

COHERENT INC
Form DEF 14A
March 07, 2005

**UNITED STATES
SECURITIES AND EXCHANGE
COMMISSION**
Washington, D.C. 20549
SCHEDULE 14A

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

Filed by the Registrant **X**
Filed by a Party other than the Registrant **O**

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 Rule §240.14a-12

COHERENT INC.

(Name of Registrant as Specified In Its Charter)

(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. Title of each class of securities to which transaction applies:

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1. Amount Previously Paid:

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4. Date Filed:

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

April 7, 2005

TO OUR STOCKHOLDERS:

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NOTICE IS HEREBY GIVEN that the Annual Meeting of Stockholders of COHERENT, INC., a Delaware corporation, will be held on April 7, 2005 at 5:30 p.m., local time, at our principal offices located at 5100 Patrick Henry Drive, Santa Clara, California 95054, for the following purposes:

1. **To elect nine directors to serve for the ensuing year and until their successors are duly elected (Proposal One);**
2. **To ratify the appointment of Deloitte & Touche LLP as our independent registered public accounting firm for the fiscal year ending October 1, 2005 (Proposal Two); and**
3. **To transact such other business as may properly be brought before the meeting and any adjournment(s) thereof.**

The foregoing items of business are more fully described in the Proxy Statement accompanying this Notice.

Stockholders of record at the close of business on February 11, 2005 are entitled to notice of and to vote at the meeting.

All stockholders are cordially invited to attend the meeting. However, to assure your representation at the meeting, you are urged to mark, sign, date and return the enclosed proxy card as promptly as possible in the postage-prepaid envelope enclosed for that purpose. Any stockholder of record attending the meeting may vote in person even if he or she has returned a proxy. Please note, however, that if your shares are held of record by a broker, bank or other nominee and you wish to vote at the meeting, you must obtain a proxy issued in your name from that record holder.

Sincerely,

John R. Ambroseo
President and Chief Executive Officer

Santa Clara, California
March 7, 2005

YOUR VOTE IS IMPORTANT

In order to assure your representation at the meeting, you are requested to complete, sign and date the enclosed proxy card as promptly as possible and return it in the enclosed envelope.

**COHERENT, INC.
5100 PATRICK HENRY DRIVE
SANTA CLARA, CALIFORNIA 95054**

PROXY STATEMENT

INFORMATION CONCERNING SOLICITATION AND VOTING

General

The enclosed Proxy is solicited on behalf of the Board of Directors of COHERENT, INC. for use at the Annual Meeting of Stockholders to be held at our principal offices located at 5100 Patrick Henry Drive, Santa Clara, California 95054, on April 7, 2005 at 5:30 p.m., local time, and at any adjournment(s) thereof, for the purposes set forth herein and in the accompanying Notice of Annual Meeting of Stockholders. Our telephone number at the address above is (408) 764-4000. These proxy solicitation materials were mailed on or about March 7, 2005 to all stockholders entitled to vote at the meeting.

Record Date and Share Ownership

Stockholders of record at the close of business on February 11, 2005 (the Record Date) are entitled to notice of and to vote at the meeting and at any adjournment(s) thereof. At the Record Date, 30,664,387 shares of our Common Stock, \$0.01 par value, were issued and outstanding.

Revocability of Proxies

Any proxy given pursuant to this solicitation may be revoked by the person giving it at any time before its use (i) by delivering to us at our principal offices (Attention: Scott H. Miller, Senior Vice President and General Counsel) a written notice of revocation or a duly executed proxy bearing a later date or (ii) by attending the meeting and voting in person. Please note, however, that if your shares are held of record by a broker, bank or other nominee and you wish to vote at the meeting, you must obtain a proxy issued in your name from that record holder.

Attendance at the Annual Meeting

All stockholders of record as of the Record Date may attend the Annual Meeting. Please note that cameras, recording devices and other electronic devices will not be permitted at the Annual Meeting. No items will be allowed into the Annual Meeting that might pose a concern for the safety of those attending.

Voting and Costs of Solicitation

On all matters, other than the election of directors, each share has one vote. See Election of Directors Vote Required for a description of your cumulative voting rights with respect to the election of directors.

If you are a stockholder of record as of the Record Date, you may vote in person at the Annual Meeting, vote by proxy using the enclosed proxy card, vote by proxy over the telephone or vote by proxy on the Internet. Whether or not you plan to attend the Annual Meeting, we urge you to vote by proxy to ensure your vote is counted. As stated above, you may still attend the Annual Meeting and vote in person if you have already voted by proxy.

