

COGNEX CORP  
Form DEF 14A  
March 14, 2012  
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**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 (Amendment No.            )**

**Filed by the Registrant**

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

Check the appropriate box:

- Preliminary Proxy Statement
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material Pursuant to §240.14a-11(c) or §240.14a-12
- Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))

**COGNEX CORPORATION**

*(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.
- Fee computed on table below per Exchange Act Rules 14a-6(i)(4) and 0-11.

- 1) Title of each class of securities to which transaction applies:
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1) Amount Previously Paid:

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**COGNEX CORPORATION**  
**NOTICE OF SPECIAL MEETING IN LIEU OF**  
**THE 2012 ANNUAL MEETING OF SHAREHOLDERS**  
**To Be Held on April 26, 2012**

To the Shareholders:

A Special Meeting of the Shareholders of COGNEX CORPORATION in lieu of the 2012 Annual Meeting of Shareholders will be held at 9:00 a.m. local time on Thursday, April 26, 2012, at Cognex's headquarters at One Vision Drive, Natick, Massachusetts, for the following purposes:

1. To elect three Directors to serve for a term of three years, all as more fully described in the proxy statement for the meeting.
2. To cast a non-binding advisory vote to approve executive compensation ( "say-on-pay" ).
3. To ratify the selection of Grant Thornton LLP as our independent registered public accounting firm for fiscal year 2012.
4. To consider and act upon any other business which may properly come before the meeting or any adjournment or postponement thereof.

The Board of Directors has fixed the close of business on March 2, 2012 as the record date for the meeting. All shareholders of record on that date are entitled to receive notice of and to vote at the meeting.

The proposal for the election of Directors relates solely to the election of three Directors nominated by the Board of Directors and does not include any other matters relating to the election of Directors, including, without limitation, the election of Directors nominated by any shareholder of Cognex Corporation.

**YOUR VOTE IS IMPORTANT. WHETHER OR NOT YOU PLAN TO ATTEND THE MEETING, PLEASE VOTE YOUR SHARES BY TELEPHONE, VIA THE INTERNET, OR BY COMPLETING AND RETURNING A PROXY CARD. IF YOU ATTEND THE MEETING, YOU MAY CONTINUE TO HAVE YOUR SHARES VOTED AS INSTRUCTED IN THE PROXY OR YOU MAY WITHDRAW YOUR PROXY AT THE MEETING AND VOTE YOUR SHARES IN PERSON.**

By Order of the Board of Directors

Anthony J. Medaglia, Jr., *Secretary*

Natick, Massachusetts

March 14, 2012

**Important**

Please note that due to security procedures, you may be required to show a form of picture identification to gain access to Cognex's headquarters. Please contact the Cognex Department of Investor Relations at (508) 650-3000 if you plan to attend the meeting.

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**COGNEX CORPORATION**  
**PROXY STATEMENT**  
**INFORMATION ABOUT THE MEETING**  
**AND VOTING PROCEDURES**

**General**

This proxy statement is being furnished to you in connection with the solicitation of proxies by the Board of Directors of Cognex Corporation (Cognex) for use at the Special Meeting in lieu of the 2012 Annual Meeting of Shareholders to be held at 9:00 a.m. local time on Thursday, April 26, 2012, at our headquarters at One Vision Drive, Natick, Massachusetts 01760, and at any adjournments or postponements of that meeting. Our telephone number is (508) 650-3000. At this meeting, shareholders will consider and vote on the following proposals:

1. To elect three Directors to serve for a term of three years, all as more fully described in this proxy statement.
2. To cast a non-binding advisory vote to approve executive compensation (say-on-pay).
3. To ratify the selection of Grant Thornton LLP as our independent registered public accounting firm for fiscal year 2012.
4. To consider and act upon any other business which may properly come before the meeting or any adjournment or postponement thereof.

This proxy statement is first being made available to our shareholders on or about March 14, 2012.

**Voting Rights and Quorum**

Shareholders of record at the close of business on March 2, 2012 (the Record Date) are entitled to receive notice of and to vote at the meeting. As of the close of business on the Record Date, there were 42,709,229 shares of our common stock outstanding and entitled to vote. Each outstanding share of our common stock entitles the record holder to one vote.

The holders of a majority in interest of our common stock outstanding on the Record Date for the meeting are required to be present in person or be represented by proxy at the meeting in order to constitute a quorum for the transaction of business. Following the determination of a quorum, the election of a nominee for Director will be decided by a plurality of the votes cast. Votes may be cast for or withheld from each nominee. Other matters presented at the meeting require the favorable vote of a majority of the votes cast on the matter.

**Treatment of Abstentions and Broker Non-Votes**

We will count both abstentions and broker non-votes as present for the purpose of determining the existence of a quorum for the transaction of business. However, for the purpose of determining the number of shares voting on a particular proposal, we will not count abstentions and broker non-votes as votes cast or shares voting. A broker non-vote refers to shares held by a broker or nominee that does not have the authority, either express or discretionary, to vote on a particular matter.

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### **Voting Your Shares**

If you received a paper copy of the proxy materials, you may vote your shares by submitting the proxy card accompanying this material for use at the meeting. Please complete, date, sign and submit the proxy card as instructed. In addition, you may vote your shares by telephone or via the Internet by following the instructions included on the proxy card or on the Notice of Internet Availability of Proxy Materials. The Internet and telephone voting facilities for shareholders of record will close at 1:00 a.m. Eastern time on April 26, 2012.

Our Board of Directors recommends an affirmative vote on all proposals described in the notice for the meeting. Proxies will be voted as specified. If your proxy is properly submitted, it will be voted in the manner that you direct. **If you do not specify instructions with respect to any particular matter to be acted upon at the meeting, proxies will be voted in favor of the Board of Directors' recommendations as set forth in this proxy statement.**

### **Revocability of Proxies**

You may revoke your proxy at any time before your proxy is voted at the meeting by:

giving written notice of revocation of your proxy to the Secretary of Cognex;

completing and submitting a new proxy card relating to the same shares and bearing a later date;

properly casting a new vote through the Internet or by telephone at any time before the closure of the Internet or telephone voting facilities; or

attending the meeting and voting in person, although attendance at the meeting will not, by itself, revoke a proxy.

### **Expense of Solicitation**

The cost of this solicitation will be borne by Cognex. It is expected that the solicitation will be made primarily by mail, but regular employees or representatives of Cognex (none of whom will receive any extra compensation for their activities) may also solicit proxies by telephone, telegraph and in person and arrange for brokerage houses and other custodians, nominees and fiduciaries to send proxy materials to their principals at our expense.

### **Investor Contact**

If you have any questions about the meeting or your ownership of our common stock, please contact our Director of Investor Relations, Susan Conway, at our principal executive offices in Natick, Massachusetts. Susan's telephone number is (508) 650-3353 and her email address is [susan.conway@cognex.com](mailto:susan.conway@cognex.com).

## **STOCK OWNERSHIP**

### **Security Ownership of Certain Beneficial Owners**

The following table shows as of the Record Date, any person who is known by us to be the beneficial owner of more than five percent of our common stock. For purposes of this proxy statement, beneficial ownership is

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defined in accordance with Rule 13d-3 under the Exchange Act. Accordingly, a beneficial owner of a security includes any person who, directly or indirectly, through any contract, agreement, understanding, relationship or otherwise has or shares the power to vote such security or to dispose of such security.

Name and Address of Beneficial Owner	Amount and Nature of Beneficial Ownership	Percent of Class(1)
Royce & Associates, LLC 745 Fifth Avenue New York, NY 10151	5,006,890(2)	12%
Robert J. Shillman Cognex Corporation One Vision Drive Natick, MA 01760	3,085,225(3)	7%
BlackRock, Inc. 40 East 52nd Street New York, NY 10022	2,984,380(4)	7%
Brown Capital Management, LLC 1201 N. Calvert Street Baltimore, MD 21202	2,912,911(5)	7%
The Vanguard Group, Inc. 100 Vanguard Blvd. Malvern, PA 19355	2,137,965(6)	5%

- (1) Percentages are calculated on the basis of 42,709,229 shares of our common stock outstanding as of March 2, 2012. The total number of shares outstanding used in this calculation also assumes that the currently exercisable options or options which become exercisable within 60 days of March 2, 2012 held by the specified person are exercised but does not include the number of shares of our common stock underlying options held by any other person.
- (2) Information regarding Royce & Associates, LLC is based solely upon a Schedule 13G filed by Royce & Associates with the Securities and Exchange Commission ( SEC ) on January 10, 2012, which indicates that Royce & Associates held sole voting and dispositive power over 5,006,890 shares. Per the Schedule 13G, these shares were held in various accounts managed by Royce & Associates, with the interest of one account, Royce Premier Fund, amounting to 3,052,717 shares.
- (3) Dr. Shillman held sole voting and dispositive power over the shares listed except for 700 shares held by Dr. Shillman's wife, which Dr. Shillman may be deemed to beneficially own but as to which he disclaims beneficial ownership. Includes 16,625 shares which Dr. Shillman has the right to acquire upon the exercise of outstanding options, exercisable currently or within 60 days of March 2, 2012.
- (4) Information regarding BlackRock, Inc. is based solely upon a Schedule 13G filed by BlackRock with the SEC on February 13, 2012, which indicates that BlackRock held sole voting and dispositive power over 2,984,380 shares.
- (5) Information regarding Brown Capital Management, LLC is based solely upon a Schedule 13G filed by Brown Capital Management with the SEC on February 13, 2012, which indicates that Brown Capital Management held sole voting power over 1,691,900 shares and sole dispositive power over 2,912,911 shares.

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- (6) Information regarding The Vanguard Group, Inc. is based solely upon a Schedule 13G filed by The Vanguard Group with the SEC on February 7, 2012, which indicates that The Vanguard Group held sole voting power over 56,807 shares, sole dispositive power over 2,081,158 shares and shared dispositive power over 56,807 shares. Per the Schedule 13G, Vanguard Fiduciary Trust Company ( VFTC ), a wholly-owned subsidiary of The Vanguard Group, is the beneficial owner of 56,807 shares as a result of its serving as investment manager of collective trust accounts. VFTC directs the voting of these shares.

**Security Ownership of Directors and Executive Officers**

The following information is furnished as of the Record Date, with respect to our common stock beneficially owned within the meaning of Rule 13d-3 of the Exchange Act by each of our Directors, each Director nominee, each of the named executive officers (as defined in Item 402(a)(3) of Regulation S-K) and by all of our Directors and executive officers as a group. Unless otherwise indicated, the individuals named held sole voting and investment power over the shares listed below. The address for each individual is c/o Cognex Corporation, One Vision Drive, Natick, Massachusetts 01760.

