

FARO TECHNOLOGIES INC  
Form DEF 14A  
April 15, 2009

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

**SCHEDULE 14A**

**(Rule 14a-101)**

**INFORMATION REQUIRED IN PROXY STATEMENT**

**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 Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material Pursuant to §240.14a-12

**FARO Technologies, Inc.**

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(Name of Registrant as Specified in Its Charter)

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(3) Filing Party:

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(4) Date Filed:

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**FARO TECHNOLOGIES, INC.**

**250 Technology Park**

**Lake Mary, Florida 32746**

**NOTICE OF 2009 ANNUAL MEETING OF SHAREHOLDERS**

**TO BE HELD ON MAY 14, 2009**

To our shareholders:

You are cordially invited to attend the 2009 Annual Meeting of Shareholders of FARO Technologies, Inc. on May 14, 2009 at 10:00 a.m., Eastern time, at our principal executive offices, located at 250 Technology Park, Lake Mary, Florida, 32746. At the meeting, the shareholders will vote on the following matters:

1. The election of two directors, Simon Raab and Andre Julien, to the Board of Directors to serve for a three-year term expiring at the Annual Meeting of Shareholders in 2012;
2. The approval and adoption of the 2009 Equity Incentive Plan;
3. The ratification of Grant Thornton LLP as our independent registered public accounting firm for 2009; and

4. Any other business that may properly come before the meeting or any postponements or adjournments of the Annual Meeting. Holders of record of FARO common stock at the close of business on April 13, 2009 are entitled to vote at the meeting.

**Your vote is important and it is important that your shares be represented at the Annual Meeting, no matter how many shares you own. We urge you to submit your proxy as soon as possible.** Even if you plan to attend the Annual Meeting, please complete, date and sign the proxy card and mail it as soon as possible in the envelope provided. Even if you return a proxy card, if you attend the Annual Meeting, you may revoke your proxy and vote your shares in person if you would like to do so.

Thank you for your continued support.

By Order of the Board of Directors

April 13, 2009

JAY W. FREELAND  
*President and Chief Executive Officer*

**FARO TECHNOLOGIES, INC.**

**250 Technology Park**

**Lake Mary, Florida 32746**

**PROXY STATEMENT FOR  
2009 ANNUAL MEETING OF SHAREHOLDERS**

This Proxy Statement is furnished in connection with the solicitation of proxies on behalf of the Board of Directors of FARO Technologies, Inc. (the Company) for use at the 2009 Annual Meeting of Shareholders (the Annual Meeting), to be held on May 14, 2009 at 10:00 a.m., Eastern time, at the Company's principal executive offices, located at 250 Technology Park, Lake Mary, Florida, 32746, and at any adjournment or postponement of the Annual Meeting. The Company's telephone number at its principal executive offices is (407) 333-9911.

This Proxy Statement and the accompanying proxy, together with the Company's Annual Report to Shareholders, is first being mailed on or about April 17, 2009 to shareholders entitled to vote at the Annual Meeting. A list of shareholders entitled to vote at the Annual Meeting will be available for inspection by any shareholder at our principal executive offices for a period of ten days prior to the Annual Meeting and at the Annual Meeting itself.

**Important Notice Regarding the Availability of Proxy Materials for  
the Annual Meeting of Shareholders to be held on May 14, 2009.**

**This proxy statement, along with the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2008 and our 2008 Annual Report, are available at: [www.faro.com/proxyvote](http://www.faro.com/proxyvote).**

**ABOUT THE MEETING**

**What is the purpose of the Annual Meeting?**

At the Annual Meeting, shareholders will vote on the following matters:

1. The election of two directors, Simon Raab and Andre Julien, to the Board of Directors to serve for a three-year term expiring at the Annual Meeting of Shareholders in 2012;
2. The approval and adoption of the 2009 Equity Incentive Plan; and
3. The ratification of Grant Thornton LLP as our independent registered public accounting firm for 2009.

Shareholders will also transact any other business that may properly come before the Annual Meeting. Once the business of the Annual Meeting is concluded, shareholders will have an opportunity to ask questions as time permits. Members of our management and representatives of Grant

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Thornton LLP, our independent registered public accounting firm, will be present to respond to appropriate questions from shareholders. A brief report by members of management on the Company's 2008 performance will follow the Annual Meeting.

**Why am I receiving this Proxy Statement and proxy card?**

You are receiving this Proxy Statement and proxy card because you own shares of FARO Technologies, Inc. common stock. This Proxy Statement describes matters we would like you to vote on at the Annual Meeting. It also provides you with information about these matters so that you can make an informed decision.

**What is a proxy?**

A proxy is your legal designation of another person, also referred to as a proxy, to vote your shares of stock. The written document providing notice of the Annual Meeting and describing the matters to be considered and voted on is called a proxy statement. The document used to designate a proxy to vote your shares of stock is called a proxy card. Our board of directors has designated two of our officers, Jay Freeland, our President and Chief Executive Officer, and Keith Bair, our Senior Vice President and Chief Financial Officer, as proxies for the Annual Meeting.

**Who is entitled to vote?**

Holders of our common stock outstanding as of the close of business on April 13, 2009 (the Record Date) are entitled to vote at the Annual Meeting. Each shareholder is entitled to one vote for each share of common stock he or she held on the Record Date.