To vote in person: Come to the Annual Meeting and we will give you a ballot at the time of voting;

To vote using the proxy card: Simply complete, sign and date the enclosed proxy card and return it promptly in the envelope provided. If you return your signed proxy card to us before the Annual Meeting, the designated proxies will vote your shares as you direct;

To vote over the telephone: Dial toll-free 1-800-690-6903 using a touch-tone phone and follow the recorded instructions. You will be asked to provide the control number from the enclosed proxy card. Your vote must be received by 11:59 P.M. Eastern Time on April 6, 2005 to be counted.

To vote on the Internet: go to www.proxyvote.com to complete an electronic proxy card. You will be asked to provide the control number from the enclosed proxy card. Your vote must be received by 11:59 P.M. Eastern Time on April 6, 2005 to be counted.

If you return a signed and dated proxy card without marking any voting directions, your shares will be voted:

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For the election of all nine nominees for director, provided that in the event cumulative voting occurs, the proxy holders will cumulate votes using their judgment so as to have as many of the nominees set forth herein elected as director; and

For ratification of the appointment of Deloitte & Touche LLP as our independent registered public accounting firm for the fiscal year ending October 1, 2005.

If any other matter is properly presented at the Annual Meeting, your proxy holders (one of the individuals named on your proxy card) will vote your shares in their discretion.

The cost of this solicitation will be borne by us. We may reimburse brokerage firms and other persons representing beneficial owners of shares for their expenses in forwarding solicitation material to such beneficial owners. In addition, proxies may be solicited by certain of our directors, officers and regular employees, without additional compensation, personally or by telephone or facsimile.

Quorum; Abstentions; Broker Non-Votes

Our Bylaws provide that stockholders holding a majority of the shares of Common Stock issued and outstanding and entitled to vote on the Record Date shall constitute a quorum at meetings of stockholders. Votes will be counted by the inspector of election appointed for the annual meeting, who will separately count For and (with respect to proposals other than the election of directors) Against votes, abstentions and broker non-votes. A broker non-vote occurs when a nominee holding shares for a beneficial owner does not vote on a particular proposal because the nominee does not have discretionary voting power with respect to that proposal and has not received instructions with respect to that proposal from the beneficial owner. Abstentions will be counted towards the vote total for each proposal, and will have the same effect as Against votes. Because directors are elected by a plurality vote, abstentions in the election of directors have no impact once a quorum exists. Broker non-votes have no effect and will not be counted towards the vote total for any proposal, but will be counted for purposes of determining the presence or absence of a quorum for the transaction of business.

If you hold shares in your name, and you sign and return a proxy card without giving specific voting instructions, your shares will be voted as recommended by our Board on all matters and as the proxy holders may determine in their discretion with respect to any other matters that properly come before the meeting.

Deadline for Receipt of Stockholder Proposals

Proposals of stockholders that are intended to be presented by such stockholders at the 2006 Annual Meeting must be received by us no later than the close of business on the 60th day nor earlier than the close of business on the 90th day prior to the 2006 Annual Meeting and must otherwise be in compliance with applicable laws and regulations in order to be considered for inclusion in the proxy statement and form of proxy relating to that meeting.

The attached proxy card grants to the proxy holders discretionary authority to vote on any matter raised at the Annual Meeting of Stockholders. Any stockholder may present a matter from the floor for consideration at a meeting so long as certain procedures are followed. Under the federal securities laws, for such a matter to be deemed properly presented by a stockholder at our 2006 Annual Meeting, timely notice must be delivered to us at our principal executive offices to the attention of Scott H. Miller, our Senior Vice President and General Counsel, not later than November 7, 2005. Any notice of such a stockholder proposal delivered to us after such date will be deemed untimely.

Delivery of Voting Materials to Stockholders Sharing an Address

To reduce the expense of delivering duplicate voting materials to our stockholders who may have more than one Coherent stock account, we are delivering only one set of the proxy solicitation materials to certain stockholders who share an address, unless otherwise requested. A separate proxy card is included in the voting materials for each of these stockholders. We will promptly deliver, upon written or oral request, a separate copy of the annual report or this proxy statement to a stockholder at a shared address to which a single copy of the documents was delivered. To obtain an additional copy, you may write us at 5100 Patrick Henry Drive, Santa Clara, California 95054, Attn: Investor Relations.