Name	Amount and Nature of Beneficial Ownership(1)	Percent of Class(2)
Robert J. Shillman	3,085,225(3)	7%
Robert J. Willett	142,500	*
Anthony Sun	126,100	*
Theodor Krantz	36,312	*
Richard A. Morin	29,752	*
Patrick A. Alias	23,812	*
Jerald G. Fishman	21,312	*
Reuben Wasserman	16,312	*
Jeffrey B. Miller	7,075(4)	*
All Directors and Executive Officers as a group (9 persons)	3,488,400(5)	8%

\* Less than 1%

- (1) Includes the following shares which the specified individual has the right to acquire upon the exercise of outstanding options, exercisable currently or within 60 days of March 2, 2012: Dr. Shillman, 16,625 shares; Mr. Willett, 142,500 shares; Mr. Sun, 33,812 shares; Mr. Krantz, 32,562 shares; Mr. Morin, 28,748 shares; Mr. Alias, 23,812 shares; Mr. Fishman, 21,312 shares; Mr. Wasserman, 16,312 shares; and Mr. Miller, 6,875 shares.
- (2) Percentages are calculated on the basis of 42,709,229 shares of our common stock outstanding as of March 2, 2012. The total number of shares outstanding used in this calculation also assumes that the currently exercisable options or options which become exercisable within 60 days of March 2, 2012 held by the specified person are exercised but does not include the number of shares of our common stock underlying options held by any other person.
- (3) See Footnote (3) under the Security Ownership of Certain Beneficial Owners table.
- (4) Mr. Miller has shared voting and investment power with respect to 200 shares owned jointly with his spouse.
- (5) Includes 322,558 shares which certain Directors and executive officers have the right to acquire upon the exercise of outstanding options, exercisable currently or within 60 days of March 2, 2012.





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**SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE**

Section 16(a) of the Exchange Act requires our executive officers and Directors and persons owning more than 10% of our outstanding common stock to file reports of ownership and changes in ownership with the SEC. Our executive officers, Directors and greater than 10% holders of our common stock are required by SEC regulations to furnish us with copies of all forms they file with the SEC under Section 16(a).

Based solely on copies of such forms furnished to us as provided above, we believe that during fiscal year 2011, all Section 16(a) filing requirements applicable to our executive officers, Directors and owners of greater than 10% of our common stock were complied with except that one report on Form 4 for each of Messrs. Alias, Fishman, Krantz, Miller, Morin, Wasserman and Willett was not timely filed with respect to such person's 2011 annual stock option grant.

**CORPORATE GOVERNANCE**

**Code of Business Conduct and Ethics**

We have a Code of Business Conduct and Ethics that applies to our Board of Directors and our employees, including our named executive officers. Pre-dating this code is our company's ten corporate values, which include integrity, that are the basis for ensuring we maintain the highest ethical standards in all that we do. Copies of our company's Code of Business Conduct and Ethics and ten corporate values are available on our website at [www.cognex.com](http://www.cognex.com) under Company Investor Information Governance.

**Director Independence**

Our Board of Directors has determined that all of the Director nominees and incumbent Directors are independent as such term is defined in the applicable listing standards of the NASDAQ Stock Market LLC (Nasdaq), except for Dr. Robert J. Shillman and Mr. Robert J. Willett, who are executive officers of Cognex, and Mr. Patrick A. Alias, who is a non-executive employee of Cognex.

**Board Leadership Structure**

The positions of Chief Executive Officer and Chairman of the Board of Directors were separated in March 2011. At that time, Mr. Willett was promoted to become our Chief Executive Officer. Dr. Shillman retained his position as Chairman of the Board of Directors.

Because Dr. Shillman continues to serve as an executive officer of Cognex, our Board has appointed Anthony Sun to serve in the role of Lead Independent Director. As Lead Independent Director, Mr. Sun presides at all meetings of our Board of Directors at which the Chairman is not present, and he chairs the executive sessions of independent Directors, who regularly meet in executive sessions at which only independent Directors are present. Mr. Sun may also provide input regarding meeting agendas and bear such further responsibilities as our Board may designate from time to time.

Our Board believes this leadership structure promotes unified leadership and direction for the Board and management that, together with having a Lead Independent Director, assists the Board in the administration of its risk oversight responsibilities.

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### **The Board's Role in Risk Oversight**

The role of our Board of Directors in our company's risk oversight process includes receiving regular reports from management on areas of material risk to our company, including operational, financial, legal and regulatory, and strategic and reputational risks. The full Board (or the appropriate Committee in the case of risks that are under the purview of a particular Committee) receives these reports from the appropriate risk owner within our company so that it can understand our risk identification, risk management and risk mitigation strategies. When a Committee receives the report, the Chairman of the relevant Committee reports on the discussion to the full Board. This enables the Board and its Committees to coordinate the risk oversight role. Our Board of Directors also administers its risk oversight function through the required approval by the Board (or a committee of the Board) of significant transactions and other material decisions, and regular periodic reports from our company's independent registered public accounting firm and other outside consultants regarding various areas of potential risk, including, among others, those relating to our internal controls and financial reporting. As part of its charter, the Audit Committee discusses with management and our independent registered public accounting firm significant risks and exposures and the steps management has taken to minimize those risks.

### **Communications to Directors**

Shareholders who wish to communicate with our Board of Directors or with a particular Director may send a letter to the Secretary of Cognex Corporation at One Vision Drive, Natick, Massachusetts 01760. The mailing envelope should contain a clear notation indicating that the enclosed letter is a Shareholder-Board Communication or Shareholder-Director Communication. The letter should clearly state whether the intended recipients are all members of our Board or certain specified individual Directors. The Secretary will make copies of all such letters and circulate them to the appropriate Director(s).

### **Board Meetings, Committees and Attendance**

Our Board of Directors held ten meetings during 2011. All of our Directors, except for Mr. Alias, attended at least 75% of the aggregate of the total number of meetings of our Board of Directors held in 2011, and the total number of meetings held by committees of the Board on which they served during 2011. Our Directors are strongly encouraged to attend the annual meeting of shareholders or the special meeting in lieu of the annual meeting; however, we do not have a formal policy with respect to attendance at that meeting. All of our Directors, except for Messrs. Fishman and Wasserman, attended the Special Meeting in lieu of the 2011 Annual Meeting of Shareholders held on April 27, 2011.

The Board has three standing committees: The Compensation/Stock Option Committee, the Audit Committee and the Nominating and Corporate Governance Committee. Each committee acts according to a written charter approved by the Board. The charters are available on our website at [www.cognex.com](http://www.cognex.com) under Company Investor Information Governance. Each director who served on a Board committee during 2011 is independent as such term is defined in the applicable listing standards of Nasdaq and rules of the SEC. The agenda for committee meetings is determined by its Chairman in consultation with the other members of the Committee and management. The Committee Chairman reports the actions and determinations of the committee to the full Board on a regular basis.

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The following table provides current and fiscal year 2011 committee membership information for each of the Board committees:

Name	Compensation/		Nominating and Corporate Governance
	Stock Option	Audit	
Jerald G. Fishman	X		X
Theodor Krantz		*	
Jeffrey B. Miller		X	
Anthony Sun	X		*
Reuben Wasserman	*	X	X

\* Committee Chairman

X Committee Member

**Compensation/Stock Option Committee**

In accordance with its written charter, the Compensation/Stock Option Committee:

discharges the Board's responsibilities relating to the compensation of Cognex's executives, including the determination of the compensation of our Chief Executive Officer and other executive officers;

oversees our overall compensation structure, policies and programs;

administers our stock option and other equity-based plans;

reviews and makes recommendations to the Board regarding the compensation of our Directors; and

is responsible for producing the annual report included in this proxy statement.

Our Chief Executive Officer, other Cognex executives, and the Cognex Human Resources department support the Compensation/Stock Option Committee in its duties and may be delegated authority to fulfill certain administrative duties regarding Cognex's compensation programs. In addition, our Chief Executive Officer makes recommendations to the Compensation/Stock Option Committee on an annual basis regarding salary increases, potential bonuses, and stock option grants for each of our other executive officers. Our Chief Executive Officer also has been delegated the authority to approve stock option grants to non-executive employees of Cognex not to exceed 20,000 shares to any one individual in the aggregate per calendar year.

The Compensation/Stock Option Committee has sole authority under its charter to retain, approve fees for, determine the scope of the assignment of, and terminate advisors and consultants as it deems necessary to assist in the fulfillment of its responsibilities. The Compensation/Stock Option Committee typically does not retain compensation consultants, but may utilize independent third-party benchmarking surveys acquired by Cognex.

Committee meetings are regularly attended by our Chief Executive Officer, except when his compensation is being discussed, and may also include other executives at the invitation of the Committee. The Compensation/Stock Option Committee also meets in executive session as appropriate. The Compensation/Stock Option Committee met six times in 2011.



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The full Board determines the compensation of our Directors, after considering any recommendations of the Compensation/Stock Option Committee.

Further information regarding the processes and procedures of the Compensation/Stock Option Committee for establishing and overseeing our executive compensation programs is provided under the heading Compensation Discussion and Analysis.

## **Audit Committee**

For 2011, among other functions, the Audit Committee reviewed with our independent registered public accounting firm the scope of the audit for the year, the results of the audit when completed and the independent registered public accounting firm's fees for services performed. The Audit Committee also appointed the independent registered public accounting firm and reviewed with management various matters related to our internal controls. The Audit Committee held four meetings during 2011.

The Board of Directors has determined that all members of the Audit Committee are financially literate, and that Mr. Krantz qualifies as an audit committee financial expert under the rules of the SEC.

## **Nominating and Corporate Governance Committee**

The Nominating and Corporate Governance Committee is responsible for identifying individuals qualified to serve as members of the Board and recommending to the Board nominees for election as directors at each annual meeting of shareholders and when vacancies in the Board occur for any reason. The Nominating and Corporate Governance Committee is also responsible for developing and recommending to the Board a set of corporate governance guidelines to assist and guide the Board in the exercise of its responsibilities, periodically reviewing these guidelines and recommending changes deemed appropriate, and coordinating any evaluations of the Board and its committees.

The Nominating and Corporate Governance Committee met once during 2011. The Nominating and Corporate Governance Committee met in February 2012 and recommended the Director nominees for election at the meeting.

## **Compensation/Stock Option Committee Interlocks and Insider Participation**

No member of the Compensation/Stock Option Committee served as an officer or employee of Cognex or any of its subsidiaries, nor had any business relationship or affiliation with Cognex or any of its subsidiaries during 2011 other than his service as a Director.

## **Certain Relationships and Related Transactions**

In accordance with its charter, the Audit Committee conducts an appropriate review of all related party transactions for potential conflict of interest situations on an ongoing basis, and the approval of the Audit Committee is required for all related party transactions. Under our Code of Business Conduct and Ethics, any transaction or relationship engaged in by our employees, including our named executive officers and Directors, that reasonably could be expected to give rise to a conflict of interest should be reported promptly to our Compliance Officer, who may notify our Board of Directors or a committee thereof as he deems appropriate.