If your shares are held by a bank or brokerage firm, you are considered the beneficial owner of shares held in street name. If your shares are held in street name, your bank or brokerage firm (the record holder of your shares) forwarded these proxy materials, along with a voting instruction card, to you. As the beneficial owner, you have the right to direct your record holder how to vote your shares, and the record holder is required to vote your shares in accordance with your instructions. If you do not give instructions to your bank or brokerage firm, it will nevertheless be entitled to vote your shares with respect to routine items, but it will not be permitted to vote your shares with respect to non-routine items. In the case of a non-routine item, your shares will be considered broker non-votes on that proposal.

**Who can attend the Annual Meeting?**

All holders of shares of stock of FARO Technologies, Inc., or individuals holding their duly appointed proxies, may attend the Annual Meeting. Appointing a proxy in response to this solicitation will not affect a shareholder's right to attend the Annual Meeting and to vote in person. Please note that if you hold your shares in street name, you will need to bring a copy of your bank or brokerage statement reflecting your stock ownership as of the Record Date to gain admittance to the Annual Meeting. Shareholders also must present a form of personal photo identification to be admitted to the Annual Meeting.

**How many shares must be present to hold the meeting?**

A quorum of shareholders is necessary to hold a valid shareholders meeting. A majority of the 16,750,213 shares of common stock outstanding on the Record Date entitled to be cast must be represented, in person or by proxy, to constitute a quorum at the Annual Meeting. If you vote, your shares will be included in the number of shares to establish the quorum. Shares represented by proxy cards either marked ABSTAIN, returned without voting instructions or treated as broker non-votes will be counted as present for the purpose of determining whether the quorum requirement is satisfied.

Once a share is represented at the Annual Meeting, it will be deemed present for quorum purposes throughout the Annual Meeting (including any adjournment or postponement of that meeting unless a new record date is or must be set for such adjournment or postponement).

If a quorum is not present at the scheduled time of the Annual Meeting, a majority of the shareholders who are represented, in person or by proxy, may adjourn the Annual Meeting until a quorum is present. The time and place of the adjourned meeting will be announced at the time the adjournment is taken, and no other notice will be given.

**What is the effect of not voting?**

If you are a registered shareholder and you submit a proxy but do not provide any voting instructions, your shares will be voted:

FOR the election of Simon Raab and Andre Julien to the Board of Directors;

FOR the approval and adoption of the 2009 Equity Incentive Plan; and

FOR the ratification of Grant Thornton LLP as our independent registered public accounting firm.

If you are a registered shareholder and you do not return your proxy card or vote at the Annual Meeting, your un-voted shares will not count toward the quorum requirement. If a quorum is obtained, your un-voted shares will not affect the outcome of either proposal.

If you own shares in street name and do not instruct your bank or brokerage firm how to vote your shares, your bank, broker, or other holder of record may vote your shares in its discretion on routine matters such as Proposal 1 Election of Directors and Proposal 3 Ratification of Independent Registered Public Accounting Firm. It may not vote on any non-routine proposals, including Proposal 2 Approval and Adoption of the 2009 Equity Incentive Plan, absent voting instructions from you and your shares will be considered broker non-votes on those proposals.

Abstentions and broker non-votes will not affect the outcome of any proposals considered at the Annual Meeting.

**How do I vote?**

If you own shares registered directly with the Company's transfer agent on the close of business on the Record Date, you may vote by mailing your signed proxy card in the enclosed envelope.

If your shares are held in street name, your bank or brokerage firm forwarded these proxy materials, as well as a voting instruction card, to you. Please follow the instructions on the voting instruction card to vote your shares. Your bank or brokerage firm may allow you to vote by telephone or the Internet.

If you are a registered shareholder and you attend the Annual Meeting, you may deliver your completed proxy card in person. Additionally, we will pass out written ballots to registered shareholders who wish to vote in person at the meeting. Beneficial owners of shares held in street name who wish to vote at the Annual Meeting will need to obtain a power of attorney or proxy form from their record holder to do so.

**Can I change my vote after I return my proxy card?**

Yes. Even after you have submitted your proxy, you can change your vote:

by properly completing and signing another proxy card with a later date and returning the proxy card prior to the Annual Meeting;

if you are a registered shareholder, by giving written notice of your revocation to FARO Technologies, Inc., Attention: Secretary, 250 Technology Park, Lake Mary, Florida 32746, prior to or at the Annual Meeting; or

by voting in person at the Annual Meeting.





Your presence at the Annual Meeting will not in itself revoke your proxy; you must obtain a ballot and vote at the Annual Meeting to revoke your proxy. Unless properly revoked, the shares represented by proxies received by the Board will be voted at the Annual Meeting.

**What are the Board's recommendations on the proposals?**

The Board recommends that you vote your shares as follows:

*Proposal 1* FOR the election of the two nominees for director, Simon Raab and Andre Julien, each with a three-year term expiring at the Annual Meeting of Shareholders in 2012; and

*Proposal 2* FOR approval and adoption of the 2009 Equity Incentive Plan; and

*Proposal 3* FOR ratification of Grant Thornton LLP as our independent registered public accounting firm.