Further Information

We will provide without charge to each stockholder solicited by these proxy solicitation materials a copy of Coherent's Annual Report on Form 10-K for the fiscal year ended October 2, 2004 without exhibits and all amendments thereto on Form 10-K/A upon request of the stockholder made in writing to Coherent, Inc., 5100 Patrick Henry Drive, Santa Clara, California 95054, Attn: Investor Relations. We will also furnish any exhibit to the Annual Report on Form 10-K if specifically requested. You can also access our Securities and Exchange Commission (SEC) filings, including our Annual Report on Form 10-K and all amendments thereto filed on Form 10-K/A, on the SEC website at www.sec.gov.

PROPOSAL ONE ELECTION OF DIRECTORS

Nominees

Nine (9) members of our Board of Directors are to be elected at the Annual Meeting of Stockholders. Unless otherwise instructed, the proxy holders will vote the proxies received by them for the nominees named below. Each nominee has consented to be named a nominee in the proxy statement and to continue to serve as a director if elected. If any nominee becomes unable or declines to serve as a director, if additional persons are nominated at the meeting or if stockholders are entitled to cumulate votes, the proxy holders intend to vote all proxies received by them in such a manner (in accordance with cumulative voting) as will ensure the election of as many of the nominees listed below as possible, and the specific nominees to be voted for will be determined by the proxy holders.

We are not aware of any reason that any nominee will be unable or will decline to serve as a director. The term of office of each person elected as a director will continue until the next Annual Meeting of Stockholders or until a successor has been elected and qualified or until his earlier resignation or removal. There are no arrangements or understandings between any director or executive officer and any other person pursuant to which he or she is or was to be selected as a director or officer.

The names of the nominees, all of whom are currently directors, and certain information about them as of the Record Date, are set forth below. All of the nominees have been recommended for nomination by a majority of the independent directors of the Board of Directors acting on the recommendation of the Governance and Nominating Committee of the Board of Directors. There are no family relationships among directors or executive officers of Coherent, Inc. In 2004, the Governance and Nominating Committee of the Board of Directors engaged and paid fees to Korn-Ferry International in connection with seeking and evaluating candidates for nomination to the Board of Directors. Korn-Ferry International identified Garry W. Rogerson and Sandeep Vij as candidates for nomination to the Board of Directors.

Name	Age	Director Since	Principal Occupation
Bernard J. Couillaud, PhD	60	1996	Chairman of the Board of Directors, Retired President and Chief Executive Officer
Henry E. Gauthier (2)(3)	64	1983	Vice Chairman of the Board of Directors, President of Reliant Technologies, Inc.
John R. Ambroseo, PhD	43	2002	President and Chief Executive Officer
Charles W. Cantoni (2)(3)	69	1983	Retired President and Chief Executive Officer of Alara, Inc.
John H. Hart (1)(3)	59	2000	Retired Sr. Vice President and Chief Technical Officer, 3Com Corporation
Lawrence Tomlinson (1)(2)	64	2003	Retired Senior Vice President and Treasurer of Hewlett-Packard
Robert J. Quillinan	57	2001	Retired Executive Vice President and Chief Financial Officer
Garry W. Rogerson, PhD (1)	52	2004	President and Chief Executive Officer of Varian, Inc.
Sandeep Vij	39	2004	Vice President of Worldwide Marketing for Xilinx, Inc.

(1) Member of the Compensation Committee.

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- (2) Member of the Audit Committee.
- (3) Member of the Governance and Nominating Committee.

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Except as set forth below, each of the nominees has been engaged in his principal occupation set forth above during the past five years. There is no family relationship between any of our directors or executive officers.

Dr. Couillaud has served as Chairman of the Board of Directors since October 2002 and as a member of the Board of Directors since July 1996. He served as Coherent's President and Chief Executive Officer from July 1996 through September 2002. He served as Vice President and General Manager of Coherent Laser Group from March 1992 to July 1996. From July 1990 to March 1992, he served as Manager of the Advanced Systems Business Unit, and from September 1987 to 1990, he served as Director of Research and Development for the Coherent Laser Group. From November 1983, when he joined Coherent, to September 1987, Dr. Couillaud held various managerial positions. Dr. Couillaud received his PhD in Physics from Bordeaux University, Bordeaux, France.

Mr. Gauthier has served as President of Reliant Technologies, Inc., a manufacturer of medical laser systems, since February 1, 2005. He has served as Vice Chairman of the Board of Directors since October 2002. He served as Chairman of the Board of Directors from February 1997 to October 2002. Mr. Gauthier retired as President of the Company on July 1, 1996. Since July 1996 Mr. Gauthier has served as a principal at Gauthier Consulting.