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Actual or potential conflicts of interest involving a Director or named executive officer are required to be disclosed directly to the Chairman of our Board of Directors.

### **Director Nominees**

When considering a potential candidate for membership on our Board of Directors, the Nominating and Corporate Governance Committee will consider any criteria it deems appropriate, including, among other things, the experience and qualifications of any particular candidate as well as such candidate's past or anticipated contributions to our Board and its committees. At a minimum, each nominee is expected to have high personal and professional integrity and demonstrated ability and judgment to be effective, with the other Directors and management, in collectively serving the long-term interests of our shareholders. Each nominee is expected to be personable and support our "Work Hard, Play Hard and Move Fast" culture. And, each nominee is expected to have direct and significant experience in one or more industries or markets in which our company does, or plans to do, business, and/or significant senior-level management experience in functions or roles which are helpful to our company, such as, for example, finance, accounting, engineering, manufacturing, and sales and marketing.

In addition to the minimum qualifications set forth above, when considering potential candidates for our Board of Directors, the Nominating and Corporate Governance Committee seeks to ensure that the Board of Directors is comprised of a majority of independent Directors, that the committees of the Board are comprised entirely of independent Directors, and that at least one member of the Audit Committee qualifies as an audit committee financial expert under SEC rules. The Nominating and Corporate Governance Committee may also consider any other standards that it deems appropriate. Although there is no specific policy regarding diversity in identifying director nominees, both the Nominating and Corporate Governance Committee and our Board seek the talents and backgrounds that would be most helpful to Cognex in selecting director nominees. In particular, the Committee, when recommending director candidates to the full Board for nomination, may consider whether a Director candidate, if elected, assists in achieving a mix of Board members that represents a diversity of background and experience.

In practice, the Nominating and Corporate Governance Committee generally will evaluate and consider all candidates recommended by our Directors, officers and shareholders. The Nominating and Corporate Governance Committee intends to consider shareholder recommendations for Directors using the same criteria as potential nominees recommended by the members of the Nominating and Corporate Governance Committee or others. The Nominating and Corporate Governance Committee did not receive any shareholder nominations for Director with respect to the meeting.

Shareholders who wish to submit Director candidates for consideration as nominees for election at our 2013 Annual Meeting of Shareholders should send such recommendations to the Secretary of Cognex Corporation at our executive offices on or before November 14, 2012. These recommendations must include:

the name and address of record of the shareholder;

a representation that the shareholder is a record holder of our common stock, or if the shareholder is not a record holder, evidence of ownership in accordance with Rule 14a-8(b)(2) of the Securities Exchange Act of 1934, or the Exchange Act;

the name, age, business and residential address, educational background, current principal occupation or employment, and principal occupation or employment for the preceding ten full fiscal years of the proposed Director candidate;

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a description of the qualifications and background of the proposed Director candidate which addresses the minimum qualifications described above and any other criteria for Board membership approved by the Board from time to time;

a description of all arrangements or understandings between the shareholder and the proposed Director candidate; and

the consent of the proposed Director candidate to be named in the proxy statement, to serve as a Director if elected at such meeting, and to give our company the authority to carry out a detailed and thorough investigation of his/her educational, professional, financial and personal history.

Shareholders must also submit any other information regarding the proposed Director candidate that is required to be included in a proxy statement filed pursuant to SEC rules. See also the information under the heading Shareholder Proposals.

## **Certain Legal Proceedings**

In May 2008, Mr. Fishman and Analog Devices, Inc. (Mr. Fishman is the President and Chief Executive Officer of Analog Devices) settled an inquiry by the SEC into Analog Devices' stock option granting practices by agreeing to the entry of an administrative cease and desist order without admitting or denying wrongdoing. Under the order, Mr. Fishman agreed to cease and desist from committing or causing any violations of Sections 17(a)(2) and (3) of the Securities Act of 1933, paid a civil money penalty, and made a disgorgement payment with respect to certain stock options received in prior years.

## **PROPOSAL 1: ELECTION OF DIRECTORS**

Our Board of Directors currently consists of eight Directors and is divided into three classes, with one class being elected each year for a term of three years. We are proposing that Robert J. Shillman, Patrick A. Alias and Reuben Wasserman be elected to serve terms of three years and in each case until their successors are duly elected and qualified or until they sooner die, resign or are removed. Dr. Shillman, who is currently serving a term as Director ending in 2014, previously indicated his desire to stand for re-election by the shareholders generally on an annual basis. As such, he is being nominated to serve in the class of Directors being nominated for re-election at the meeting.

## **Recommendation**

**OUR BOARD OF DIRECTORS RECOMMENDS A VOTE FOR THE ELECTION OF ROBERT J. SHILLMAN, PATRICK A. ALIAS AND REUBEN WASSERMAN.**

The persons named in the accompanying proxy will vote, unless authority is withheld, FOR the election of the nominees named above. Our Board of Directors anticipates that each of the nominees, if elected, will serve as a Director. If any nominee is unable to accept election, the persons named in the accompanying proxy will vote for such substitute as our Board of Directors may recommend. Should our Board not recommend a substitute for any nominee, then the proxy will be voted for the election of the remaining nominees. There are no family relationships between any Director and executive officer of Cognex or its subsidiaries.



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### **Information Regarding Directors**

Set forth below is information furnished to us by the Director nominees and the incumbent Directors whose terms will continue after the meeting. The biographical description for each Director includes his age, all positions he holds with Cognex, his principal occupation and business experience over the past five years, and the names of other publicly-held companies for which he currently serves as a director or has served during the past five years. It also includes the specific experience, qualifications, attributes and skills that led to our Board's conclusion that he should serve as a director of Cognex or, with respect to each Director who is not standing for election, that the Board would expect to consider if it were making a conclusion currently as to whether he should serve as a director.

We believe that all of our directors have a reputation for integrity, honesty and adherence to high ethical standards. Each has demonstrated business acumen and an ability to exercise sound judgment as well as a commitment of service to Cognex and, to the extent applicable, our Board. Our Board did not currently evaluate whether the incumbent Directors who are not standing for election should serve as directors, as the terms for which they were previously elected continue beyond the meeting.

### **Nominated for a term ending in 2015:**

*Patrick A. Alias*, 66, has served as a director since 2001. Mr. Alias has served as Senior Vice President of Cognex since April 2005, and previously was Executive Vice President from 1991 through April 2005. Prior to joining Cognex, Mr. Alias spent over 20 years in various high technology management positions in Europe, Japan and the United States. He holds Master's Degrees in Electronics, Mathematics, and Economics from IEP in Europe, and is a graduate of Harvard Business School's Advanced Management Program. During the past five years, Mr. Alias has not served as a member of the Board of Directors of another publicly-held company or of a registered investment company. We believe Mr. Alias's qualifications to sit on our Board of Directors include his four decades of experience working with high-technology companies, including nearly fifteen years as our company's Executive Vice President of Worldwide Sales and Marketing, and his extensive management experience.

*Robert J. Shillman*, 65, known to many as "Doctor Bob," is the founder of Cognex. He has served as Chairman of the Board of Directors and as an executive officer of Cognex since 1981. Dr. Shillman was Chief Executive Officer of Cognex from 1981 through March 2011, at which time and upon his recommendation, Mr. Willett was promoted to fill that role. During the past five years, Dr. Shillman has not served as a member of the Board of Directors of another publicly-held company or of a registered investment company. We believe Dr. Shillman's qualifications to sit on our Board of Directors include his thirty-one years of executive leadership experience building Cognex to become the world's largest and most successful company that specializes in machine vision.

*Reuben Wasserman*, 82, has served as a director since 1990. Mr. Wasserman has been an independent business consultant serving high-technology corporations and venture capital firms, and has served on numerous boards, since 1985. Prior to 1985, he was Vice President of Strategic Planning for Gould Electronics, Inc. Mr. Wasserman also serves as a member of the Board of Overseers of Lahey Clinic and the Advisory Council Board of Scripps Florida Research Institution. During the past five years, Mr. Wasserman served as a member of the Board of Directors of AMR, Inc. and the Advisory Board for the Threshold Program at Lesley University. We believe Mr. Wasserman is qualified to sit on our Board of Directors based on his years of experience providing strategic advisory services.

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**Serving a term ending in 2014:**

*Jerald G. Fishman*, 66, has served as a director since 1998. Mr. Fishman has been President and Chief Executive Officer of Analog Devices, Inc. since 1996, and previously was President and Chief Operating Officer from 1991. Mr. Fishman has served for the past twenty years as a member of the Board of Directors of Analog Devices, and for the past eleven years as a member of the Board of Directors of Xilinx, Inc. We believe Mr. Fishman's qualifications to sit on our Board of Directors include over four decades of experience in the high-technology industry, with more than thirty years of executive management experience at a publicly-traded semiconductor manufacturer.

*Theodor Krantz*, 69, has served as a director since 2007. Mr. Krantz has been Vice President of Airmar Technology Corporation since May 2011, and previously was President from 2000. He served as President, and later Chief Executive Officer, of Velcro Industries from 1984 to 1999. Mr. Krantz also serves, and has served for more than ten years, as a member of the Boards of Directors and Audit Committees of Hitchiner Manufacturing Company and Control Air, Inc. Mr. Krantz holds a B.A. from Princeton University, and an M.B.A. from Harvard University. We believe Mr. Krantz's qualifications to sit on our Board of Directors include his extensive executive leadership experience and his accounting and financial management expertise.

**Serving a term ending in 2013:**

*Jeffrey B. Miller*, 55, has served as a director since 2010. Mr. Miller is the former President of Markem Corporation, a leading global provider of product identification solutions, where he spent a 27-year career. In 2006, he managed the sale of the then-private company to Dover Corporation. Since 2008, Mr. Miller has been an independent consultant working with community-based companies, and serves as a member of the Boards of Directors of several private companies. Mr. Miller has served on numerous non-profit boards and local government agencies and commissions. He holds an A.B. from Dartmouth College, and an M.B.A. from Harvard University. We believe Mr. Miller's qualifications to sit on our Board of Directors include his industry and executive leadership experience.

*Anthony Sun*, 59, has served as a director since 1982. Mr. Sun served as a managing general partner of Venrock Associates, a venture capital partnership, from 1997 until his retirement in 2009, and previously was a general partner from 1980. Mr. Sun also serves as a member of the Boards of Directors of several private companies. During the past five years, he has not served as a member of the Board of Directors of another publicly-held company or of a registered investment company. We believe Mr. Sun's qualifications to sit on our Board of Directors include his executive experience, his expertise in the high-technology industry, and the deep understanding of our company that he has acquired over twenty-nine years of service on our Board.

