment of a different independent registered public accounting firm at any time during the year if the audit committee determines that such a change would be in our best interests.

Representatives of Moss Adams LLP are expected to be present at the annual meeting, will have the opportunity to make a statement if they desire to do so, and are expected to be available to respond to appropriate questions.

The Board unanimously recommends that the stockholders vote "FOR" the proposal to ratify our audit committee's appointment of Moss Adams LLP to serve as our independent registered public accounting firm for the fiscal year ending March 31, 2011.

CORPORATE GOVERNANCE

Information Regarding the Board and its Committees

The Board held a total of 11 meetings during fiscal 2010. The non-management members of the Board also met four times in regularly scheduled executive sessions without management present. Every director attended all of the meetings of the Board and committees of the Board during the time and upon which such directors served during fiscal 2010. The Board did not act by written consent during fiscal 2010.

The Board has an audit committee, a compensation committee and a nominating committee. The Board has adopted charters for each of these committees that are available on our website under "Corporate Governance" which can be found at <http://investors.8x8.com>.

Director Independence

The Board has determined that the following directors are "independent" as defined under Marketplace Rule 5605(a)(2) of the listing rules of the NASDAQ Stock Market ("NASDAQ"): Ret. Major General Hecker, Mr. McNiffe and Mr. Wilson. For a director to be considered independent, the Board must determine that the director does not have any direct or indirect material relationship with us that would impair his or her independence. The Board has established guidelines to assist it in determining director independence, which conform to the independence requirements in the NASDAQ listing rules. The Board has concluded that there are no business relationships that are material or that would interfere with the exercise of independent judgment by any of the independent directors in their service on the Board or its committees. Each of the Board's audit, compensation and nominating committees is comprised solely of independent directors in accordance with the NASDAQ listing rules.

Audit Committee

The audit committee oversees our corporate accounting and financial reporting process and performs several functions in the performance of this role. Among other responsibilities, the audit committee evaluates the performance of and assesses the qualifications of the independent auditors; determines and approves the engagement of the independent auditors; determines whether to retain or terminate the existing independent auditors or to appoint and engage new independent auditors; reviews and approves the retention of the independent auditors to perform any proposed permissible non-audit services; monitors the rotation of partners of the independent auditors on our audit engagement team as required by law; confers with management and the independent auditors regarding the effectiveness of internal controls over financial reporting; and discusses with management and the independent auditors the results of the annual audit and the results of the reviews of our quarterly financial statements.

The current members of the audit committee are Ret. Major General Hecker (Chairman), Mr. McNiffe and Mr. Wilson. The Board has determined that each of these directors meets the requirements for membership to the audit committee, including the independence requirements of the SEC and the NASDAQ listing standards under Marketplace Rule 5605(c)(2). The Board has identified Ret. Major General Hecker as the member of the audit committee who is an "audit committee financial expert" as defined under Item 407(d)(5)(ii) of Regulation S-K under the Securities Act of 1933 and the Securities Exchange Act of 1934 (the "Exchange Act"), but that status does not impose on him duties, liabilities or obligations that are greater than the duties, liabilities or obligations otherwise imposed on him as a member of our audit committee or our Board. The audit committee held four meetings during fiscal 2010. The audit committee held four executive sessions during fiscal 2010 and did not act by written consent during fiscal 2010.

Compensation Committee

The compensation committee determines the compensation of the Chief Executive Officer and makes recommendations to the Board concerning the compensation of our other officers and directors and the administration of our stock-based award and employee stock purchase plans. The compensation committee held two meetings during fiscal 2010, and currently consists of Mr. Wilson (Chairman) and Mr. McNiffe, both of whom are independent directors as currently defined in the NASDAQ listing rules. The compensation committee did not act by written consent during fiscal 2010.

Nominating Committee

The nominating committee is responsible for identifying, reviewing and evaluating candidates to serve as directors of the Company, consistent with criteria approved by the Board, reviewing and evaluating incumbent directors, recommending to the Board candidates for election to the Board, making recommendations to the Board regarding the membership of the committees of the Board, and assessing the performance of management and the Board. Pursuant to the charter of the nominating committee, all members of the nominating committee must be

qualified to serve under the NASDAQ listing rules and any other applicable law, rule regulation and other additional requirements that the Board deems appropriate. The nominating committee currently consists of Mr. McNiffe (Chairman) and Mr. Wilson. The nominating committee held one meeting during fiscal 2010 and has recommended all current directors for nomination to be elected as directors at the 2010 Annual Meeting.