**What vote is required to elect the director nominees?**

The affirmative vote of a plurality of the votes cast is required for the election of directors. That means that the two nominees for director receiving the greatest number of votes will be elected. If you vote *Withheld* with respect to one or more nominees, your shares will not be voted with respect to the person or persons indicated, although they will be counted for purposes of determining whether there is a quorum.

**What happens if a nominee is unable to stand for election?**

If a nominee is unable to stand for election, the Board of Directors may either reduce the number of directors to be elected or select a substitute nominee. If a substitute nominee is selected, the proxy holders will vote your shares for the substitute nominee, unless you have voted *Withheld* with respect to the original nominee.

**What vote is required to approve and adopt the 2009 Equity Incentive Plan?**

The approval and adoption of the 2009 Equity Incentive Plan requires the affirmative vote of a majority of the votes cast by the shareholders.

**Why are we voting on a new benefit plan?**

The current 2004 Equity Incentive Plan (the *2004 Plan*) has been used conservatively by the Company to provide equity incentive awards to employees and directors since its approval by shareholders in 2004. However, as of the date of this Proxy Statement, only 92,596 shares are available for awards under the 2004 Plan. To provide competitive incentive awards to employees and directors going forward, a new stock-based incentive plan is necessary.

**How many votes are required to ratify the appointment of the Company's independent registered public accounting firm?**

The ratification of the appointment of Grant Thornton LLP as our independent registered public accounting firm requires the affirmative vote of a majority of the votes cast by the shareholders.

**Are there any other items to be discussed during the Annual Meeting?**

The Company is not aware of any other matters that you will be asked to vote on at the Annual Meeting. If other matters are properly brought before the Annual Meeting, the proxy holders will use their discretion in voting your shares on these matters as they may arise.

**Who will count the vote?**

American Stock Transfer & Trust Co. will count the vote and will serve as the inspector of the election.

**Who pays to prepare, mail, and solicit the proxies?**

Proxies may be solicited by personal meeting, Internet, advertisement, telephone, and facsimile machine, as well as by use of the mails. Solicitations may be made by directors, officers, and other employees of the Company, as well as the Company's investor relations firm, none of whom will receive additional compensation for such solicitations. The Company will bear the cost of soliciting proxies. Arrangements will be made, as appropriate, with banks, brokerage houses, and other custodians, nominees or fiduciaries to forward soliciting materials to the beneficial owners of the shares, and we will reimburse such persons for their out-of-pocket expenses incurred in providing those services.

**Will I receive a copy of the annual report?**

We are enclosing a copy of our Annual Report on Form 10-K for the fiscal year ended December 31, 2008, as well as our 2008 Annual Report, with this proxy statement. You may also obtain a copy by writing to our Investor Relations department at 250 Technology Park, Lake Mary, Florida 32746, by accessing [www.faro.com/proxyvote](http://www.faro.com/proxyvote) or by accessing the Securities and Exchange Commission's (SEC) EDGAR database at [www.sec.gov](http://www.sec.gov). Our Annual Report on Form 10-K for the fiscal year ended December 31, 2008 and our 2008 Annual Report are not incorporated by reference into this proxy statement and are not considered proxy soliciting material.

**Where can I find Corporate Governance materials for the Company?**

The Company's Code of Ethics for Senior Financial Officers and Global Ethics Policy, and the Charters for the Audit, Operational Audit, Compensation, and Governance and Nominating Committees of the Company's Board of Directors, are published on the Corporate Governance page of the Company's website at [www.faro.com](http://www.faro.com). We are not including the information contained on or available through our website as a part of, or incorporating such information by reference into, this proxy statement.

**How Can I Contact the Members of the Board?**

Shareholders may communicate with the full Board or individual directors by submitting such communications in writing to FARO Technologies, Inc., Attention: Board of Directors (or the individual director(s)), 250 Technology Park, Lake Mary, Florida 32746. Communications should be sent by overnight or certified mail, return receipt requested. Such communications will be delivered directly to the Board or the individual director(s).

**PROPOSAL 1****ELECTION OF DIRECTORS**

THE BOARD OF DIRECTORS RECOMMENDS THAT OUR SHAREHOLDERS VOTE FOR PROPOSAL 1, THE ELECTION OF SIMON RAAB AND ANDRE JULIEN TO THE BOARD OF DIRECTORS.

The Board of Directors is divided into three classes, as nearly equal as possible, with one class of directors elected each year for a three-year term. Each director's term is subject to the election and qualification of his respective successor, or such director's earlier death, resignation or removal. The Board currently consists of nine members. Three directors have terms that expire at this year's Annual Meeting, three directors have terms that expire at the 2010 Annual Meeting of Shareholders, and three directors have terms that expire at the 2011 Annual Meeting of Shareholders. Hubert d'Amours, who currently serves as a director whose term is set to expire at this year's Annual Meeting, has notified the Company that he will not stand for re-election. The Governance and Nominating Committee is currently considering candidates for election to fill the vacancy that will be created by Mr. d'Amours' decision not to stand for re-election. However, the Governance and Nominating Committee does not anticipate nominating a candidate to fill that directorship prior to the Annual Meeting. Accordingly, two directors will be elected at the Annual Meeting to serve until their terms expire at the 2012 Annual Meeting of Shareholders and until their successors are duly elected and qualified.