*Robert J. Willett*, 44, has served as our Chief Executive Officer since March 2011 and as a director since April 2011. He joined Cognex in 2008 as President of the Modular Vision Systems Division, and was promoted in January 2010 to President and Chief Operating Officer. Mr. Willett came to Cognex from Danaher Corporation, a diversified manufacturer of industrial controls and technologies, where he served as Vice President of Business Development and Innovation for the Product Identification Business Group. Prior to that, Mr. Willett was President of Videojet Technologies, a leader in coding and marking products, which is a subsidiary of Danaher. Mr. Willett also served as Chief Executive Officer of Willett International Ltd., a coding and marking company which was sold to Danaher and merged with Videojet. During the past five years, Mr. Willett has not served as a member of the Board of Directors of another publicly-held company or of a registered investment company. He holds a B.A. from Brown University, and an M.B.A. from Yale University. We believe Mr. Willett's qualifications to sit on our Board of Directors include his experience in the machine

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vision industry, his executive leadership experience, and his knowledge of our company through his various management roles.

**DIRECTOR COMPENSATION**

The following table sets forth the compensation earned by or awarded to each Director who served on our Board of Directors in 2011, other than Dr. Shillman and Mr. Willett. Details of Dr. Shillman's and Mr. Willett's compensation are set forth under the heading "Executive Compensation Summary Compensation Table."

**Director Compensation Table 2011**

<b>Name</b>	<b>Fees Earned or Paid in Cash</b>	<b>Option Awards(1)(2)</b>	<b>All Other Compensation(3)</b>	<b>Total Compensation</b>
Patrick A. Alias	\$ 0	\$ 218,488	\$ 186,340	\$ 404,828
Jerald G. Fishman	\$ 40,000	\$ 186,113	\$ 0	\$ 226,113
Theodor Krantz	\$ 45,000	\$ 186,113	\$ 0	\$ 231,113
Jeffrey B. Miller	\$ 41,500	\$ 186,113	\$ 0	\$ 227,613
Anthony Sun	\$ 39,500	\$ 186,113	\$ 0	\$ 225,613
Reuben Wasserman	\$ 40,000	\$ 186,113	\$ 0	\$ 226,113

- (1) Each Director, other than Dr. Shillman and Mr. Willett, was granted options to purchase 7,500 shares of our common stock on February 14, 2011 at an exercise price of \$30.67 per share which began vesting on February 14, 2012, and options to purchase 7,500 shares of our common stock (except for Mr. Alias who received a second grant for 10,000 shares) on November 2, 2011 at an exercise price of \$33.59 per share which begin vesting on February 13, 2013. Both options have a ten-year term and vest in four equal annual installments. Amounts listed in this column represent the aggregate grant date fair value of these options but disregarding estimated forfeitures for this purpose. The methodology and assumptions used to calculate the grant date fair value are described in Note 14, "Stock-Based Compensation" of our Annual Report on Form 10-K for the fiscal year ended December 31, 2011. Cognex recognizes the grant date fair value as an expense for financial reporting purposes over the service-based vesting period.
- (2) Each Director, other than Dr. Shillman and Mr. Willett, had the following unexercised options outstanding at December 31, 2011: Mr. Alias, options to purchase 46,750 shares; Mr. Fishman, options to purchase 41,750 shares; Mr. Krantz, options to purchase 53,000 shares; Mr. Miller, options to purchase 35,000 shares; Mr. Sun, options to purchase 54,250 shares; and Mr. Wasserman, options to purchase 44,250 shares. The Directors listed above did not forfeit any stock option grants in 2011.
- (3) Amounts listed in this column include salary of \$90,000 and a bonus under our annual bonus program of \$90,000, both of which were earned by Mr. Alias during 2011 in his capacity as a non-executive employee of Cognex, and insurance premiums of \$6,340 paid by Cognex for the benefit of Mr. Alias, which all Cognex employees are eligible to receive.

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The following table sets forth the elements of compensation in 2011 for our non-employee directors for their service on our Board of Directors and its committees. Dr. Shillman and Mr. Willett, both of whom are executive officers of Cognex, receive no compensation to serve on our Board, and Mr. Alias, who is a non-executive employee of Cognex, receives no additional cash compensation for his service on the Board.

Type of Fee	Board of Directors	Compensation/ Stock Option Committee(1)	Audit Committee(1)	Nominating and Corporate Governance Committee(1)
Annual retainer	\$ 10,000	\$ 2,000	\$ 4,500	\$ 500
Meeting fee (2)	\$ 4,500	\$ 500	\$ 1,500	
Meeting fee (3)	\$ 5,000	\$ 500	\$ 1,500	
Telephonic meeting fee	\$ 500		\$ 500	
Annual Chairman fee			\$ 4,000	

(1) Fee for attending a committee meeting is paid if the meeting is not held in conjunction with a regular Board meeting, or for participation in discussions that are beyond the scope covered by annual retainer.

(2) Effective for meetings held between January 1, 2011 and April 26, 2011.

(3) Effective for meetings held between April 27, 2011 and December 31, 2011.

Each Director, other than Dr. Shillman and Mr. Willett, was also granted two option awards in 2011. The first grant, which was our 2011 annual grant, was for 7,500 shares of our common stock at an exercise price of \$30.67 per share and began vesting on February 14, 2012. The second grant, which was our 2012 annual grant, was for 7,500 shares of our common stock at an exercise price of \$33.59 per share and begins vesting on February 13, 2013 (except that Mr. Alias received 10,000 shares instead of 7,500 shares as compensation for additional services performed by him as an employee of Cognex). Both option grants have a ten-year term, vest in four equal annual installments and have an exercise price equal to the closing price of our common stock as reported by Nasdaq on the date of grant.

Our 2012 annual grants, which typically would have been completed in the first quarter of such year, were completed in the fourth quarter of 2011 with extended vesting periods to utilize shares available for grant to non-executive employees under our 2001 General Stock Option Plan before it was scheduled to expire in December 2011 (shareholders subsequently approved an extension of the expiration date of the plan to September 2021). In order to minimize administrative efforts, our Directors and our named executive officers participated in the 2012 annual grants in 2011 even though their shares were granted under a different stock option plan. Recipients of 2012 annual grants in 2011, including our Directors and our named executive officers, are not eligible to participate in annual grants until fiscal year 2013.

**COMPENSATION POLICIES AND PROCEDURES**

Cognex's approach to compensation and performance management is to provide a competitive total compensation package with periodic reviews to encourage ongoing high-quality performance. We strive to hire, retain and promote talented individuals based on their achievements, to reward employees based on their overall contribution to the success of our company, and to motivate employees to continue increasing shareholder value.

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In addition to salary, total compensation may include overtime pay, commissions, stock options and potential bonuses depending on the employee's job and level within Cognex. It also includes benefits consistent with our "Work Hard, Play Hard and Move Fast" culture that recognize employee achievement and encourage new levels of success, such as President's Awards, which are given annually to our top performers, and Perseverance Awards, which reward employee longevity, commitment and loyalty. Other benefits available to all employees include company-paid basic group term life insurance, basic accidental death and dismemberment insurance, an employer match of eligible compensation that employees invest in their 401(k) accounts, and tuition reimbursement.

The Compensation/Stock Option Committee oversees the compensation program for all Cognex employees. The Committee has discussed the concept of risk as it relates to our compensation program and does not believe that our compensation program is structured to encourage excessive or inappropriate risk taking for the following reasons:

Compensation consists of both fixed and variable components. The fixed portion (i.e. base salary) provides a steady income to our employees regardless of the performance of our company or stock price. The variable portion (i.e. annual company bonus and stock option awards) is based upon company and stock price performance. This mix of compensation is designed to motivate our employees, including our named executive officers, to produce superior short- and long-term corporate performance without taking unnecessary or excessive risks to the detriment of important business metrics.

For the variable portion of compensation, the company bonus is an annual program and is focused on profitability, while the stock option program generally grants awards that have a four year service-based vesting period and is focused on stock price performance. We believe that these programs provide a check on excessive risk taking because to inappropriately benefit one would be a detriment to the other.

For example, focusing solely on profitability would be detrimental to our company over the long-term, ultimately harming our stock price and the value of stock options. In addition, we prohibit all hedging transactions involving Cognex stock by our Board of Directors and certain employees who have regular access to material non-public information, including our named executive officers, so that they cannot insulate themselves from the effects of poor stock performance. And, any employee of Cognex engaged in short sales of Cognex stock is subject to immediate termination.

Cognex must first achieve certain financial goals that are established annually by the Compensation/Stock Option Committee related to profitability (we refer to this metric as "operating margin") in order for any employee to be eligible for a company bonus. Operating margin for our corporate employees, which includes our named executive officers, is based upon our consolidated financial results while operating margin for division employees is based upon the financial results of either our company's Modular Vision Systems Division or Surface Inspection Systems Division, as the case may be. We believe that focusing on profitability rather than other measures encourages a balanced approach to performance and emphasizes consistent behaviour across the organization.

Our annual bonus program is capped, which we believe mitigates excessive risk taking by limiting bonus payouts even if our company dramatically exceeds its operating margin target.

Our annual bonus program has been structured around attaining a certain level of profitability for many years and we have seen no evidence that it encourages unnecessary or excessive risk taking.

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The calculation of our operating margin target is defined annually by our Compensation/Stock Option Committee and is designed to keep it from being susceptible to manipulation by any employee, including our named executive officers. We have a Code of Business Conduct and Ethics that covers, among other things, accuracy of books and records. And, pre-dating this code is our company's ten corporate values, which include integrity, that are the basis for ensuring we maintain the highest ethical standards in all that we do.

**COMPENSATION DISCUSSION AND ANALYSIS**

Cognex maintains a performance-based compensation philosophy. The compensation program for our named executive officers utilizes a combination of base salaries, annual bonuses and stock option awards. We pay our named executive officers a base salary that is in the mid-range of benchmarks from the Radford Executive Compensation Report, which is an independent third-party survey of compensation practices by companies in the high-technology industry; we establish a potential annual bonus that is market competitive; and we grant stock options in a manner that aligns the interests of our named executive officers with those of our shareholders.

Total compensation for our named executive officers also includes other benefits that are available to all Cognex employees generally. This includes Perseverance Awards (which reward employee longevity, commitment and loyalty), company-paid basic group term life insurance and basic accidental death and dismemberment insurance, an employer match of eligible compensation that employees invest in their 401(k) accounts, and tuition reimbursement.

The Compensation/Stock Option Committee, which consists entirely of independent directors, reviews and approves all compensation for our named executive officers, using its judgment and experience in determining the mix of compensation. The Committee views salary and bonuses as short-term compensation to reward our named executive officers for meeting individual and company performance objectives, and stock option awards as a reward for increasing shareholder value and improving corporate performance over the long-term. The Compensation/Stock Option Committee also believes that the stock option program promotes the retention of talented employees.

Determinations with respect to compensation for a fiscal year are generally made in conjunction with our Board of Directors' approval of Cognex's annual budget for that year, which typically takes place at the end of the prior fiscal year.