Combined Chairman/CEO and Lead Director

We believe that the current size of the Board is suited to the relatively small size of our current operations. Given the current size of the Board, we operate with a combined Chairman and Chief Executive Officer position. The Board also believes it is important that we have a single point of focused leadership to interact with our stockholders, customers, partners and employees, and the combined position achieves this result.

In January 2010, the Board created the position of lead director and appointed Ret. Major General Hecker to be the lead director. The lead director is responsible for (i) establishing the agenda for the executive sessions held by non-management directors of the Board and acting as chair of those sessions, (ii) polling the other non-management directors for agenda items both for regular board meetings and executive sessions of the non-management directors and (iii) working with the Chairman of the Board and Chief Executive Officer on the agenda for regular Board meetings. The Board believes that this structure of a combined Chairman and Chief Executive Officer with the lead director reconciling the viewpoints and discussions amongst the outside directors is the most effective Board leadership structure for the Company.

Consideration of Director Nominees

Stockholder Nominations and Recommendations.

It is the policy of the nominating committee to consider both recommendations and nominations for candidates to the Board from stockholders. To recommend a prospective candidate for consideration by the nominating committee, a stockholder must hold at least \$2,000 in market value or one percent of the outstanding voting securities of our common stock for at least one year prior to the date of submission of the recommendation. Stockholder recommendations for candidates to the Board must be directed in writing to our Secretary at the address of our principal executive offices at 810 West Maude Avenue, Sunnyvale, California 94085, and must include the candidate's name, age, business address and residence address, the candidate's principal occupation or employment, the class and number of shares of our stock which are beneficially owned by such candidate, a description of all arrangements or understandings between the stockholder making such recommendation and each candidate and any other person or persons (naming such person or persons) pursuant to which the recommendations are to be made by the stockholder, detailed biographical data and qualifications of the candidate and information regarding any relationships between the candidate and us within the last three years, and any other information relating to such recommended candidate that is required to be disclosed in solicitations of proxies for elections of directors, or is otherwise required, in each case pursuant to Regulation 14A under the Exchange Act. A stockholder's recommendation to the Secretary must also set forth the name and address, as they appear on our books, of the stockholder making such recommendation, the class and number of our shares which are beneficially owned by the stockholder and the date such shares were acquired by the stockholder, any material interest of the stockholder in such recommendation, any other information that is required to be provided by the stockholder pursuant to Regulation 14A under the Exchange Act, in his capacity as a proponent to a stockholder proposal, and a statement from the recommending stockholder in support of the candidate, references for the candidate, and the candidate's written consent indicating his or her willingness to serve, if elected.

We have established an advance notice procedure with regard to certain matters, including stockholder proposals and director nominations, which are properly brought before an annual meeting of stockholders. To be timely, a stockholder's notice must be delivered to or mailed and received at our principal executive offices not less than 120 calendar days prior to the date proxy statements were sent to stockholders in connection with the previous year's annual meeting of stockholders. This procedure is set forth in our bylaws.

You may contact us at 8x8, Inc., Attn: Secretary, 810 West Maude Avenue, Sunnyvale, CA 94085, for a copy of the relevant bylaw provisions regarding the requirements for submitting stockholder proposals and nominating director candidates.

We have never considered or rejected nominations by 5% or more stockholders.

Director Qualifications.

Members of the Board should have the highest professional and personal ethics and values, and conduct themselves consistent with our Code of Business Conduct and Ethics. While the nominating committee has not established specific minimum qualifications for director candidates, the nominating committee believes that candidates and nominees must reflect a Board that is comprised of directors who:

- are predominantly independent;

- have strong integrity;
- have qualifications that will increase overall Board effectiveness; and
- meet other requirements as may be required by applicable rules, such as financial literacy or financial expertise with respect to audit committee members.

In addition to the qualifications listed above, the nominating committee cited the following experience, qualifications, attributes and skills for each nominee below:

Mr. Martin has more than 20 years of service to us with extensive experience in the development and sale of communications technologies and services. Mr. Martin holds 39 United States Patents in the fields of semiconductors, computer architecture, video processing algorithms, videophones and communications. Our current communications services business model was launched in 2002 under Mr. Martin's leadership, and we transformed from a communications technology and equipment business model to a services model thereafter. Mr. Martin led the fundraising of approximately \$60 million between 2003 and 2005 to fund this evolution. In November 2006, Governor Arnold Schwarzenegger appointed Mr. Martin to the California Broadband Task Force for the Business, Transportation and Housing Agency where he served as Chair of the task force's Emerging Technologies and New Applications Working Group. Mr. Martin also serves on the California Emerging Technology Fund's Board of Expert Advisors, which is pursuing the best strategies to close the Digital Divide and make California a global leader in broadband. Mr. Martin was also named one of the "Top 100 Voices of IP Communications" by Internet Telephony magazine in October 2006.