The Company does not know of any reason why any nominee would be unable or, if elected, will decline to serve as a director. If any nominee is unable or unwilling to serve as a director, the Board of Directors may either reduce the number of directors to be elected or select a substitute nominee. If the Board selects a substitute nominee, the shares represented by all valid proxies will be voted by proxies for the substitute nominee unless you have voted "Withheld" with respect to the original nominee.

The two nominees for director, Simon Raab and Andre Julien, currently are directors of the Company and are proposed to be elected at the Annual Meeting to serve until the 2012 Annual Meeting of Shareholders. The remaining six directors will continue to serve as members of the Board for the terms set forth below. Directors are elected by a plurality of the votes cast, meaning that the two nominees receiving the highest number of affirmative votes represented at the Annual Meeting will be elected as directors. Shares may not be voted cumulatively, and proxies cannot be voted for a greater number of persons than the number of nominees named. Shares voted by the accompanying proxy card will be voted FOR Simon Raab and Andre Julien unless the proxy card is marked to withhold authority or to vote for alternative candidates.

The names, ages, and principal occupations for at least the past five years of each of the current directors and the nominees and the names of any other public companies of which each is presently serving as a director are set forth below:

**Nominees for Election at the Annual Meeting**

Name	Age	Director Since	Term Expires	Position
Simon Raab	56	1982	2009	Chairman of the Board, Director and Nominee
Andre Julien	66	1986	2009	Director and Nominee

**Simon Raab** is a co-founder of the Company and has served as Chairman of the Board of Directors of the Company since its inception in 1982. Mr. Raab served as Chief Executive Officer of the Company from its inception in 1982 until January 2006, as Co-Chief Executive Officer from January 2006 until December 2006, and as President of the Company from 1986 until 2004. Mr. Raab holds a Ph.D. in Mechanical Engineering from McGill University, Montreal, Canada, a Masters of Engineering Physics from Cornell University and a Bachelor of Science in Physics with a minor in Biophysics from the University of Waterloo, Canada.

**Andre Julien** has been a director of the Company since 1986. Before his retirement in 2004, Mr. Julien served as President of Chemirco Chemicals, Inc., a privately held company in Toronto, Canada and as President of LAB Pharmacological Research International, a privately held company in Montreal, Canada. From 1969 until 1994, Mr. Julien was President and owner of Chateau Paints, Inc., a privately held coatings and paint manufacturer in Montreal, Canada. Mr. Julien is also a director of Eterna Trust, a privately held company in Quebec City, Canada, and Goodfellow Lumber, Inc., a public company in Montreal, Canada.

#### Directors Whose Terms Will Continue After the Annual Meeting

Name	Age	Director Since	Term Expires	Position
Norman Schipper, O.C.	78	1982	2010	Director
John E. Caldwell	59	2002	2010	Director
John Donofrio	47	2008	2010	Director
Stephen R. Cole	57	2000	2011	Lead Director
Marvin R. Sambur, Ph.D.	63	2007	2011	Director
Jay W. Freeland	39	2006	2011	President, Chief Executive Officer and Director

**Norman Schipper, Q.C.** has been a director of the Company since its inception in 1982. He was admitted to the bar in Ontario in 1956 and from 1962 until his retirement on December 31, 1997, Mr. Schipper was a Partner in the Toronto office of the law firm of Goodmans, LLP.

Mr. Schipper is past Chair of The Baycrest Centre and of The Baycrest Foundation and a Co-Chair of the Research Advisory Committee at Baycrest Centre. He also is a director of the Pine Bay Foundation, a foundation operating a camp for autistic and Tourette Syndrome children, serves on the board of directors of various private corporations, and was a director and past Chair of the Board of Directors of the Ontario Region of the Nature Conservancy of Canada. Mr. Schipper received a Bachelor of Arts with Honors from the University of Toronto, an LL.B. and SJD from the University of Toronto Faculty of Law and is a graduate of Osgoode Hall Law School.

**John E. Caldwell** has been a director of the Company since 2002. Mr. Caldwell has served since October 2003 as President and Chief Executive Officer of SMTC Corporation, a publicly held electronics manufacturing services company whose shares are traded on the Nasdaq Global Market and on the Toronto Stock Exchange. Mr. Caldwell has served as a director of SMTC since March 2003. Mr. Caldwell was the Chairman of the Restructuring Committee of the Board of Mosaic Group Inc., a marketing services provider, from October 2002 to September 2003. Mr. Caldwell was a consultant to GEAC Computer Corporation Limited, a computer software company, from December 2001 to October 2002 and was President and Chief Executive Officer of GEAC from October 2000 to December 2001. Mr. Caldwell served in several roles with CAE Inc., a world leading flight simulation and training services company, from January 1988 to October 1999, including President and Chief Executive Officer from June 1993 to October 1999. Currently, he also serves on the board of directors of Advanced Micro Devices, Inc. and IAMGOLD Corporation.

**John Donofrio** has served as a director of the Company since January 2008. Mr. Donofrio has served as Visteon's Senior Vice President, General Counsel and Chief Compliance Officer since 2005. Before joining Visteon, Mr. Donofrio served as Vice President and General Counsel for Honeywell Aerospace, a position he held since his 2000 promotion from Vice President, Intellectual Property and Deputy General Counsel of Honeywell International. Previously he was a Partner at Kirkland & Ellis LLP, where he worked from 1989 through 1996.