In its deliberations of compensation for our named executive officers, the Compensation/Stock Option Committee considers the following:

the levels of responsibility associated with each executive's position;

the past performance of the individual executive;

the extent to which any individual, departmental or company-wide goals have been met;

the overall competitive environment and the level of compensation necessary to attract and retain talented and motivated individuals in key positions;

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the recommendations of our Chief Executive Officer with respect to the salary increases, potential bonuses and stock option grants for the executive officers other than himself; and

the outcome of advisory shareholder votes on executive compensation (commonly known as say-on-pay proposals).

At our Special Meeting of Shareholders in lieu of the 2011 Annual Meeting, 97% of the votes cast on the say-on-pay proposal were in favor of the approval of the compensation of our named executive officers, with only 3% voting against. The Compensation/Stock Option Committee believes that this shareholder vote endorses the compensation philosophy of our company, and the Compensation/Stock Option Committee did not make any changes to our executive compensation program as a result of the say-on-pay vote by our shareholders. We intend to conduct an advisory vote on the compensation of our named executive officers on an annual basis until the next advisory vote on the frequency of such say-on-pay proposals.

The Compensation/Stock Option Committee also considers ways to maximize deductibility of executive compensation under U.S. tax laws, while retaining the discretion of the Compensation/Stock Option Committee as is appropriate to compensate executive officers at levels commensurate with their responsibilities and achievements.

Neither Cognex nor the Compensation/Stock Option Committee typically uses compensation consultants other than independent third-party benchmarking surveys of annual compensation paid by companies in the high-technology industry, such as the Radford Executive Compensation Report described above.

## **Base Salaries**

In determining the base salaries paid to our named executive officers for fiscal year 2011, the Compensation/Stock Option Committee considered, in particular, their levels of responsibility, salary increases awarded in the past, and the executive's experience and potential. The base salary approved for each of our named executive officers for fiscal year 2011 was made based on the following criteria:

the Radford Executive Compensation Report's benchmarking survey of annual compensation paid by companies in the high-technology industry that have between \$250 million and \$500 million of annual revenue, with our named executive officers' salaries in 2011 falling below the 50<sup>th</sup> percentile of their position;

the levels of responsibility associated with each executive's position;

the past performance of the individual employee; and

the increase in salary levels approved by our Board of Directors in the fourth quarter of 2010 in conjunction with its approval of our annual budget for fiscal year 2011.

Mr. Willett received a 6% salary increase in 2011 in connection with his promotion to Chief Executive Officer of our company, and the salary of Dr. Shillman, who previously held the office of Chief Executive Officer, was reduced by 6% in 2011. Dr. Shillman elected to forgo his salary of \$235,000 and, as requested by him, we donated this amount to a public charity. Mr. Morin received a 2% salary increase in 2011.

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### Annual Company Bonuses

The Compensation/Stock Option Committee views annual company bonuses as a way to reward employees for meeting performance objectives. All Cognex employees, including our named executive officers, are eligible to participate in a performance-based annual company bonus program except for those employees on a sales commission plan. The Compensation/Stock Option Committee approves the annual company bonus plan in conjunction with our Board of Directors' approval of Cognex's annual budget, which typically takes place at the end of the prior fiscal year.

Cognex must first achieve financial goals set forth in the annual budget related to budgeted non-GAAP operating income as a percentage of revenue (we refer to this metric as operating margin) in order for any employee to be eligible for an annual company bonus. The Compensation/Stock Option Committee determined that operating margin is an appropriate metric because the Committee believes employee performance is integral in achieving desired levels of company profitability. Once the operating margin criterion is met, the amount each employee at director level and above, which includes our named executive officers, receives depends upon the achievement of individual performance targets, which are established annually.

Non-GAAP operating income as used in the calculation of operating margin for purposes of our bonus program is calculated by adjusting our operating income as determined in accordance with generally accepted accounting principles (GAAP) for expense related to stock options. Operating margin for our corporate employees, which includes our named executive officers, is based upon our consolidated financial results. For division employees, operating margin is based upon the financial results of either our company's Modular Vision Systems Division or our Surface Inspection Systems Division, as the case may be.

The Compensation/Stock Option Committee establishes a minimum level of operating margin for the company or division, as the case may be, which must be achieved for any cash bonus to be paid to an employee. Once the minimum threshold has been achieved, each employee's eligible bonus is calculated as follows:

if the actual operating margin is above the minimum threshold but below the operating margin target in the annual budget, each employee is eligible to receive a pro-rata portion of his or her target bonus;

if the actual operating margin is equal to the operating margin target in the annual budget, each employee is eligible to receive 100% of his or her target bonus; and

if the actual operating margin is above the operating margin target in the annual budget, all exempt employees are eligible to receive an additional amount depending upon his or her grade level and up to a maximum level approved by the Compensation/Stock Option Committee. (Exempt employees are those employees who receive an annual salary and are exempt from certain wage and hour laws.) The Compensation/Stock Option Committee approves the target bonus for each employee at director level and above, which includes our named executive officers, and the amount by which each individual can participate in any increase due to company or division performance, as the case may be, in excess of the operating margin target. Individual performance goals are established annually and generally relate to near-term strategic, financial and operational performance that supports the company's business objectives. A weighting is assigned to each individual performance goal. For fiscal year 2011:

the target bonus for Dr. Robert J. Shillman, our Executive Chairman, was \$141,000, with the opportunity to earn 0-300% of this amount based on company performance and the achievement of individual performance goals;



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the target bonus for Robert J. Willett, which was increased from 55% to 60% of his annual base salary in conjunction with his promotion to our Chief Executive Officer in 2011, was \$210,000, with the opportunity to earn 0-300% of this amount based on company performance and the achievement of individual performance goals; and

the target bonus for Richard A. Morin, our Executive Vice President and Chief Financial Officer, was \$137,500, with the opportunity to earn 0-200% of this amount based on company performance and the achievement of individual performance goals.

The Compensation/Stock Option Committee believes that the payment of an annual company bonus based upon the achievement of company and individual performance goals is an appropriate way to reward our named executive officers for meeting performance objectives while also achieving desired levels of company profitability.

The consolidated operating margin target for 2011 was consistent with our long-term financial model of 20% to 30% of revenue. The actual consolidated operating margin was 27%, which exceeded the target. As a result, each of our named executive officers was eligible to receive 100% of his bonus target plus an additional amount depending upon his grade level and up to a maximum level approved by the Compensation/Stock Option Committee. The annual bonuses for 2011 for our named executive officers are listed under the heading "Executive Compensation - Summary Compensation Table" and were paid in February 2012. Dr. Shillman elected to forgo his 2011 bonus, and, as requested by him, we donated this amount to a public charity.

## **Stock Option Awards**

Cognex's stock option program is intended to reward the majority of our exempt employees, which includes our named executive officers, for their efforts in building shareholder value and improving corporate performance over the long-term. The Compensation/Stock Option Committee views salary increases and bonuses as short-term compensation and stock option awards as long-term compensation. The Compensation/Stock Option Committee also believes that the stock option program promotes the retention of talented employees.

In determining the number of options to be granted to participating employees, including our named executive officers, during a fiscal year, the Compensation/Stock Option Committee first selects an appropriate dilution target and then determines a target number of options to be granted to current employees in the form of annual grants and a target number for employees hired or promoted during the year. The Compensation/Stock Option Committee approves the options granted to our named executive officers on an individual basis. Our Chief Executive Officer has been delegated the authority to approve stock option grants to our non-executive employees not to exceed 20,000 shares to any one individual in the aggregate per calendar year.

The dilution target for 2011 was determined to be 2.01%, which resulted in a target stock option pool of approximately 828,000 shares on a net basis. In addition, the dilution target for 2012 was determined to be 1.84% which resulted in a target stock option pool of approximately 781,000 shares on a net basis. Our 2012 annual grants, which typically would have been completed in the first quarter of such year, were completed in the fourth quarter of 2011 with extended vesting periods to utilize shares available for grant to non-executive employees under our 2001 General Stock Option Plan before it was scheduled to expire in December 2011 (shareholders subsequently approved the extension of the expiration date of the plan to September 2021). In order to minimize administrative efforts, our named executive officers participated in the 2012 annual grants in 2011 even though their shares were granted under a different stock option plan. All employees who received a 2012 annual grant in 2011, including our named executive officers, are not eligible to participate in annual grants until fiscal year 2013.

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In determining the 2011 and 2012 annual grants to our named executive officers, the Compensation/Stock Option Committee took into consideration options granted to each executive in previous years and the potential value which may be realized upon exercise of the options as a result of appreciation of our common stock during the option term. In addition, Mr. Willett was granted options in 2011 to purchase 100,000 shares in consideration of his promotion to Chief Executive Officer of our company that vest in one installment in 2015. With the exception of this grant, all options granted in 2011 to our named executive officers are consistent with the vesting schedules and expiration dates of a majority of the option grants made to our other employees. In addition, the exercise price for all options granted in 2011, including options granted to our named executive officers, equals the fair market value of our common stock on Nasdaq on the date of grant.

Our policy is to grant stock options on certain fixed dates. The annual grants are predetermined to occur each year on the fourth Monday in January of such year. The options for employees hired or promoted during a month are granted on the last Monday of that month. If any such Monday falls within a designated quiet period, then the grants will instead be made on the first Monday following the completion of the quiet period. If Nasdaq is closed on the appropriate Monday as described above, then the grants will instead be made on the next day that Nasdaq is open for trading. The Compensation/Stock Option Committee retains the discretion to grant options at such other times as it may otherwise deem appropriate.

The Compensation/Stock Option Committee believes that the primary purpose of stock option awards is to align employee interests with the interests of our shareholders, and to provide our employees, including our named executive officers, with incentives to increase shareholder value over time. Change of control transactions typically represent events where our shareholders are realizing the value of their equity interests in our company. We believe it is appropriate for our Directors and named executive officers to share in this realization of shareholder value.

As such, all options held by our non-employee Directors, Mr. Alias, Dr. Shillman and Mr. Morin are subject to immediate vesting upon a change of control of Cognex, and the options held by Mr. Willett, except for those granted to him in 2008, are subject to immediate vesting if there is a change of control and if his employment is involuntarily terminated within twelve months following the transaction. In providing for the immediate vesting of Mr. Morin's options, the Compensation/Stock Option Committee noted that, given his role with Cognex, it was unlikely that his employment with Cognex would be continued following a change of control transaction.

The options granted to Mr. Willett in 2008 provide for accelerated vesting if the following conditions are met:

for the grant of 50,000 options, which become exercisable on June 17, 2013: (1) there is a change of control of Cognex during Mr. Willett's fifth year of employment; and (2) Mr. Willett is not given the opportunity to remain in his role following the change of control; and

for the grant of 50,000 options, which become exercisable on June 17, 2014: (1) there is a change of control of Cognex during Mr. Willett's sixth year of employment; and (2) Mr. Willett is not given the opportunity to remain in his role following the change of control.