Major General Hecker has more than 12 years of service to us and has been instrumental in advising us on our strategic directions and the development of new technologies. A financial expert, Major General Hecker led a successful business at Stafford, Burke and Hecker after retiring from the Air Force. Major General Hecker has been personally involved in our recent work to win government contracts as a services subcontractor to one of our carrier partners, including the deployment of services at the Federal Maritime Commission in 2010. Major General Hecker invested in us and was instrumental in the development of the first low-cost videophone that enabled us to complete a public offering in 1997. He has been involved in venture capital investing including being an initial investor in Micron Computer, a subsidiary of Micron Technology, Inc., prior to its initial public offering and a director and principal shareholder of NavCom Defense Electronics since its founding in 1984.

Mr. Wilson is a serial entrepreneur with a record of marketing experience in senior positions at companies such as McDonalds, Wendy's International and Blockbuster. Mr. Wilson has applied his marketing experience in a variety of small, start-up operations, including Pay-by-Touch, InfoGlobe, igKiosks and Miwok Airways. Mr. Wilson has proven expertise at maximizing marketing return given the operational and capital constraints at small and startup organizations. His customer service experience at a wide variety of restaurant operations is also instrumental to advising us on customer service and customer care practices.

Mr. McNiffe possesses a sales, marketing and engineering background and currently serves as an executive at Eastman Kodak during the evolution of its digitally-oriented business model. He served as our Vice President of Marketing during a key growth period which included our initial public offering, and has in-depth experience in several areas, including video, that are relevant to the Company's business and the communications industry. Mr. McNiffe has contributed to our marketing efforts and our evolution and growth into a larger operating model.

Mr. Parkinson has previously served as our Chief Executive Officer during a time period which included our initial public offering. Mr. Parkinson was a co-founder and previously served as the Chairman and Chief Executive Officer of Micron Technology, Inc., participating in its growth from a startup operation to a multi-billion dollar company listed on the New York Stock Exchange and S&P 500. His advice on our operations, strategy and management has been instrumental to the Company.

Upon completion of its review and evaluation, our nominating committee made its recommendation to the Board regarding the candidates. After considering our nominating committee's recommendations, our Board determined and approved the existing candidates.

Identifying and Evaluating Director Nominees.

Although candidates for nomination to the Board typically are suggested by existing directors or by our executive officers, candidates may come to the attention of the Board through professional search firms, stockholders or other persons. The nominating committee will review the qualifications of any candidates who have been properly brought to the nominating committee's attention. Such review may, in the nominating committee's discretion, include a review solely of information provided to the nominating committee or may also include discussions with persons familiar with the candidate, an interview with the candidate or other actions that the nominating committee deems proper. The nominating committee will

consider the suitability of each candidate, including the current members of the Board, in light of the current size and composition of the Board. In evaluating the qualifications of the candidates, the nominating committee may consider many factors, including issues of character, judgment, independence, age, expertise, diversity of experience, length of service, other commitments and the like. The nominating committee does not intend to alter the manner in which it evaluates candidates, including the minimum criteria set forth above, based on whether the candidate was recommended by a stockholder or not.

Compensation Committee Interlocks and Insider Participation

The compensation committee of the Board currently consists of Mr. Wilson and Mr. McNiffe. Neither individual is currently an officer or employee of ours or was an officer or employee of ours at any time during fiscal 2010. Mr. McNiffe served as Vice President of Sales and Marketing of the Company from July 1995 to January 2000.

None of our executive officers or directors served as a member of the board of directors or compensation committee of any entity that had one or more executive officers serving as a member of the Board or our compensation committee at any time during fiscal 2010.

Corporate Governance

Our corporate governance materials, including the Code of Business Conduct and Ethics and the charters of the audit committee, compensation committee, and nominating committee, are published on our website under "Corporate Governance" which can be found at

<http://investors.8x8.com>. Members of the Board are also strongly encouraged, but not required, to attend each annual meeting of stockholders. Three of our Board members attended the annual meeting of stockholders in 2009.