**Stephen R. Cole** has been a director of the Company since 2000 and has served as lead director since 2005. Since 1975, Mr. Cole has been President and Founding Partner of Cole & Partners, a Toronto, Canada based mergers and acquisition and corporate finance advisory service company. Mr. Cole is a Fellow of the Institute of Chartered Accountants of Ontario, Fellow of the Canadian Chartered Institute of Business Valuators, Senior

Member of the American Society of Appraisers and Full Member of the ADR Institute of Canada, Inc. He has held positions as an advisory committee member of various private and public companies and charitable and professional organizations, including H. Paulin & Co. Limited, Bosa Group, GPX International Tire Corporation, Enterprise Capital LP II, The Canadian Institute of Chartered Business Valuators, Quetico Foundation, Nature Conservancy of Canada (Ontario Division), UJA Federation and Foundation and past Chairman of The Baycrest Centre.

**Marvin R. Sambur, Ph.D.** has served as a director of the Company since January 2007. Dr. Sambur started his career at Bell Laboratories in 1968 and later held top executive positions at ITT Corporation, including President and CEO of ITT's defense group. In 2001, he was named and confirmed as the Assistant Secretary of the Air Force for Acquisition, where he was responsible for all Air Force research, development, and acquisition activities. Dr. Sambur serves on the Air Force Science Advisory Board and the National Academy of Science Board for the Department of Defense.

**Jay W. Freeland** has served as President and Chief Executive Officer of the Company since December 2006. Mr. Freeland served as President and Co-Chief Executive Officer of the Company from January 2006 to December 2006, as President and Chief Operating Officer of the Company from November 2004 to January 2006, and as a director since February 2006. Mr. Freeland was president of his own consulting company from 2003 to 2004. Mr. Freeland began his career at General Electric in their financial management program in 1991, spent four years on their corporate audit staff and served in financial, business development, strategic planning, sales and operational management roles of increasing responsibility until 2003. Mr. Freeland holds a Bachelor of Arts in Economics from Union College, Schenectady, New York.

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## CORPORATE GOVERNANCE AND BOARD MATTERS

### Role and Composition of the Board of Directors

The Board provides oversight and direction for the Company and also acts as an advisor and counselor to senior management and monitors its performance. Additionally, the Board has the responsibility to plan for succession to the position of Chairman of the Board and Chief Executive Officer. Among other responsibilities, the Board of Directors appoints the President, Chief Executive Officer, Chief Financial Officer, and other officers it deems necessary.

Simon Raab, one of the Company's founders and its past Chief Executive Officer, currently serves as Chairman of the Board. Jay W. Freeland, the Company's current Chief Executive Officer, also serves as a director. The independent members of the Board have elected Stephen Cole, an independent director, to serve as the Lead Director. The Lead Director presides over and prepares the agenda for executive sessions of the independent directors, provides input to the schedule of Board meetings, facilitates information flow and communication between the independent directors and Company management and the Chairman of the Board, coordinates the activities of the other independent directors, together with the Governance and Nominating Committee provides advice to the Board and management with respect to corporate governance and Board committee membership, evaluates the performance of the Chief Executive Officer, and performs such other duties and responsibilities as the Board of Directors may determine.

The Chairman of the Board and the Chief Executive Officer set the agenda for Board meetings with input from the Company's Lead Director. Board materials related to agenda items are provided to Board members sufficiently in advance of Board meetings to allow the directors to prepare for discussion of the items at the meeting. Executive sessions or meetings of independent directors are held at least quarterly for a discussion of relevant subjects.

### Director Independence

We are required to comply with the listing standards, including the corporate governance rules, of the NASDAQ Stock Market (NASDAQ). NASDAQ rules require the Board of Directors to be comprised of a majority of independent directors, as that term is defined by the NASDAQ Marketplace Rules.

The Board of Directors has affirmatively determined that Norman Schipper, John Caldwell, Stephen Cole, Hubert d'Amours, Andre Julien, Marvin Sambur, and John Donofrio are independent directors as defined by the NASDAQ Marketplace Rules. The Board of Directors has determined that Mr. Freeland is not independent because he is the President and Chief Executive Officer of the Company and that Mr. Raab is not independent because he was Co-Chief Executive Officer of the Company in 2006 and Chief Executive Officer prior to 2006.

### Board Meetings and Committees

The Board of Directors held nine meetings during 2008. All directors attended at least 75% of the applicable meetings of the Board and of the Committees on which they served during 2008. In addition, the independent directors met in executive session on the occasion of each full Board meeting in 2008. While the Company has not adopted a formal policy regarding Board attendance at annual shareholder meetings, we expect that our directors to attend the annual meeting of shareholders. Eight of our directors attended the 2008 Annual Meeting of Shareholders.

The Board of Directors has four standing committees: an Audit Committee, an Operational Audit Committee, a Compensation Committee, and a Governance and Nominating Committee.