We do not have a stock ownership policy for our named executive officers or members of our Board of Directors.

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**REPORT OF THE COMPENSATION/STOCK OPTION COMMITTEE**

The Compensation/Stock Option Committee administers the compensation program for Cognex's executive officers. The Compensation/Stock Option Committee is composed of Directors who qualify as independent under the applicable listing standards of Nasdaq.

The Compensation/Stock Option Committee has reviewed and discussed the Compensation Discussion and Analysis included in this proxy statement with management. Based on that review and discussion, the Compensation/Stock Option Committee recommended to the Board of Directors that the Compensation Discussion and Analysis be included in this proxy statement.

The foregoing report has been approved by all members of the Compensation/Stock Option Committee.

COMPENSATION/STOCK OPTION COMMITTEE

Reuben Wasserman, *Chairman*

Jerald G. Fishman

Anthony Sun

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The following table sets forth the total compensation awarded to, earned by or paid to our Chief Executive Officer, our Chief Financial Officer, and our other executive officers in fiscal years 2009, 2010, and 2011 (who we refer to collectively as the named executive officers).

Name and Principal Position	Year	Salary(1)	Option Awards(2)	Non-Equity Incentive Plan Compensation(1)	All Other Compensation(3)	Total Compensation
Robert J. Shillman (4) Chairman of the Board and Chief Culture Officer	2011	(5)	\$ 0(8)	(5)	\$ 14,008	\$ 649,166(5)
	2010	(5)	\$ 0(8)	(5)	\$ 10,491	\$ 710,491(5)
	2009	(5)	\$ 0(8)	(5)	\$ 594,856	\$ 844,856(5)
Robert J. Willett (6) President and Chief Executive Officer	2011	\$ 345,769	\$ 2,271,750	\$ 554,746	\$ 8,649	\$ 3,180,914
	2010	\$ 331,269	\$ 1,880,250	\$ 412,500	\$ 4,644	\$ 2,628,663
	2009	\$ 255,981	\$ 70,700	\$ 0	\$ 405,915	\$ 732,596
Richard A. Morin (7) Executive Vice President and Chief Financial Officer	2011	\$ 274,596	\$ 744,450	\$ 275,000	\$ 12,341	\$ 1,306,387
	2010	\$ 270,935	\$ 437,400	\$ 270,000	\$ 13,685	\$ 992,020
	2009	\$ 249,623	\$ 30,510	\$ 0	\$ 288,811	\$ 568,944

- (1) Salary and bonus amounts are presented in the year earned. The payment of such amounts may have occurred in other years.
- (2) Represents the aggregate grant date fair value of options granted to each named executive officer in each year presented but disregarding estimated forfeitures for this purpose. The methodology and assumptions used to calculate the grant date fair value are described in Note 14, "Stock-Based Compensation" of our Annual Report on Form 10-K for the fiscal year ended December 31, 2011. Cognex recognizes the grant date fair value as an expense for financial reporting purposes over the service-based vesting period. No stock option grants to a named executive officer were forfeited in 2010 or 2011. In 2009, Dr. Shillman forfeited 62,400 option shares and Mr. Morin forfeited 80,000 option shares because the exercise prices were well below the market price of our common stock on the grant expiration dates.
- (3) Amounts listed in this column for each year presented that individually equal or exceed \$10,000 include:
- payments made in 2009 for options tendered and accepted in our tender offer to purchase certain "underwater" stock options completed on December 15, 2009 as follows: Dr. Shillman tendered options to purchase an aggregate of 291,700 shares at a weighted average exercise price of \$29.18, and received in exchange \$584,375; Mr. Willett tendered options to purchase an aggregate of 250,000 shares at a weighted average exercise price of \$27.13, and received in exchange \$270,000; and Mr. Morin tendered options to purchase an aggregate of 128,250 shares at a weighted average exercise price of \$28.64, and received in exchange \$275,633; and
- relocation payments of \$130,452 made in 2009 attributable to Mr. Willett's relocation to our headquarters.
- (4) Dr. Shillman served as Chairman of the Board and Chief Executive Officer of Cognex during all of 2009 and 2010. In March 2011, he became Executive Chairman of Cognex.
- (5) Dr. Shillman elected to forgo his base salary of \$250,000 in 2009 and 2010 and \$235,000 in 2011 and his annual company bonus of \$450,000 and \$400,158 in 2010 and 2011, respectively. There was no bonus



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earned in 2009. As requested by him, we donated these amounts to a public charity. These amounts are included in the amount shown in the Total Compensation column.

- (6) Mr. Willett was promoted to Chief Executive Officer of Cognex in March 2011. He was promoted from President of our company's Modular Vision Systems Division to President and Chief Operating Officer of Cognex in January 2010.
- (7) Mr. Morin was promoted from Senior Vice President to Executive Vice President of Cognex in April 2009.
- (8) Dr. Shillman declined to accept option awards offered by the Compensation/Stock Option Committee in 2009, 2010 and 2011.

**Grants of Plan-Based Awards Table 2011**

The following table sets forth information regarding non-equity incentive plans and option grants to our named executive officers in fiscal year 2011.

Name	Grant Date	Estimated Future Payouts Under Non-Equity Incentive Plan Awards(1)			All Other Option Awards: Number of Securities Underlying Options	Exercise or Base Price of Option Awards (Per Share)	Grant Date Fair Value of Option Awards(2)
		Thresh-old	Target	Maxi-mum			
Robert J. Shillman		\$ 0	\$ 141,000	\$ 423,000			
Robert J. Willett		\$ 0	\$ 210,000	\$ 630,000			
	2/14/11				50,000(3)	\$ 30.67	\$ 593,250
	3/18/11				100,000(4)	\$ 24.76	\$ 1,031,000
	11/2/11				50,000(5)	\$ 33.59	\$ 647,500
Richard A. Morin		\$ 0	\$ 137,500	\$ 275,000			
	2/14/11				30,000(3)	\$ 30.67	\$ 355,950
	11/2/11				30,000(5)	\$ 33.59	\$ 388,500

- (1) These columns indicate the range of payouts targeted for 2011 performance under Cognex's annual company bonus program as described under the heading Compensation Discussion and Analysis. The actual payout with respect to 2011 for each named executive officer is shown in the Summary Compensation Table in the column titled Non-Equity Incentive Plan Compensation.
- (2) The methodology and assumptions used to calculate the grant date fair value of the options granted to each named executive officer in 2011 are described in Note 14, Stock-Based Compensation of our Annual Report on Form 10-K for the fiscal year ended December 31, 2011, but disregarding for this purpose the estimate of forfeitures related to service-based vesting conditions.
- (3) These options have a ten-year term and became exercisable in four equal annual installments commencing on February 14, 2012.
- (4) These options have a ten-year term and become exercisable in one installment on March 18, 2015.
- (5) These options have a ten-year term and become exercisable in four equal annual installments commencing on February 13, 2013.



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**Discussion of Summary Compensation and Grants of Plan-Based Awards Tables**

Compensation to our named executive officers consists primarily of salary, bonus and stock option awards as well as other benefits which are also available to all Cognex employees generally. These benefits include company-paid basic group term life insurance, basic accidental death and dismemberment insurance, an employer match of eligible compensation that employees invest in their 401(k) accounts, tuition reimbursement, and benefits consistent with our Work Hard, Play Hard and Move Fast culture such as Perseverance Awards, which reward employee longevity, commitment, and loyalty. Cognex's executive compensation policies, pursuant to which the compensation set forth in the Summary Compensation Table and Grants of Plan-Based Awards Table was paid or awarded, are described under the heading Compensation Discussion and Analysis.

Mr. Willett received a 6% salary increase in 2011 in connection with his promotion to Chief Executive Officer of our company, and the salary of Dr. Shillman, who previously held the office of Chief Executive Officer, was reduced by 6% in 2011. Dr. Shillman elected to forgo his salary of \$235,000 and, as requested by him, we donated this amount to a public charity. Mr. Morin received a 2% increase in 2011. (Percentages may not be able to be recalculated based upon the salaries set forth in the Summary Compensation Table if the salary change took place during the fiscal year.)

Cognex provides each named executive officer with the opportunity to earn a cash bonus pursuant to a performance-based annual company bonus program that is based first on the achievement of the consolidated financial goal set forth in Cognex's annual budget related to non-GAAP operating income as a percentage of revenue (we refer to this metric as operating margin), and then on the achievement of individual performance goals, which are also established annually. The Compensation/Stock Option Committee approves the target bonus for each named executive officer. For 2011, the target bonus for Dr. Shillman was \$141,000, with the opportunity to earn 0-300% of this amount; the target bonus for Mr. Willett was \$210,000, with the opportunity to earn 0-300% of this amount; and the target bonus for Mr. Morin was \$137,500, with the opportunity to earn 0-200% of this amount.

During 2011, Cognex's actual consolidated operating margin was 27%, which was above the target. As a result, each of our named executive officers was eligible to receive 100% of his bonus target plus an additional amount up to the maximum level approved by the Compensation/Stock Option Committee.

Messrs. Willett and Morin participated in our 2011 annual stock option grants, which were completed in the first quarter of 2011, and our 2012 annual grants, which typically would have been completed in the first quarter of 2012. The 2012 annual grants were instead completed in the fourth quarter of 2011 with extended vesting periods to utilize shares available for grant to non-executive employees under our 2001 General Stock Option Plan before it was scheduled to expire in December 2011 (shareholders subsequently approved an extension of the expiration date of the plan to September 2021). In order to minimize administrative efforts, our named executive officers participated in the 2012 annual grants in 2011 even though their shares were granted under a different option plan. Mr. Willett was also granted options to purchase 100,000 shares in consideration of his promotion to Chief Executive Officer, which vest in one installment in 2015. With the exception of this option grant, the options granted in 2011 to our named executive officers were consistent with the vesting schedules and expiration dates of the majority of grants made to our other employees in 2011.

Our 2009 annual grants, which typically would have been completed in the first quarter of such year, were completed in 2008 with extended vesting periods in order to utilize options available under our 1998 Stock Incentive Plan, which expired in February 2008. All employees who received 2009 annual grants in 2008, including our named executive officers, were not eligible to participate in our annual option grants until fiscal



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year 2010. The 2009 annual grants made in 2008 to our named executive officers were set forth in the Summary Compensation Table for 2008.

A total of 1,666,250 options were granted to Cognex employees in fiscal year 2011. Of this total, 727,850 were the 2012 annual grants referred to above. All employees who received their 2012 annual grant in 2011, including our named executive officers, are not eligible to participate in annual grants until fiscal year 2013.

**Option Exercises and Stock Vested Table 2011**

The following table sets forth the amounts realized in fiscal year 2011 by our named executive officers as a result of option exercises.