Code of Business Conduct and Ethics

We are committed to maintaining the highest standards of business conduct and ethics. Our Code of Business Conduct and Ethics (the "Code of Ethics") reflects the values and the business practices and principles of behavior that support this commitment. The Code of Ethics is available on our website under "Corporate Governance " which can be found at

<http://investors.8x8.com>. We will post any amendment to the Code of Ethics, as well as any waivers that are required to be disclosed by the rules of the SEC or NASDAQ, on our website at <http://investors.8x8.com>.

Board's Role in the Oversight of Risk

As a small operating company, the entire Board is involved in our risk management practices. The Board as a whole is consulted on any matters which might result in material financial changes, investments or strategic direction of the Company. The Board oversees these risks through its interaction with senior management which occurs at formal Board meetings, committee meetings, and through other periodic written and oral communications. Additionally, the Board has delegated some of its risk oversight activities to its committees. For example, the compensation committee oversees the risks associated with compensation for our named executive officers and directors, including whether any of our compensation policies has the potential to encourage excessive risk-taking. The audit committee oversees compliance with our Code of Ethics, our financial reporting process and our systems of internal controls and reviews with management our major financial risk exposures and the steps taken to control such exposures.

Stockholder Communications with the Board

The Board has implemented a process by which stockholders may send written communications directly to the attention of the Board or any individual Board member, which is explained on our website at

<http://investors.8x8.com> under the "Investor FAQs" section.

EXECUTIVE COMPENSATION

Compensation Discussion and Analysis

We provide what we believe is a competitive total compensation package to our executive management team through a combination of base salary, bonus and profit sharing payments, a long-term equity incentive compensation plan and broad-based benefits programs.

This Compensation Discussion and Analysis explains our compensation philosophy, policies, practices, and decisions with respect to our principal executive officer, principal financial officer, and three other highly compensated members of our executive management team, who are collectively referred to as the named executive officers, or "NEOs." We do not have written employment agreements with any of our NEOs.

The members of our executive management team are appointed by our Board. Our compensation committee is responsible for establishing and administering our policies governing the compensation for our executive management team. The compensation committee is composed of Mr. McNiffe and Mr. Wilson, who are independent, non-employee directors, and holds its meetings both with and without the presence of members of our executive management team. The compensation committee also discusses compensation issues with the principal executive officer between formal meetings of the compensation committee. The principal executive officer also submits recommendations to the compensation committee, and the entire Board ratifies the actions of the compensation committee.

The Objectives of our Executive Compensation Program

Our executive compensation programs are designed to achieve the following objectives:

- Develop, motivate and retain top talent and to focus our executive management team on key business goals that enhance stockholder value;
- Ensure executive compensation is aligned with our corporate strategies and business objectives;
- Provide meaningful equity ownership by our executive officers to align executives' incentives with the creation of stockholder value;
- Ensure fairness among the executive management team by recognizing the contributions each executive makes to our success, as well as the salary history and prior experience of each executive; and
- Provide an incentive for long-term continued employment with our company.

To achieve these objectives, the compensation committee evaluates our executive compensation program with the goal of setting compensation at levels the committee believes are competitive with those of other companies that compete with us for executive talent balanced with our current corporate and business objectives. We provide a portion of our executive compensation in the form of stock-based awards that vest over time, which helps retain our executives and align their interests with those of our stockholders by allowing them to participate in the longer term success of our Company as reflected in stock price appreciation.

The components of fiscal year 2010 compensation that we provided to our executive management team to meet these objectives are as follows:

- Salary: This element provides competitive base compensation;

- Stock options and stock purchase right awards: This element provides performance incentives, competitive compensation, retention incentives and alignment with stockholder interests;
- Profit sharing: This element provides a competitive performance incentive to develop and maximize a sustainable business model that will increase our financial strength and value;
- Severance and change in control benefits: This element provides competitive benefits and retention incentives; and
- Insurance, health, retirement, stock purchase and other employee benefit plans: These elements provide competitive benefits and retention incentives.

Our compensation committee reviews the compensation program periodically, including each of the above elements, to determine whether they provide appropriate incentives and motivation to our executive management

team and whether they adequately compensate our executive officers relative to comparable officers in other companies with which we compete for executive talent. Based upon the information and data presented to it, as well as our current financial performance, the compensation committee generally views the compensation paid to our executive officers as fair, appropriate and reasonable.