Dr. Ambroseo has served as our President and Chief Executive Officer as well as a member of the Board of Directors since October 2002. Dr. Ambroseo served as our Chief Operating Officer from June 2001 through September 2002. Dr. Ambroseo served as our Executive Vice President and as President and General Manager of the Coherent Photonics Group from September 2000 to June 2001. From September 1997 to September 2000, Dr. Ambroseo served as our Executive Vice President and as President and General Manager of the Coherent Laser Group. From March 1997 to September 1997, Dr. Ambroseo served as our Scientific Business Unit Manager. From August 1988, when Dr. Ambroseo joined us, until March 1997, he served as a Sales Engineer, Product Marketing Manager, National Sales Manager and Director of European Operations. Dr. Ambroseo received his PhD in Chemistry from the University of Pennsylvania.

Mr. Cantoni was President and Chief Executive Officer of Alara, Inc., a privately held company manufacturing products for the medical imaging market, from August 2003 until December 2004. From June 1998 until July 2003 he was the owner of Cantoni Consulting, a company providing management and medical marketing consulting services. Prior to founding Cantoni Consulting, Mr. Cantoni was Vice President, Quinton Instruments, Inc., a manufacturer of medical instrumentation products, a position he held from October 1994 until June 1998.

Mr. Hart retired from 3Com Corporation in September 2000. From September 2000 until September 2001 he was a Fellow at 3Com. In September of 2000, he retired as Senior Vice President and Chief Technical Officer of 3Com Corporation, a position he had held since August 1996. From the time Mr. Hart joined 3Com in September 1990 until July 1996, he was Vice President and Chief Technical Officer. Prior to joining 3Com, Mr. Hart worked for Vitalink Communications Corporation for seven years, where his most recent position was Vice President of Network Products. Mr. Hart serves on the board of directors of PLX Technologies, Inc. and ClearSpeed Technology, PLC.

Mr. Tomlinson retired from the Hewlett-Packard Company, an information technology company, in June 2003. Mr. Tomlinson held various management and executive positions at Hewlett-Packard from 1965 to 2003. From 1993 to June 2003, Mr. Tomlinson served as Hewlett-Packard's Treasurer, from 1996 to 2002 he served as a Vice President of Hewlett-Packard and from 2002 to June 2003 served as a Senior Vice President of Hewlett-Packard. Mr. Tomlinson is a member of the board of directors of Salesforce.com, Inc. and Therma-Wave, Inc.

Mr. Quillinan retired in May 2003. He served as our Executive Vice President, Mergers and Acquisitions from April 2002 through April 2003 and as a member of our Board of Directors since June 2001. Mr. Quillinan served as our Executive Vice President and Chief Financial Officer from July 1984 through March 2002. Mr. Quillinan served as Vice President and Treasurer from March 1982 to July 1984 and as Corporate Controller from May 1980 to March 1982.

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Dr. Rogerson has been President and Chief Executive Officer of Varian, Inc., a major supplier of scientific instruments and consumable laboratory supplies, vacuum products and services and contract electronic manufacturing services, since 2002 and 2004, respectively. Dr. Rogerson served as the Varian's Chief Operating Officer from 2002 to 2004, as Senior Vice President, Scientific Instruments from 2001 to 2002, and as Vice President, Analytical Instruments from 1999 to 2001. Dr. Rogerson also serves on the board of directors of Varian, Inc.

Mr. Vij has held the position of Vice President of Worldwide Marketing for Xilinx Inc., a programmable logic device company, where he is responsible for worldwide marketing activities across all divisions, products, end markets, partners, channels and geographies since 2001. From 1997 to 2001, he served as Vice President and General Manager of the General Products Division at Xilinx where he held profit and loss responsibility for the Spartan Series FPGA's (Field Programmable Gate Arrays). Mr. Vij joined Xilinx in 1996 as Director of FPGA marketing.

Independence of the Board of Directors

The Board of Directors has determined that all directors other than Dr. Couillaud, Dr. Ambroseo and Mr. Quillinan are independent directors as defined in the listing standards of the NASDAQ Stock Market.

Board Meetings and Committees

The Board of Directors held a total of five (5) meetings during the fiscal year ended October 2, 2004. No director serving during such fiscal year attended fewer than 75% of the aggregate of all meetings of the Board of Directors and the committees of the Board upon which such director served. The Board of Directors has three standing committees: the Audit Committee, the Compensation Committee and the Governance and Nominating Committee. All directors are also encouraged, but not required to attend our Annual Meeting of Stockholders. All of the then current members of the Board of Directors attended last year's Annual Meeting of Stockholders.