The table below shows current membership for each of the standing Board committees:

<b>Audit</b>	<b>Operational Audit</b>	<b>Compensation</b>	<b>Governance and Nominating</b>
<b>Committee</b>	<b>Committee</b>	<b>Committee</b>	<b>Committee</b>
John Caldwell*	John Caldwell*	John Caldwell	John Caldwell
Stephen Cole	Andre Julien	Stephen Cole*	Stephen Cole
Hubert d Amours**	Marvin Sambur	Hubert d Amours**	John Donofrio*
		John Donofrio	Marvin Sambur
		Andre Julien	
		Marvin Sambur	
		Norman Schipper, Q.C.	

\* Committee Chairman

\*\* Mr. d Amours has chosen not to stand for re-election to the Board at the Annual Meeting.

*Audit Committee*

The Audit Committee held six meetings during 2008. In addition to its formal meetings, members of the Audit Committee met in executive session periodically and separately with the Company's auditors at quarterly meetings during 2008. Among its various duties, the Audit Committee reviewed the Company's annual and quarterly financial statements and the Company's periodic reports to the SEC before filing.

The Audit Committee is currently comprised of three members, John Caldwell, Stephen Cole and Hubert d Amours, each of whom the Board has determined are independent as defined in Rule 10A-3 of the Exchange Act of 1934 and the NASDAQ rules, including rules specifically governing audit committee members. John Donofrio, who qualifies as independent for Audit Committee membership, will serve on the Audit Committee following the Annual Meeting in the vacancy created by Mr. d Amours decision not to stand for re-election. The Board also has determined that Messrs. Caldwell and Cole are audit committee financial experts as defined under Item 407(d)(5) of Regulation S-K.

The Audit Committee acts under the terms of a written charter that is available on the Company's website at [www.faro.com](http://www.faro.com), by first clicking Investors and then Corporate Governance. The Audit Committee's responsibilities, discussed in detail in the charter, include, among other duties, the responsibility to:

Provide oversight regarding the accounting and financial reporting process, the system of internal control, the external and internal audit process, and the Company's process for monitoring compliance with laws and regulations;

Review the independence and qualifications of the Company's independent public accountants and the Company's financial policies, control procedures and accounting staff;

Appoint and retain the Company's independent public accountants;

Review and approve the Company's financial statements and other regulatory filings; and

Review transactions between the Company and any officer or director or any entity in which an officer or director of the Company has a material interest.

*Operational Audit Committee*

The Operational Audit Committee met four times in 2008 and is currently composed of three members, John Caldwell, Andre Julien and Marvin Sambur. The Operational Audit Committee acts under the terms of a written charter that is available on the Company's website at [www.faro.com](http://www.faro.com),



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by first clicking [Investors](#) and then [Corporate Governance](#). As discussed in its charter, the Operational Audit Committee is responsible for reviewing the operational performance against predetermined metrics of the Company. The Operational Audit Committee also meets with executives and department directors to review progress against goals and reports to the Board of Directors.

*Compensation Committee*

The Compensation Committee held six meetings during 2008. In addition to its formal meetings, the Chairman and other members of the Compensation Committee met frequently throughout 2008 and the first quarter of 2009 among themselves, with its advisors, with the Chairman of the Board, and with the Chief Executive Officer in setting executive compensation for 2008 and 2009, in making bonus and equity incentive awards in respect of individual and Company performance objectives and other compensation and employment matters.

The Compensation Committee currently consists of seven members, John Caldwell, Stephen Cole, Hubert d'Amours, John Donofrio, Andre Julien, Marvin Sambur, and Norman Schipper, Q.C., each of whom qualifies as independent for Compensation Committee membership, as defined in the NASDAQ rules, Rule 16b-3 of the Exchange Act, and Section 162(m) of the Internal Revenue Code.

The Compensation Committee acts under the terms of a written charter that is available on the Company's website at [www.faro.com](http://www.faro.com), by first clicking Investors and then Corporate Governance. As discussed in its charter, the Compensation Committee recommends the Company's executive compensation policies and programs and endeavors to ensure they are aligned with the Company's overall mission and vision. The Compensation Committee works with the Chairman of the Board and the Chief Executive Officer in evaluating the performance of all officers at the Vice President level and above and reviews and approves annually all compensation programs and awards (including setting the base compensation for the upcoming year and approving bonus and equity incentive awards) relating to all officers at the Vice President level and above, other than with respect to CEO compensation, which is set by the Compensation Committee independently. The Compensation Committee applies discretion, as is appropriate, in the determination of individual executive compensation packages to ensure compliance with the Company's compensation policy objectives.

The Compensation Committee also reviews, and recommends to the full Board for its review and approval, the cash and equity compensation for non-employee directors, the Chairman of the Board, the Lead Director, and Board committee chairs. In addition, the Compensation Committee:

Oversees the Company's option and equity incentive plans, including reviewing and approving equity grants to officers at the Vice President level and above;

Oversees the Company's management succession plan, including succession for the Chief Executive Officer position;

Advises on selection of certain executive officer positions with the Company;

Establishes the terms of all executive severance and change of control benefits;

Reviews and discusses with management the Compensation Discussion and Analysis that is included in the Company's proxy statement for its annual meeting of shareholders; and

Prepares the report of the Compensation Committee for inclusion in the Proxy Statement.