Determination of Competitive Compensation

To attract and retain executives with the ability and the experience necessary to lead us and to deliver strong performance to our stockholders, we strive to provide a total compensation package that is competitive with total compensation provided by our industry peer group. To review our compensation levels during fiscal year 2010, the compensation committee reviewed publicly available executive compensation data for a group of companies similar in composition to the peer group of companies examined for the previous fiscal year. They were telecommunications companies and general industry companies that sell services to similar small and medium-sized business customers as we do. Because the average revenue and market capitalization of those companies was more than twice the size of our revenue and market capitalization and the compensation levels were significantly higher than ours, the compensation committee did not utilize this data in determining fiscal 2010 compensation for our NEOs. The compensation committee reviewed 2009 Radford Surveys and Consulting, a business unit of AON Consulting, Inc. ("Radford"), survey data from public and private technology companies with comparable revenues to us headquartered in Northern California for guidance. Radford is not a compensation consultant to the Company or the compensation committee.

Overview of Fiscal 2010 NEO Compensation

We believe that the total compensation paid to our NEOs for the fiscal year ended March 31, 2010 achieved the overall objectives of our executive compensation program. Our compensation committee reviewed the Radford data and determined that our NEO's compensation was within the ranges of cash, equity and total compensation for small and mid-sized companies identified in the Radford data.

Salary

Base salaries are provided as compensation for day-to-day responsibilities and services to us. Compensation is reviewed annually through a formal review process. Effective April 1, 2010, Mr. Martin's salary was increased from \$245,000 to \$275,000, Mr. Weirich's salary was increased from \$245,000 to \$260,000 and Mr. Narayanaswamy's salary was increased from \$210,000 to \$240,000. Mr. Martin's and Mr. Weirich's salaries were increased due to data in the Radford report and the increase in our net income from fiscal 2009 to fiscal 2010. Mr. Narayanaswamy's salary was increased upon his promotion to Chief Technology Officer of the Company. The salaries for the remainder of the executives were not increased in fiscal 2010.

Stock Purchase Right Awards

In fiscal 2010, the Board recommended and approved stock purchase right award ("Stock Awards") grants to the NEOs based on the level of the individual's responsibility and individual contributions to the Company. The Board approves all grants of Stock Awards. The Board usually makes annual grants to NEOs in the first or second fiscal quarter in connection with our annual reviews and initially upon hiring such officers. The grant to our CEO typically occurs at the regularly scheduled Board meeting concurrent with the Annual Meeting. The number of stock purchase award shares granted to each NEO is determined by reviewing historical grants and the contribution to the Company in the prior fiscal year. In addition, the Board considered the large benefit received by our current NEOs in fiscal 2009 when we accelerated the vesting of substantially all of the unvested stock options in January 2009. This resulted in substantially reduced awards and no option grants for fiscal year 2010. Stock Award grants in July 2009 of 33,312 shares to Mr. Weirich and Mr. Narayanaswamy with a grant date fair value of \$24,551, and 16,656 shares to Mr. Rees with a grant date fair value of \$12,275 were granted to take into account this shortfall. In July 2009, Mr. Martin received a Stock Award grant of 33,312 shares with a grant date fair value of \$24,551 upon his re-election to our

Board at the 2009 Annual Meeting of Stockholders in July 2009. These were the only Stock Awards grants the NEOs received in fiscal 2010. The grant date fair value of the stock compensation in fiscal 2010 was lower than in previous years due to the comparatively low price of the common stock on the grant date.

We do not have stock ownership guidelines; however, we believe equity compensation is important to align the executive's interest with that of our stockholders.

Profit Sharing

In 1995, the Board adopted a resolution implementing a profit sharing plan that provides the potential for additional compensation to employees equal to 15% of quarterly net income before tax and change in fair value of warrant liability. Of these amounts, one third is shared by all of our employees, one third is shared by key employees, excluding executive officers, identified by the executive officers, and one third is shared by all of our executive officers. All profit sharing amounts are approved by the Board prior to payment. Profit sharing payments totaling \$710,363 were paid to our employees based on the Company's performance in fiscal 2010. The CEO received \$39,170 and all NEOs received a total of \$150,817 in profit sharing payments based on the Company's performance in fiscal 2010.