The Audit Committee of the Board of Directors consists of directors Cantoni, Tomlinson and Gauthier. The Audit Committee held eight (8) meetings during the last fiscal year. Among other things, the Audit Committee has the sole authority for appointing and supervising our independent registered public accounting firm and is primarily responsible for approving the services performed by our independent registered public accounting firm and for reviewing and evaluating our accounting principles and our system of internal accounting controls. All of the members of the Audit Committee are independent as defined under rules promulgated by the SEC and qualify as independent directors under the marketplace rules of the Nasdaq Stock Market for Audit Committee members. The Board has determined that directors Cantoni, Tomlinson and Gauthier are audit committee financial experts as that term is defined in Item 401(h) of Regulation S-K of the Securities Act of 1933, as amended. A copy of the Audit Committee's charter was included as an appendix to our proxy statement for the year ended September 28, 2002. A copy of the Audit Committee charter, including any updates thereto, is available on our website at www.coherent.com.

The Compensation Committee of the Board of Directors consists of directors Hart, Rogerson and Tomlinson and held two (2) meetings during the last fiscal year. The Compensation Committee reviews and approves our executive compensation policy and grants stock options to our employees, including officers, pursuant to our stock option plans. All of the members of the Compensation Committee are independent as defined under the marketplace rules of the Nasdaq Stock Market.

The Governance and Nominating Committee consists of directors Cantoni, Hart and Gauthier. The Governance and Nominating Committee held two (2) meetings during the last fiscal year. The Governance and Nominating Committee reviews and approves nominees for positions as directors. All of the members of the Governance and Nominating Committee are independent as defined under the marketplace rules of the Nasdaq Stock Market. The Governance and Nominating Committee charter is available on our website at www.coherent.com.

The Governance and Nominating Committee will consider nominees recommended by stockholders. A stockholder that desires to recommend a candidate for election to the Board of Directors shall direct the recommendation in writing to us at our principal offices (Attention: Scott H. Miller, Senior Vice President and General Counsel), and must include the candidate's name, home and business contact information, detailed biographical data and qualifications, information regarding any relationships between the candidate and us within the last three years, evidence of the nominating person's ownership of our Common Stock, a written indication by the candidate of her or his willingness to serve if elected, and a written statement in support of the candidate including comments as to the candidate's character, judgment, age, business experience and other commitments. For a stockholder recommendation to be considered by the Governance and Nominating Committee as a potential candidate at an annual meeting, nominations must be received on or before the deadline for receipt of stockholder proposals. In the event a stockholder

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decides to nominate a candidate for director and solicits proxies for such candidate, the stockholder will need to follow the rules set forth by the SEC. See Information Concerning Solicitation and Voting Deadline for Receipt of Stockholder Proposals.

The Governance and Nominating Committee's criteria and process for evaluating and identifying the candidates that it approves as director nominees, are as follows:

the Governance and Nominating Committee regularly reviews the current composition and size of the Board of Directors;

the Governance and Nominating Committee reviews the qualifications of any candidates who have been properly recommended by a stockholder, as well as those candidates who have been identified by management, individual members of the Board of Directors or, if the Governance and Nominating Committee determines, a search firm. Such review may, in the Governance and Nominating Committee's discretion, include a review solely of information provided to the Governance and Nominating Committee or may also include discussions with persons familiar with the candidate, an interview with the candidate or other actions that the Governance and Nominating Committee deems proper;

the Governance and Nominating Committee shall evaluate the performance of the Board as a whole and evaluate the performance and qualifications of individual members of the Board of Directors eligible for re-election at the annual meeting of stockholders;

the Governance and Nominating Committee considers the suitability of each candidate, including the current members of the Board of Directors, in light of the current size and composition of the Board of Directors. Except as may be required by rules promulgated by Nasdaq or the SEC, it is the current belief of the Governance and Nominating Committee that there are no specific, minimum qualifications that must be met by any candidate for the Board of Directors, nor are there specific qualities or skills that are necessary for one or more of the members of the Board of Directors to possess. In evaluating the qualifications of the candidates, the Committee considers many factors, including, issues of character, judgment, independence, age, expertise, diversity of experience, length of service, other commitments and the like. The Governance and Nominating Committee evaluates such factors, among others, and does not assign any particular weighting or priority to any of these factors. The Governance and Nominating Committee considers each individual candidate in the context of the current perceived needs of the Board of Directors as a whole. While the Governance and Nominating Committee has not established specific minimum qualifications for director candidates, the Governance and Nominating Committee believes that candidates and nominees must reflect a Board of Directors that is comprised of directors who (i) are predominantly independent, (ii) are of high integrity, (iii) have qualifications that will increase the overall effectiveness of the Board of Directors, and (iv) meet other requirements as may be required by applicable rules, such as financial literacy or financial expertise with respect to audit committee members;