Name	Option Awards	
	Number of Shares Acquired on Exercise	Value Realized on Exercise (1)
Robert J. Shillman	149,750	\$ 2,199,136
Robert J. Willett	0	\$ 0
Richard A. Morin	21,000	\$ 290,286

- (1) The value realized on exercise represents the difference between the exercise price of the stock options and the trading price of our common stock on Nasdaq upon the sale of the stock, multiplied by the number of shares underlying the option exercised.

**Table of Contents****Table of Outstanding Equity Awards at Fiscal Year-End 2011**

The following table sets forth the number of options to purchase shares of our common stock held by our named executive officers at December 31, 2011.

Name	Number of Securities Underlying Unexercised Options (Exercisable)	Number of Securities Underlying Unexercised Options (Unexercisable)	Option Exercise Price	Option Expiration Date	Footnote
Robert J. Shillman	0	8,750	\$ 18.70	2/19/18	(1)
	0	15,750	\$ 18.70	2/19/18	(2)
Robert J. Willett	17,500	0	\$ 13.45	5/6/19	(3)
	0	50,000	\$ 27.13	6/17/18	(4)
	0	50,000	\$ 27.13	6/17/18	(5)
	50,000	150,000	\$ 19.25	3/15/20	(6)
	12,500	37,500	\$ 17.76	6/11/20	(7)
	0	50,000	\$ 30.67	2/14/21	(8)
	0	100,000	\$ 24.76	3/18/21	(9)
	0	50,000	\$ 33.59	11/2/21	(10)
Richard A. Morin	0	5,625	\$ 18.70	2/19/18	(1)
	1,610	1,610	\$ 18.87	8/5/18	(1)
	5,062	10,126	\$ 18.70	2/19/18	(2)
	1,450	2,900	\$ 18.87	8/5/18	(2)
	0	22,500	\$ 19.25	3/15/20	(6)
	7,500	22,500	\$ 17.76	6/11/20	(7)
	0	30,000	\$ 30.67	2/14/21	(8)
	0	30,000	\$ 33.59	11/2/21	(10)

(1) This option became exercisable in four equal annual installments commencing on February 19, 2009.

(2) This option became exercisable in four equal annual installments commencing on February 19, 2010.

(3) This option became exercisable in one installment on June 15, 2009.

(4) This option becomes exercisable in one installment on June 17, 2013.

(5) This option becomes exercisable in one installment on June 17, 2014.

(6) This option became exercisable in four equal annual installments commencing on March 15, 2011.

(7) This option became exercisable in four equal annual installments commencing on June 11, 2011.

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- (8) This option became exercisable in four equal annual installments commencing on February 14, 2012.
- (9) This option becomes exercisable in one installment commencing on March 18, 2015.
- (10) This option becomes exercisable in four equal annual installments commencing on February 13, 2013.

**PROPOSAL 2: EXECUTIVE COMPENSATION ( SAY-ON-PAY )**

We are providing our shareholders with the opportunity to vote on a non-binding, advisory resolution to approve the compensation paid to our named executive officers, as disclosed in this proxy statement pursuant to Item 402 of Regulation S-K, including the Compensation Discussion and Analysis, compensation tables and narrative discussion. This proposal, commonly known as a say-on-pay proposal, gives our shareholders the

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opportunity to express their views on our named executive officers' compensation. At our Special Meeting of Shareholders in lieu of the 2011 Annual Meeting, a majority of votes were cast in favor of holding annual say-on-pay votes. After considering the voting results, our Board decided to conduct an advisory vote on the compensation of our named executive officers on an annual basis until the next advisory vote on the frequency of such say-on-pay votes.

This vote is not intended to address any specific item of compensation, but rather the overall compensation of our named executive officers and the philosophy, policies and practices described in this proxy statement. Accordingly, we will ask our shareholders to vote **FOR** the following resolution at the meeting:

RESOLVED, that the compensation paid to Cognex's named executive officers, as disclosed in this proxy statement pursuant to Item 402 of Regulation S-K, including the Compensation Discussion and Analysis, compensation tables and narrative discussion, is hereby APPROVED.

Total compensation for our named executive officers consists primarily of salary, bonus and stock option awards as well as other benefits which are also available to all Cognex employees generally. Salary and bonuses are viewed as short-term compensation to reward our named executive officers for meeting individual and company performance objectives, and stock option awards are viewed as a reward for increasing shareholder value and improving corporate performance over the long-term. We also believe that stock option awards promote the retention of talented employees. Determinations with respect to compensation for a fiscal year are generally made in conjunction with our Board of Directors' approval of Cognex's annual budget for that year, which typically takes place at the end of the prior fiscal year.

The compensation philosophy and programs for our named executive officers are set forth under the headings "Compensation Discussion and Analysis" and "Executive Compensation."

## **Recommendation**

### **OUR BOARD OF DIRECTORS RECOMMENDS A VOTE FOR THIS SAY-ON-PAY PROPOSAL.**

The resolution that is the subject of this proposal is advisory in nature and, therefore, is not binding on Cognex, the Compensation/Stock Option Committee or our Board of Directors. However, the Compensation/Stock Option Committee intends to take the results of the vote on this proposal into account when considering future decisions regarding the compensation of our named executive officers.

### **EMPLOYMENT AGREEMENT WITH ROBERT J. WILLETT**

We entered into an employment agreement with Mr. Willett in June 2008 when he joined our company as Executive Vice President and President of the Modular Vision Systems Division which entitles him to receive all of Cognex's standard employee benefits. In addition, under the employment agreement, certain options to purchase shares of our common stock that he was granted in 2008 in connection with his appointment as an executive officer when he joined our company, and which were outstanding at December 31, 2011, are subject to accelerated vesting under certain circumstances following a change of control of Cognex as described in more detail below under the heading "Potential Payments Upon Termination or Change of Control."

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**POTENTIAL PAYMENTS UPON TERMINATION OR CHANGE OF CONTROL**

Under the employment agreement between Cognex and Mr. Willett, which is described in more detail above under the heading Employment Agreement with Robert J. Willett, the unvested options granted to Mr. Willett in 2008 become fully vested if the following conditions are met:

for the grant of 50,000 options, which become exercisable on June 17, 2013: (1) there is a change of control of Cognex during Mr. Willett's fifth year of employment; and (2) Mr. Willett is not given the opportunity to remain in his role following the change of control; and

for the grant of 50,000 options, which become exercisable on June 17, 2014: (1) there is a change of control of Cognex during Mr. Willett's sixth year of employment; and (2) Mr. Willett is not given the opportunity to remain in his role following the change of control.

A change of control for the options granted to Mr. Willett in 2008 means that control of Cognex has been moved from a board of directors selected by public shareholders to individuals who are appointed by a new owner of Cognex, other than a change in the Board pursuant to a purchase of Cognex by a financial buyer.

The unvested options held by Mr. Willett, other than those granted to him in 2008, are subject to immediate vesting if there is a change of control of Cognex, which is defined as a corporate transaction in which the holders of Cognex common stock before the transaction control less than 51% of the stock of Cognex or any successor corporation after the transaction, and if his employment is involuntarily terminated within twelve months following such transaction. The unvested options held by our non-employee Directors, Mr. Alias, Dr. Shillman and Mr. Morin are subject to immediate vesting upon a similar change of control transaction.

The following table indicates the amount of unvested shares held by each individual that would have become fully exercisable assuming that with respect to Dr. Shillman's and Mr. Morin's option grants, a change of control of Cognex occurred at December 31, 2011, and with respect to the options granted to Mr. Willett, the termination of his employment occurred in the circumstances described above at December 31, 2011 following a change of control. These amounts are estimates only and do not necessarily reflect the actual number of shares that would accelerate or their value, which would only be known at the time that the individual becomes entitled to the accelerated vesting of his options.

Name	Number of Option Shares That Would Have Accelerated Vesting	Value of Option Shares That Would Have Accelerated Vesting(1)
Robert J. Shillman	24,500	\$ 418,705
Robert J. Willett	487,500	\$ 5,492,125
Richard A. Morin	125,261	\$ 1,342,919

(1) Amounts shown in this column are based on the positive difference between the closing price of our common stock on Nasdaq on December 31, 2011 (\$35.79) and the exercise prices for such options.

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**PROPOSAL 3: RATIFICATION OF SELECTION OF  
INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

The Audit Committee has appointed Grant Thornton LLP (Grant Thornton) as Cognex's independent registered public accounting firm to examine the consolidated financial statements of Cognex and its subsidiaries for the fiscal year ended December 31, 2012. Grant Thornton served as Cognex's independent registered public accounting firm for fiscal years 2010 and 2011. Although ratification by shareholders is not required by law or by our by-laws, the Audit Committee believes that submission of its selection to shareholders is a matter of good corporate governance. Even if the selection is ratified, the Audit Committee, in its discretion, may select a different independent registered public accounting firm at any time if the Audit Committee believes that such a change would be in the best interests of our company and its shareholders. If our shareholders do not ratify the selection of Grant Thornton, the Audit Committee will take that fact into consideration, together with such other factors as it deems relevant, in determining its next selection of an independent registered public accounting firm. A representative of Grant Thornton is expected to be present at our Special Meeting in lieu of the 2012 Annual Meeting of Shareholders, and will have the opportunity to make a statement if he or she so desires and to respond to appropriate questions.

**Recommendation**

**OUR BOARD OF DIRECTORS RECOMMENDS THAT SHAREHOLDERS VOTE FOR THE RATIFICATION OF THE SELECTION OF GRANT THORNTON LLP AS INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM FOR FISCAL YEAR 2012.**

**Fees Paid to Independent Registered Public Accounting Firm**

The aggregate fees charged or expected to be charged by Grant Thornton and its affiliates for services rendered during 2010 and 2011 are as follows:

Type of Fee	2011	2010
Audit Fees	\$ 902,564	\$ 906,758
Audit-Related Fees	\$ 0	\$ 0
Tax Fees	\$ 0	\$ 0
All Other Fees	\$ 0	\$ 0

*Audit Fees.* These are fees for services rendered in connection with the audit of the annual financial statements included in our Annual Report on Form 10-K; the review of the financial statements included in our Quarterly Reports on Form 10-Q; the audit of our internal control over financial reporting; and for services that are normally provided by an independent auditor in connection with statutory and regulatory filings or engagements.

*Audit-Related Fees.* These are fees for assurance and related services that are reasonably related to the performance of the audit or review of our financial statements or our company's internal control over financial reporting.

*Tax Fees.* These are fees for tax compliance, planning and preparation, and tax consulting and advice.

*All Other Fees.* These are fees for any service not included in the first three categories.

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**Pre-approval Policies**

The Audit Committee pre-approves all auditing services and the terms of such services and non-audit services provided by Cognex's independent registered public accounting firm, but only to the extent that the non-audit services are not prohibited under applicable law and the Audit Committee reasonably determines that the non-audit services do not impair the independence of the independent registered public accounting firm. The authority to pre-approve non-audit services may be delegated to one or more members of the Audit Committee, who present all decisions to pre-approve an activity to the full Audit Committee at its first meeting following such decision.