Other Benefits

Employee Stock Purchase Plan. In order to provide employees at all levels with greater incentive to contribute to our success, we provide employees, including our executive officers, with the opportunity to purchase discounted shares of common stock under the 1996 Employee Stock Purchase Plan (the "Purchase Plan"), which is intended to be a qualified plan under Section 423 of the Internal Revenue Code. The Purchase Plan permits eligible employees to purchase common stock through payroll deductions at a price equal to 85% of the fair market value of the common stock at the beginning of each two year offering period or the end of a six month purchase period, whichever is lower. We suspended the Purchase Plan in 2003 and reactivated it in fiscal 2005. When the Purchase Plan was reinstated in fiscal 2005, the offering period was reduced from two years to one year. The contribution amount may not exceed 10% of an employee's base compensation or \$25,000 for each calendar year (whichever is less), including commissions but not including bonuses and overtime. In the event of a merger of the Company with or into another corporation or the sale of all or substantially all of the assets of the Company, the Purchase Plan provides that each outstanding purchase right will be exercised on a date prior to the effective date of such transaction specified by the plan administrator.

Additional Benefits

. We offer additional benefits designed to be competitive with overall market practices and to attract, retain and motivate the talent needed by us to achieve our strategic and financial goals. All United States salaried employees, including officers, are eligible to participate in our Section 401(k) plan, health care coverage, life insurance, disability, paid time-off and paid holidays. Certain NEOs are entitled to receive additional benefits upon an acquisition of the Company as described below under Potential Payments Upon Termination or Change in Control.

We do not believe any of our compensation policies and practices create any risks that are reasonably likely to have a material adverse effect on the Company.

Tax and Accounting Considerations

Our compensation committee has reviewed the impact of tax and accounting treatment on the various components of our executive compensation program. We believe that achieving the compensation objectives discussed above is more important than the benefit of tax deductibility and our executive compensation programs may, from time to time, limit the tax deductibility of compensation. Nevertheless, when not inconsistent with these objectives, we endeavor to award compensation that will be deductible for income tax purposes. Section 162(m) of the Internal Revenue Code generally disallows a tax deduction to publicly-held companies for compensation paid to "covered" executive officers, to the extent that compensation paid to such an officer exceeds \$1 million during the taxable year. None of the compensation paid to our covered executive officers for the year ended March 31, 2010 that would be taken into account under Section 162(m) exceeded the \$1 million limitation.

The compensation committee has reviewed and discussed with management the Compensation Discussion and Analysis included in this proxy statement. Based on this review and discussion, the compensation committee recommended to the Board that the Compensation Discussion and Analysis be included in this proxy statement and in our Annual Report on Form 10-K for the fiscal year ended March 31, 2010.

THE COMPENSATION
COMMITTEE
Donn Wilson, *Chairman*
Christopher McNiffe

Summary Compensation Table

<u>Name and Principal Position</u>	<u>Fiscal Year</u>	<u>Salary</u>	Option Awards (1)	Stock Awards (2)	Not-Equity Incentive Plan Compensation (3)	<u>All Other Compensation</u>	<u>Total</u>
Bryan R. Martin	2010	\$245,000	--	\$24,551	\$39,170	\$2,028	\$310,749
Chairman and Chief Executive Officer	2009	\$245,000				\$60,780	

	--
	\$13,041
	\$2,028
	\$320,849
	2008
	\$228,333
	\$76,300
	--
	\$18,387
	\$1,988
	\$325,008
Dan Weirich	
	2010
	\$245,000
	--
	\$24,551
	\$39,170
	\$1,777
	\$310,498
President and Chief Financial Officer	
	2009
	\$239,167
	\$164,680
	--
	\$12,980
	\$1,857
	35

	\$418,684
	2008
	\$205,833
	\$76,300
	--
	\$20,570
	\$1,816
	\$304,519
Ramprakash Narayanaswamy	
	2010
	\$210,000
	--
	\$24,551
	\$38,494
	\$2,138
	\$275,183
Chief Technology Officer	
	2009
	\$210,000
	\$36,090
	--
	\$12,804
	\$1,981
	\$260,875
	2008
	\$193,333
	36

	\$67,550
	--
	\$20,285
	\$1,886
	\$283,054
Debbie Jo Severin	
	2010
	\$232,063
	--
	--
	\$34,176
	\$2,659
	\$268,898
Chief Marketing Officer	
	2009
	\$1,808
	--
	\$57,000
	--
	--
	\$58,808
Huw Rees	
	2010
	\$235,000
	--
	\$12,275
	37

	\$38,977
	\$2,256
	\$288,508
Vice President, Business Development	
	2009
	\$235,000
	\$30,390
	--
	\$12,973
	\$2,256
	\$280,619
	2008
	\$218,333
	\$76,300
	--
	\$20,868
	\$2,196
	\$317,697

(1) Amounts reflect the aggregate grant date fair value of option awards computed in accordance with ASC 718. The fair value of each option grant is estimated based on its fair market value on the date of grant using the Black-Scholes option-pricing model. For a more detailed discussion on the valuation model and assumptions used to calculate the fair value of our options, refer to note 4 to the consolidated financial statements contained in our 2010 Annual Report on Form 10-K for our fiscal year ended March 31, 2010.