in evaluating and identifying candidates, the Governance and Nominating Committee has the authority to retain and terminate any third party search firm that is used to identify director candidates, and has the authority to approve the fees and retention terms of any search firm; and

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after such review and consideration, the Governance and Nominating Committee recommends the slate of director nominees, and the independent directors of the Board of Directors approve the final slate.

The Governance and Nominating Committee will endeavor to notify, or cause to be notified, all director candidates, including those recommended by a stockholder, of its decision as to whether to nominate such individual for election to the Board of Directors.

Stockholder Communication with the Board of Directors

We believe that management speaks for Coherent. Any stockholder may contact any of our directors by writing to them by mail c/o Scott H. Miller, Senior Vice President and General Counsel at our principal executive offices, the address of which appears on the cover of this proxy statement.

Any stockholder may report to us any complaints regarding accounting, internal accounting controls, or auditing matters. Any stockholder who wishes to so contact us should send such complaints to the Audit Committee c/o Scott H. Miller, Senior Vice President and General Counsel at our principal executive offices, the address of which appears on the cover of this proxy statement.

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Any stockholder communications that the Board of Directors is to receive will first go to our Senior Vice President and General Counsel, who will log the date of receipt of the communication as well as the identity and contact information of the correspondent in our stockholder communications log.

Our Senior Vice President and General Counsel will review, summarize and, if appropriate, investigate the complaint under the direction of the appropriate committee of the Board of Directors in a timely manner. A member of the Audit Committee, or the Audit Committee as a whole, will then review the summary of the communication, the results of the investigation, if any, and, if appropriate, the draft response. The summary and response will be in the form of a memo, which will become part of the stockholder communications log that the General Counsel maintains with respect to all stockholder communications.

Director Compensation

In fiscal year 2004, members of the Board of Directors who were not employees of the Company received \$20,000 plus \$2,000 per board meeting attended plus \$1,000 per committee meeting attended. The Chairman of the Audit Committee received \$3,000 per Audit Committee meeting attended. All members of the Board of Directors who were not employees of the Company were reimbursed for their expenses incurred in attending such meetings.

The Company's 1990 Directors' Stock Option Plan (the Directors' Option Plan) was adopted by the Board of Directors on December 8, 1989 and was approved by the stockholders on March 29, 1990. The Directors' Option Plan terminated on December 8, 1999 and no further options will be granted under this plan.

Two non-employee directors each have been granted options to purchase 65,000 shares of the Company's common stock under the Directors' Option Plan at a weighted average exercise price of \$11.62 per share. One non-employee director has been granted options to purchase 30,000 shares of the Company's common stock under such plan at a weighted average exercise price of \$21.33 per share. As of the fiscal year ended October 2, 2004, options have been granted to purchase 295,000 shares under the Directors' Option Plan.

The Company's 1998 Directors' Stock Option Plan (the 1998 Directors' Plan) was adopted by the Board of Directors on November 24, 1998 and was approved by the stockholders on March 17, 1999. The 1998 Directors' Plan was amended by the stockholders on March 23, 2003. As of February 7, 2005, 90,000 shares were reserved for issuance thereunder. Under the terms of the 1998 Directors' Plan, the number of shares reserved for issuance thereunder is increased each year by the number of shares necessary to restore the total number of shares reserved to 150,000 shares. The 1998 Directors' Plan replaced the Directors' Option Plan which expired on December 8, 1999. The 1998 Directors' Plan provides for the automatic and non-discretionary grant of a non-statutory stock option to purchase 30,000 shares of the Company's common stock to each non-employee director on the date on which such

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person becomes a director. Thereafter, each non-employee director will be automatically granted a non-statutory stock option to purchase 12,000 shares of common stock on the date of and immediately following each Annual Meeting of Stockholders at which such non-employee director is reelected to serve on the Board of Directors, if, on such date, he or she has served on the Board for at least three months. Such plan provides that the exercise price shall be equal to the fair market value of the common stock on the date of grant of the options.