The pre-approval requirement is waived with respect to the provision of non-audit services for Cognex if:

the aggregate amount of all such non-audit services provided to us constitutes not more than 5% of the total amount of fees paid by us to the independent registered public accounting firm during the fiscal year in which such non-audit services were provided;

those services were not recognized at the time of the engagement to be non-audit services; and

those services are promptly brought to the attention of the Audit Committee and approved prior to the completion of the audit by the Audit Committee or by one or more of its members to whom authority to grant such approvals has been delegated by the Audit Committee.

There were no non-audit services provided to Cognex by our independent registered public accounting firm for fiscal years 2010 and 2011 that required review by the Audit Committee.

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**REPORT OF THE AUDIT COMMITTEE**

The following is the report of the Audit Committee with respect to Cognex's audited financial statements for the fiscal year ended December 31, 2011. The Audit Committee acts pursuant to a written charter. Each of the members of the Audit Committee qualifies as an independent Director under the applicable listing standards of Nasdaq and rules of the SEC.

The Audit Committee has reviewed and discussed Cognex's audited financial statements with management. The Audit Committee has discussed with Grant Thornton, Cognex's independent registered public accounting firm, the matters required to be discussed by Statement on Auditing Standards No. 61, *Communication with Audit Committees*, as amended, as adopted by the Public Company Accounting Oversight Board (PCAOB) in Rule 3200T, which provides that certain matters related to the conduct of the audit of Cognex's financial statements are to be communicated to the Audit Committee. The Audit Committee has also received the written disclosures and the letter from Grant Thornton required by applicable requirements of the PCAOB regarding Grant Thornton's communications with the Audit Committee concerning independence, and has discussed with Grant Thornton the independent registered public accounting firm's independence from Cognex.

Based on the review and discussions referred to above, the Audit Committee recommended to the Board of Directors that Cognex's audited financial statements be included in Cognex's Annual Report on Form 10-K for the fiscal year ended December 31, 2011.

The foregoing report has been approved by all members of the Audit Committee.

**AUDIT COMMITTEE**

Theodor Krantz, *Chairman*

Jeffrey B. Miller

Reuben Wasserman



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### Shareholder Proposals

Under regulations adopted by the SEC, any proposal submitted for inclusion in our proxy statement relating to our 2013 Annual Meeting of Shareholders must be received at our principal executive offices in Natick, Massachusetts on or before November 14, 2012. Our receipt of any such proposal from a qualified shareholder in a timely manner will not ensure its inclusion in the proxy material because there are other requirements in the proxy rules for such inclusion.

In addition to the SEC's requirements regarding shareholder proposals, our by-laws contain provisions regarding matters to be brought before shareholder meetings. If shareholder proposals, including proposals regarding the election of Directors, are to be considered at the 2013 Annual Meeting of Shareholders, notice of them whether or not they are included in our proxy statement and form of proxy, must be given by personal delivery or by U.S. mail, postage prepaid, to the Secretary of Cognex Corporation on or before February 8, 2013. The notice must set forth:

information concerning the shareholder, including his or her name and address;

a representation that the shareholder is entitled to vote at such meeting and intends to appear in person or by proxy at the meeting to present the matter specified in the notice; and

such other information as would be required to be included in a proxy statement soliciting proxies for the presentation of such matter to the meeting.

Shareholder proposals with respect to the election of Directors must also contain other information set forth in our by-laws. Proxies solicited by our Board of Directors will confer discretionary voting authority with respect to these proposals subject to the SEC's rules governing the exercise of this authority. We suggest that any shareholder proposal be submitted by certified mail, return receipt requested.

### Other Matters

Management knows of no matters which may properly be and are likely to be brought before the meeting other than the matters discussed in this proxy statement. However, if any other matters properly come before the meeting, the persons named in the enclosed proxy will vote in accordance with their best judgment.

**We will provide shareholders with a copy of our Annual Report on Form 10-K, including the financial statements and schedules to such report, required to be filed with the SEC for our most recent fiscal year, without charge, upon receipt of a written request from such person. Such request should be sent to Department of Investor Relations, Cognex Corporation, One Vision Drive, Natick, Massachusetts 01760.**

By Order of the Board of Directors

Anthony J. Medaglia, Jr., *Secretary*

Natick, Massachusetts

March 14, 2012

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**Electronic Voting Instructions**

**You can vote by Internet or telephone!**

**Available 24 hours a day, 7 days a week!**

Instead of mailing your proxy, you may choose one of the two voting methods outlined below to vote your proxy.

VALIDATION DETAILS ARE LOCATED BELOW IN THE TITLE BAR.

**Proxies submitted by the Internet or telephone must be received by 1:00 a.m., EDT, on Thursday, April 26, 2012.**

**Vote by Internet**

Log on to the Internet and go to  
**[www.envisionreports.com/CGNX](http://www.envisionreports.com/CGNX)**

Follow the steps outlined on the secured website.

**Vote by telephone**

Call toll free 1-800-652-VOTE (8683) within the USA, US territories & Canada any time on a touch tone telephone. There is **NO CHARGE** to you for the call.

Using a **black ink** pen, mark your votes with an **X** as shown in this example. Please do not write outside the designated areas.

**X**

Follow the instructions provided by the recorded message.

**Special Meeting in Lieu of the 2012 Annual Meeting of Shareholders Proxy Card**

**IF YOU HAVE NOT VOTED VIA THE INTERNET OR TELEPHONE, FOLD ALONG THE PERFORATION, DETACH AND RETURN THE BOTTOM PORTION IN THE ENCLOSED ENVELOPE.**

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**The Board of Directors recommends a vote FOR all the nominees listed in Proposal 1 and FOR Proposals 2 and 3.**  
**A Election of Directors**

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1. Nominees: **Nominated for a term ending in 2015:**  
 01 - Patrick A. Alias  
 02 - Robert J. Shillman  
 03 - Reuben Wasserman

.. Mark here to vote FOR all nominees

.. Mark here to WITHHOLD vote from all nominees

01 02 03

.. **For All EXCEPT** - To withhold a vote for one or more nominees, mark the box to the left and the corresponding numbered box(es) to the right.

- |  |            |                |                |  |
|--|------------|----------------|----------------|--|
|  | <b>For</b> | <b>Against</b> | <b>Abstain</b> |  |
| 2. To approve the compensation of Cognex's named executive officers as described in the proxy statement including the Compensation Discussion and Analysis, compensation tables and narrative discussion (say-on-pay). | ..         | ..             | ..             |  |
|  | <b>For</b> | <b>Against</b> | <b>Abstain</b> |  |
| 3. To ratify the selection of Grant Thornton LLP as Cognex's independent registered public accounting firm for fiscal year 2012.   | ..         | ..             | ..             | 4. The consideration of any other business that may properly come before the meeting or any adjournment or postponement thereof. |

**B Authorized Signatures This section must be completed for your vote to be counted. Date and Sign Below**

Please sign exactly as name(s) appears hereon. Joint owners should each sign. When signing as attorney, executor, administrator, corporate officer, trustee, guardian, or custodian, please give full title.

Date (mm/dd/yyyy) Please print date below.

Signature 1 Please keep signature within the box. Signature 2 Please keep signature within the box.

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**Special Meeting in Lieu of the 2012 Annual Meeting of Shareholders Admission Ticket**

**Special Meeting in Lieu of the 2012 Annual Meeting of**

**Cognex Corporation Shareholders**

**Thursday, April 26, 2012 at 9:00 a.m. Local Time**

**Cognex Corporation**

**One Vision Drive**

**Natick, Massachusetts**

**Upon arrival, please present this admission ticket**

**and photo identification at the registration desk.**

**DIRECTIONS TO COGNEX CORPORATION**

One Vision Drive  
Natick, MA 01760

**From Route 90 (Mass Turnpike):**

Take Exit 13 (Natick/Framingham - Route 30)

Follow left ramp towards Natick (Route 30 East)

Follow signs to Route 9 East

Follow From Route 9 East

**Please note:** Guest parking is available in the front parking lot.

**From Boston and Logan Airport:**

Merge onto Route 90 West (Mass Turnpike) toward Worcester

From Route 90 West, take Exit 15 (I-95/Route 128) toward Waltham/Dedham

Follow From Route 128 (I-95)

**From Route 9 West:**

Follow Route 9 West

Look for an Audi dealership on your right as you head up a hill. At the crest of that hill, Vision Drive is 0.1 miles past Wethersfield Rd. Cognex is on the left of

Vision Drive.

**From Route 128 (I 95):**

Take Exit 20B (Route 9 West) toward Framingham/Worcester

Follow From Route 9 West

**From Route 9 East:**

Follow Route 9 East

Make U-turn at the left lane U-turn signal near Natick McDonald's

Follow From Route 9 West

**From Route 495:**

Take Exit 22 Route 90 East (Mass Turnpike) toward Framingham/Boston

Follow From Route 90 (Mass Turnpike)

q **IF YOU HAVE NOT VOTED VIA THE INTERNET OR TELEPHONE, FOLD ALONG THE PERFORATION, DETACH AND RETURN THE BOTTOM PORTION IN THE ENCLOSED ENVELOPE.** q

**Proxy Cognex Corporation**  
**Notice of Special Meeting in Lieu of the 2012 Annual Meeting of Shareholders**

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**Proxy Solicited by Board of Directors for Special Meeting April 26, 2012**

**Important Notice Regarding the Availability of Proxy Materials for the Special Meeting in Lieu of the 2012 Annual Meeting of Shareholders to be held on April 26, 2012: The proxy statement and annual report to shareholders are available at: [www.envisionreports.com/CGNX](http://www.envisionreports.com/CGNX).**

The undersigned hereby appoints Robert J. Shillman and Anthony J. Medaglia, Jr., and each of them, with full power of substitution, as proxies to represent and vote the shares of the undersigned, with all the powers which the undersigned would possess if personally present, at the Special Meeting in Lieu of the 2012 Annual Meeting of Shareholders of Cognex Corporation to be held on April 26, 2012 or at any postponement or adjournment thereof.

**Shares represented by this proxy will be voted as directed by the shareholder. If no such directions are indicated, the shares represented by this proxy will be voted FOR the election of the nominees listed on the reverse side for the Board of Directors and FOR Proposals 2 and 3.**

**In their discretion, the Proxies are authorized to vote upon such other business as may properly come before the meeting.**

(Items to be voted appear on reverse side.)

**C Non-Voting Items**

**Change of Address** Please print your new address below.      **Comments** Please print your comments below.

**Meeting Attendance**  
Mark the box to the right if you plan to attend the Annual Meeting.      ..

**IF VOTING BY MAIL, YOU MUST COMPLETE SECTIONS A C ON BOTH SIDES OF THIS CARD.**

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