(2) Amounts reflect the aggregate grant date fair value of stock awards computed in accordance with ASC 718 based on the closing price of our common stock on the date of the grant. For a more detailed discussion on the valuation model and assumptions used to calculate the fair value of our stock awards, refer to note 4 to the consolidated financial statements contained in our 2010 Annual Report on Form 10-K for our fiscal year ended March 31, 2010.

(3) Compensation earned from our profit sharing plan.

Grants of Plan-Based Awards Table

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The following table sets forth certain information regarding options granted to the NEOs during the fiscal year ended March 31, 2010.

<u>Name</u>	<u>Grant Date (1)</u>	<u>All Other Stock Awards: Number of Shares of Stock</u>	<u>Grant Date Fair Value of Stock Awards (2)</u>
Bryan R. Martin	7/28/2009	33,312	\$24,551
Dan Weirich	7/28/2009	33,312	\$24,551
Ramprakash Narayanaswamy	7/28/2009	33,312	\$24,551
Huw Rees	7/28/2009	16,656	\$12,275

(1) 1/48th of the total number of shares vest monthly on the last day of each full month after the vesting commencement date thereafter until all of the stock awards have vested.

(2) Stock awards are shown at their aggregate grant date fair value in accordance with ASC 718 based on the closing price of our common stock on the date of grant. See note 4 to our consolidated financial statements reported in our Annual Report on Form 10-K for our fiscal year ended March 31, 2010 for details used to determine the fair value of the stock-based compensation awards.

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Outstanding Equity Awards at Fiscal Year-End 2010 (1)

The following table sets forth certain information concerning outstanding equity awards held by the NEOs at March 31, 2010.

<u>Name</u>	<u>Option Awards</u>			<u>Stock Awards</u>	
	<u>Number of Securities Underlying Unexercised Options (#) Exercisable</u>	<u>Option Exercise Price</u>	<u>Option Expiration Date</u>	<u>Number of Shares of Stock That Have Not Vested (2)</u>	<u>Market Value of Shares of Stock That Have Not Vested \$(3)</u>
Bryan R. Martin	125,000 (4)	\$12.56	5/16/2010	--	--
	50,000 (5)	\$11.75	7/18/2010	--	--
	80,000 (6)	\$2.31	12/19/2010	--	--
	525,413 (7)	\$1.88	2/28/2011	--	--
	1,000 (8)	\$0.96	11/20/2011	--	--
	100,000 (9)	\$1.18	1/30/2012	--	--
	2,000 (10)	\$0.56	7/23/2012	--	--
	125,000 (11)	\$1.72	9/17/2013	--	--
	100,000 (12)	\$3.35	11/22/2014	--	--
	100,000 (13)	\$1.79	8/23/2015	--	--
	100,000 (14)	\$1.27	10/24/2016	--	--
	100,000 (15)	\$1.26	8/28/2017	--	--
	100,000 (16)	\$0.87	9/30/2018	--	--
	--	--	--	27,760	\$40,252
Dan Weirich	50,000 (17)	\$2.81	3/23/2014	--	--
	25,000 (18)	\$1.32	4/26/2015	--	--
	100,000 (19)	\$1.59	4/18/2016	--	--
	200,000 (20)	\$1.07	6/20/2016	--	--
	100,000 (15)	\$1.26	8/28/2017	--	--
	100,000 (16)	\$0.87	9/30/2018	--	--
	250,000 (21)	\$0.63	11/6/2018	--	--
--	--	--	27,760	\$40,252	
Ramprakash Narayanaswamy	25,000 (22)	\$2.69	2/22/2015	--	--
	15,000 (18)	\$1.32	4/26/2015	--	--