Three non-employee directors have each been granted options to purchase 48,000 shares of the Company's common stock under such plan at a weighted average exercise price of \$30.32 per share. One non-employee director has been granted options to purchase 63,000 shares of the Company's common stock under such plan at a weighted average exercise price of \$34.63 per share. One non-employee director has been granted options to purchase 30,000 shares of the Company's common stock under such plan at a weighted average exercise price of \$26.70 per share. Three non-employee directors have been granted options to purchase 42,000 shares of the Company's common stock under such plan at a weighted average exercise price of \$24.74 per share. As of the fiscal year ended October 2, 2004, options have been granted to purchase an aggregate of 404,000 shares under the 1998 Directors' Plan.

The following table shows options granted to each director of the Company during the last fiscal year. All options were granted under the 1998 Directors' Plan:

Option Grants to Directors During Last Fiscal Year

<u>Name</u>	<u>Number of Options</u>
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Name	Number of Options
Bernard J. Couillaud, PhD	42,000
Henry E. Gauthier	12,000
Charles W. Cantoni	12,000
Frank P. Carrubba, PhD (1)	12,000
John H. Hart	12,000
Robert J. Quillinan	12,000
Garry W. Rogerson, PhD	30,000
Lawrence Tomlinson	12,000

(1) Dr. Carrubba resigned from the Company's Board of Directors on November 17, 2004.

As of February 7, 2005, 49,500 shares had been issued on exercise of such options by non-employee directors. 25,000 shares issued on exercise were under the 1990 Directors' Plan and 24,500 shares issued on exercise were under the 1998 Directors' Plan.

The following table shows, as to each non-employee director, information concerning options exercised under the Directors' Option Plan during the last fiscal year:

Option Exercises in Last Fiscal Year by Directors

Name	Shares Acquired on Exercise	Value Realized (1)
Bernard J. Couillaud, PhD		
Henry E. Gauthier	5,000	\$ 13,138
Charles W. Cantoni	5,000	21,656
Frank P. Carrubba, PhD	5,000	15,888
John H. Hart	4,500	29,385
Robert J. Quillinan		
Jerry E. Robertson, PhD		
Lawrence Tomlinson		

(1) The value realized is calculated based on closing price of the Company's Common stock as reported by the Nasdaq National Market on the date of exercise minus the exercise price and does not necessarily indicate that the optionee sold such stock.

Compensation Committee Interlocks and Insider Participation

Directors Hart, Rogerson, Tomlinson and Gauthier served on our Compensation Committee during our last fiscal year. Mr. Gauthier is no longer a member of the Compensation Committee. None of the members of the Compensation Committee has been or is an officer or employee of Coherent. None of our executive officers serves on the board of directors or compensation committee of a company that has an executive officer

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that serves on our Board of Directors or Compensation Committee. No member of our Board of Directors is an executive officer of a company in which one of our executive officers serves as a member of the board of directors or compensation committee of that company.

Vote Required

Every stockholder voting for the election of directors may cumulate such stockholder's votes and give one candidate a number of votes equal to the number of directors to be elected multiplied by the number of votes to which the stockholder's shares are entitled. Alternatively, a stockholder may distribute his or her votes on the same principle among as many candidates as the stockholder thinks fit, provided that votes cannot be cast for more than nine candidates. However, no stockholder shall be entitled to cumulate votes for a candidate unless (i) such candidate's name has been properly placed in nomination for election at the Annual Meeting prior to the voting and (ii) the stockholder, or any other stockholder, has given notice at the meeting prior to the voting of the intention to cumulate the stockholder's votes. If cumulative voting occurs at the meeting and you do not specify how to distribute your votes, your proxy holders (the individuals named on your proxy card) will cumulate votes using their judgment.

If a quorum is present, the nine nominees receiving the highest number of votes will be elected to the Board of Directors. See Information Concerning Solicitation and Voting Quorum; Abstentions; Broker Non-Votes.

THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS THAT STOCKHOLDERS VOTE FOR THE NINE NOMINEES HEREIN

PROPOSAL TWO RATIFICATION OF APPOINTMENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Audit Committee of the Board of Directors has selected Deloitte & Touche LLP, an independent registered public accounting firm, to audit our financial statements for the fiscal year ending October 1, 2005, and recommends that stockholders vote for ratification of such appointment. Deloitte & Touche LLP has audited our financial statements since the fiscal year ended September 25, 1976. Representatives of Deloitte & Touche LLP are expected to be present at the meeting and will be afforded the opportunity to make a statement if they desire to do so. The representatives of Deloitte & Touche LLP are also expected to be available to respond to appropriate questions.