The Compensation Committee has the authority to retain consultants to obtain advice and assistance from external legal, accounting and other advisors at the Company's expense. In 2007, the Compensation Committee engaged Mercer Human Resource Consulting ( Mercer ) to conduct a review and competitive assessment of the Company's executive and outside director compensation programs. In performing these services, Mercer reported directly to, and received its instructions from, the Compensation Committee. In order to preserve the continuity of the lead consultant from Mercer, in 2008 the Compensation Committee engaged the same lead consultant from Pearl Meyer & Partners ( Pearl Meyer ). In performing its services, Pearl Meyer reports to and is instructed by the Compensation Committee. Accordingly, compensation decisions with respect to 2008 and 2009 compensation had the benefit of the consulting information provided by the Compensation Committee's independent advisor.

*Governance and Nominating Committee*

The Governance and Nominating Committee held two formal meetings in 2008. The Governance and Nominating Committee currently consists of five members, John Caldwell, Stephen Cole, John Donofrio, and Marvin Sambur, each of whom meets the definition of independence in the NASDAQ rules.

The Governance and Nominating Committee's written charter is available on the Company's website at [www.faro.com](http://www.faro.com), by first clicking Investors and then Corporate Governance. As discussed in detail in the charter, the Governance and Nominating Committee is responsible for selecting and recommending for approval by the Board director nominees and members and the chair of Board committees. Current members of the Board are considered for re-election unless they have notified the Company that they do not wish to stand for re-election. The Governance and Nominating Committee also considers candidates for the Board recommended by current members of the Board or members of management. The Governance and Nominating Committee also will consider director candidates recommended by eligible shareholders.

The following minimum qualifications must be met by a director nominee to be recommended by the Governance and Nominating Committee:

Each director must display high personal and professional ethics, integrity and values;

Each director must have the ability to exercise sound business judgment;

Each director must be highly accomplished in his or her respective field, with broad experience at the administrative and/or policy-making level in business, government, education, technology or public interest;

Each director must have relevant expertise and experience, and be able to offer advice and guidance based on that expertise and experience;

Each director must be independent of any particular constituency, be able to represent all shareholders of the Company and be committed to enhancing long-term shareholder value; and

Each director must have sufficient time available to devote to activities of the Board and to enhance his or her knowledge of the Company's business.

Effective in 2008, the Board of Directors also requires each non-employee Director, within two years of joining the Board, to own shares of the Company's common stock with an aggregate value of \$100,000.

Shareholders may recommend director nominees for consideration by the Governance and Nominating Committee by writing to the Governance and Nominating Committee, Attention: Chairman, 250 Technology Park, Lake Mary, Florida, 32746, together with appropriate biographical information concerning each proposed nominee. Candidates proposed by shareholders for nomination are evaluated using the same criteria as candidates initially proposed by the Governance and Nominating Committee.

A shareholder who wishes to nominate a person for election to the Board of Directors must submit written notice to the Company, Attention: Secretary, 250 Technology Park, Lake Mary, Florida 32746. We must receive the written recommendation not less than 60 days prior and not more than 90 days prior to the annual meeting of shareholders, or, if less than 70 days' notice of the date of the annual meeting is given, not later than ten days after the notice is mailed. The recommendation must include (i) the candidate's name, age, business and residence address, (ii) the candidate's principal occupation or employment, (iii) the class and number of shares of capital stock in the Company beneficially owned by the candidate, (iv) all information relating to the candidate that is required to be disclosed in solicitations of proxies for an election of directors, or is otherwise required, in each case pursuant to Regulation 14A of the Securities Exchange Act of 1934, including the nominee's consent to be named in the proxy statement as a nominee and to serving as a director if elected, and (v) as to the shareholder proposing the nomination, his or her name and address and the class and number of shares of stock in the Company beneficially owned by the shareholder.



### **Compensation Committee Interlocks and Insider Participation**

During 2008, John Caldwell, Stephen Cole, Hubert d Amours, Andre Julien, Marvin Sambur, John Donofrio, and Norman Schipper served as members of the Compensation Committee. None of the Compensation Committee members was, during 2008 or formerly, an officer or employee of the Company or any of its subsidiaries. None of the Company's executive officers serves as a member of the board of directors or compensation committee of any entity that has one or more executive officers serving as a member of the Company's Board of Directors or Compensation Committee.

### **Communications with Board of Directors**

Shareholders may communicate with the full Board or individual directors by submitting such communications in writing to FARO Technologies, Inc., Attention: Board of Directors (or the individual director(s)), 250 Technology Park, Lake Mary, Florida 32746. Communications should be sent by overnight or certified mail, return receipt requested. Such communications will be delivered directly to the Board or the individual director(s).

### **Code of Business Conduct and Ethics**

The Board of Directors has adopted a Code of Ethics, entitled Code of Ethics for Senior Financial Officers, that is applicable to the Company's principal executive officer, principal financial officer, principal accounting officer or controller, and persons performing similar functions. The Board of Directors has also adopted a Global Ethics Policy applicable to all of the Company's employees. The Code of Ethics for Senior Financial Officers and the Global Ethics Policy are available on the Company's web site at [www.faro.com](http://www.faro.com).