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	100,000 (19)	\$1.59	4/18/2016	--	--
	100,000 (15)	\$1.26	8/28/2017	--	--
	75,000 (16)	\$0.87	9/30/2018	--	--
	--	--	--	27,760	\$40,252
Debbie Jo Severin	--	--	--	75,000	\$108,750
Huw Rees	10,000 (5)	\$11.75	7/18/2010	--	--
	25,000 (23)	\$9.31	9/19/2010	--	--
	60,000 (6)	\$2.31	12/19/2010	--	--
	100,000 (7)	\$1.88	2/28/2011	--	--
	1,000 (8)	\$0.96	11/20/2011	--	--
	100,000 (9)	\$1.18	1/30/2012	--	--
	2,000 (10)	\$0.56	7/23/2012	--	--
	125,000 (11)	\$1.72	9/17/2013	--	--
	50,000 (12)	\$3.35	11/22/2014	--	--
	100,000 (24)	\$1.72	10/25/2015	--	--
	100,000 (25)	\$1.48	5/23/2016	--	--
	100,000 (15)	\$1.26	8/28/2017	--	--
	50,000 (16)	\$0.87	9/30/2018	--	--
	--	--	--	13,880	\$20,126

- (1) Includes only those columns for which there are outstanding equity awards at March 31, 2010. All other columns have been omitted.
- (2) 1/48th of the total number of shares vest monthly on the last day of each full month after the vesting commencement date thereafter until all of the Stock Awards have vested. Stock Awards granted on July 28, 2009.
- (3) The market value of unvested Stock Awards is calculated by multiplying the number of unvested Stock Awards held by the applicable NEOs by the closing price of our common stock on the NASDAQ Capital Market ("Nasdaq CM") on March 31, 2010.
- (4) Stock options granted May 16, 2000.
- (5) Stock options granted July 18, 2000.
- (6) Stock options granted December 19, 2000.
- (7) Stock options granted February 28, 2001.
- (8) Stock options granted November 20, 2001.
- (9) Stock options granted January 30, 2002.
- (10) Stock options granted July 23, 2002.
- (11) Stock options granted September 17, 2003.
- (12) Stock options granted November 22, 2004.
- (13) Stock options granted August 23, 2005.
- (14) Stock options granted October 24, 2006.
- (15) Stock options granted August 28, 2007.
- (16) Stock options granted September 30, 2008.
- (17) Stock options granted March 23, 2004.
- (18) Stock options granted April 26, 2005.
- (19) Stock options granted April 18, 2006.
- (20) Stock options granted June 20, 2006.
- (21) Stock options granted November 6, 2008.
- (22) Stock options granted February 22, 2005.
- (23) Stock options granted September 19, 2000.
- (24) Stock options granted October 25, 2005.
- (25) Stock options granted May 23, 2006.

There were no NEO exercises of stock options in fiscal 2010.

Potential Payments Upon Termination or Change in Control

In 1995, the Board adopted a resolution providing that, in the event of a change in control, all stock options held by our officers under any Company stock option plan shall vest immediately without regard to the term of the option. In 2010, the Board adopted a resolution providing that, in the event of a change in control, all stock awards held by our officers under any Company stock-based compensation plan shall vest immediately without regard to the term of the stock awards. In addition, in such an event, each officer shall be entitled to one year of severance pay and continuing medical, dental and vision benefits for life at such time an officer voluntarily or involuntarily leaves the Company, provided that such medical, dental and vision benefits shall cease should such officer accept employment with a competing company. Pursuant to that 1995 Board resolution, a change in control is defined as an individual or corporate entity and any related parties cumulatively acquiring stock greater than or equal to 35% of our fully diluted stock. The Board has the power to modify or revoke this resolution at any time.

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The following table quantifies potential payments to our NEOs upon termination of employment or change in control assuming the triggering event took place on March 31, 2010, the last business day of our last completed fiscal year.

<u>Name</u>	<u>Cash Severance Payment</u>	<u>Bonus Payment</u>	<u>Value of Accelerated Stock Awards (1)</u>	<u>Continuation of Medical / Dental and Vision Benefits (2)</u>	<u>Total Payout</u>
Bryan R. Martin					
Change in Control	--	--	--	--	--
Termination or resignation following a Change in Control	\$245,000	--	\$40,252	\$1,032,377	\$1,317,629
Dan Weirich					
Change in Control	--	--	--	--	--
Termination or resignation following a Change in Control	\$245,000	--	\$40,252	\$1,678,731	\$1,963,983
Ramprakash Narayanaswamy					
Change in Control	--	--	--	--	--
Termination or resignation following a Change in Control	\$210,000	--	\$40,252	\$658,494	\$908,746
Debbie Jo Severin					
Change in Control	--	--	--	--	--
Termination or resignation following a Change in Control	\$235,000	--	\$108,750	\$526,053	\$869,803
Huw Rees					
Change in Control	--	--	--	--	--