Audit and Non-Audit Fees

The following table sets forth fees for services Deloitte & Touche LLP, the member firms of Deloitte Touche Tohmatsu, and their respective affiliates (collectively, Deloitte) provided during fiscal years 2004 and 2003:

	2004	2003
Audit fees (1)	\$ 1,409,000	\$ 1,012,000
Audit-related fees (2)	\$ 179,000	\$ 152,000
Tax fees (3)	\$ 255,000	\$ 479,000
All other fees (4)	\$ 232,000	\$ 67,000
Total	\$ 2,075,000	\$ 1,710,000

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- (1) Represents fees for professional services provided in connection with the audit of our annual financial statements and review of our quarterly financial statements, advice on accounting matters that arose during the audit and audit services provided in connection with other statutory or regulatory filings.
 - (2) Represents fees for assurance services related to the audit of our financial statements and for services in connection with audits of our benefit plans.
 - (3) Represents fees for services provided in connection with domestic and international tax planning, tax due diligence associated with our acquisition activities and international tax compliance.

- (4) Represents fees for services provided to us not otherwise included in the categories above, including services provided in connection with our expatriate relocation programs, and other miscellaneous items.

The Audit Committee has determined that the provision of non-audit services by Deloitte is compatible with maintaining Deloitte's independence. In accordance with its charter, the Audit Committee approves in advance all audit and non-audit services to be provided by Deloitte. In other cases, the Chairman of the Audit Committee has the delegated authority from the Committee to pre-approve certain additional services, and such pre-approvals are communicated to the full Committee at its next meeting. During fiscal year 2004, 100% of the services were pre-approved by the Audit Committee in accordance with this policy.

Stockholder ratification of the selection of Deloitte as our independent registered public accounting firm is not required by our Bylaws or other applicable legal requirement. However, the Audit Committee is submitting the selection of Deloitte to the stockholders for ratification as a matter of good corporate practice. If the stockholders fail to ratify the selection, the Audit Committee may reconsider whether or not to retain that firm. Even if the selection is ratified, the Audit Committee at its discretion may direct the appointment of a different independent accounting firm at any time during the year if it determines that such a change would be in our best interests and the best interests of our stockholders.

Vote Required

The affirmative vote of a majority of the Votes Cast will be required to ratify the selection of Deloitte & Touche LLP as our independent registered public accounting firm for the fiscal year ending October 1, 2005.

**THE AUDIT COMMITTEE UNANIMOUSLY RECOMMENDS THAT STOCKHOLDERS
VOTE FOR THE RATIFICATION OF THE APPOINTMENT OF
DELOITTE & TOUCHE LLP AS OUR INDEPENDENT AUDITORS
FOR THE FISCAL YEAR ENDING OCTOBER 1, 2005.**

Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

The following table sets forth as of February 7, 2005 certain information with respect to the beneficial ownership of the Company's Common Stock by (i) any person (including any group as that term is used in Section 13(d)(3) of the Exchange Act known by the Company to be the beneficial owner of more than 5% of the Company's voting securities, (ii) each director and each nominee for director of the Company, (iii) each of the executive officers named in the Summary Compensation Table appearing herein, and (iv) all executive officers and directors of the Company as a group. The Company does not know of any arrangements, including any pledge by any person of securities of the Company, the operation of which may at a subsequent date result in a change of control of the Company. Unless otherwise indicated, the address of each stockholder in the table below is c/o Coherent, Inc., 5100 Patrick Henry Drive, Santa Clara, California 95054.

Name and Address	Number of Shares (1)	Percent of Total
Franklin Resources, Inc. (2) One Franklin Pkwy. San Mateo, CA 94403	2,871,626	9.4%
PRIMECAP Management Company (2) 225 S. Lake Ave, Suite 400 Pasadena, CA 91101	2,428,950	7.9%
Dimension Fund Advisors (2) 1299 Ocean Ave., 11 th Floor Santa Monica, CA 90401	1,991,267	6.5%
Barclays Global Investors, N.A. (2) 45 Fremont St. San Francisco, CA 94105	1,568,273	5.1%

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<u>Name and Address</u>	<u>Number of Shares (1)</u>	<u>Percent of Total</u>
John Ambroseo, PhD (3)	357,127	1.2%
Helene Simonet (4)	122,532	*
Vittorio Fossati-Bellani (5)	119,005	*
Ronald A. Victor (6)	39,341	*