**DIRECTOR COMPENSATION**

The following table sets forth information regarding the compensation earned by each of the Company's non-employee directors during the year ended December 31, 2008:

Name	Fees Earned or		Total(\$)
	Paid in Cash	Stock Awards	
	(\$) (1)	(\$) (2)(3)	
John E. Caldwell	73,750	61,688	135,438
Stephen Cole	166,250	61,688	227,938
Hubert d Amours	53,125	61,688	114,813
John Donofrio	45,000	81,192	126,192
Andre Julien	51,250	61,688	112,938
Simon Raab	91,250		91,250
Marvin R. Sambur, Ph.D.	71,250	61,688	132,938
Norman Schipper, Q.C.	46,100	61,688	107,778

- (1) Includes retainers and fees earned by each director for attendance at certain meetings during the year ended December 31, 2008.
- (2) Reflects the compensation cost for awards of restricted stock recognized by the Company for financial statement reporting purposes, disregarding for this purpose the estimate of forfeitures related to service-based vesting conditions. The fair value of these awards and the amounts expensed in 2008 were computed in accordance with Statement of Financial Accounting Standard No. 123(R) ( FAS 123R ).
- (3) As of December 31, 2008, the following aggregate number of stock options and restricted stock awards were held by each of our directors:

Name	Restricted Stock Awards (#)	Stock Options (#)
John Caldwell	4,401	9,000
Stephen Cole	4,401	9,000
Hubert D Amours	4,401	3,000
John Donofrio	2,267	0
Andre Julian	3,668	39,000
Simon Raab	0	0
Marvin R. Sambur, Ph.D.	3,334	0
Norman Schipper, Q.C.	4,401	3,000

No stock options were awarded to any directors in 2008. The following table shows the shares of restricted stock awarded to each director during 2008, and the aggregate grant date fair value for each award.

Name	Restricted Stock Awards (#)	Full Grant Date Fair Value of Award (\$)
John E. Caldwell	2,200	61,688
Stephen Cole	2,200	61,688
Hubert d Amours	2,200	61,688
John Donofrio	3,400	81,192
Andre Julian	2,200	61,688
Simon Raab	0	0
Marvin R. Sambur, Ph.D.	2,200	61,688
Norman Schipper, Q.C.	2,200	61,688



The Company uses a combination of cash and equity compensation to attract and retain qualified candidates to serve on the Board. In setting director compensation, the Company considers the significant amount of time that non-employee directors expend in fulfilling their duties to the Company as well as the skill level required by the Company of members of the Board. Similar to executive officers, effective 2009, the non-employee directors are subject to minimum share ownership guidelines. Within two years after joining the Board, each non-employee director is required to own shares of the Company's common stock with an aggregate value of \$100,000.

For 2008, pursuant to the Company's director compensation policy, upon election to the Board, a non-employee director received an initial equity grant of 3,400 restricted shares of common stock that vest ratably over three years. On the day following the annual meeting of shareholders, each non-employee director, other than a non-employee director who received the initial equity grant, received 2,200 restricted shares of common stock that vest ratably over three years. Non-employee directors also received an annual cash retainer of \$20,000 and fees of \$1,875 per board or committee meeting. The Chairpersons of the Governance and Nominating Committee and the Operational Audit Committee received an annual retainer of \$5,000, and the Chairperson of the Audit Committee received an annual retainer of \$10,000. The Chairperson of the Compensation Committee received an annual retainer of \$7,500. The Lead Director received an additional retainer of \$35,000, and the Chairman of the Board received an additional retainer of \$60,000. In addition to fees for Board and Committee meetings, non-employee directors received similar meeting fees for attending other important meetings throughout the year, including meetings pertaining to business strategy and regulatory updates.

The Company has amended its director compensation policy for 2009. Upon election to the Board, a non-employee director will now receive an initial equity grant of shares of restricted common stock with a value equal to \$100,000, calculated as of the closing share price on the date of the non-employee director's election to the Board. The shares of restricted stock will vest on the third anniversary of the grant date, subject to the non-employee director's continued membership on the Board. On the day following the annual meeting of shareholders, each non-employee director will now receive shares of restricted common stock with a value equal to \$70,000, calculated as of the closing share price on the day following the annual meeting of shareholders. The shares of restricted stock will vest on the first anniversary of the grant date, subject to a director's continued membership on the Board.

For 2009, non-employee directors will continue to receive fees of \$1,875 per board or committee meeting. The Chairpersons of the Governance and Nominating Committee and the Operational Audit Committee will continue to receive an annual retainer of 5,000, and the Chairperson of the Audit Committee will continue to receive an annual retainer of \$10,000. The Chairperson of the Compensation Committee will also continue to receive an annual retainer of \$7,500.

For 2009, the Company also has amended the compensation policies for the Chairman of the Board and the Lead Director. The Lead Director will continue to receive an additional retainer of \$35,000, but the retainer will now be paid fifty percent in cash and fifty percent in shares of restricted stock. The Lead Director's retainer will be granted annually on the day following the annual meeting of shareholders, with the price used to calculate the number of shares granted to be the closing share price on the date of grant. The shares of restricted stock will vest on the first anniversary of the grant date, subject to a Lead Director's continued membership on the Board. The Chairman of the Board will also continue to receive an additional retainer of \$60,000, but the retainer will now be paid fifty percent in cash and fifty percent