

PC TEL INC
Form DEF 14A
April 28, 2008

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**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
SCHEDULE 14A
Proxy Statement Pursuant to Section 14(a) of the Securities
Exchange Act of 1934**

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement

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

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material Pursuant to §240.14a-12

PCTEL, INC.

(Name of Registrant as Specified In Its Charter)

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

Payment of Filing Fee (Check the appropriate box):

No fee required.

Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

(1) Title of each class of securities to which transaction applies:

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(1) Amount Previously Paid:

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

(3) Filing Party:

(4) Date Filed:

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NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

**Tuesday, June 10, 2008
10:00 a.m.**

To Our Stockholders:

The 2008 annual meeting of stockholders of PCTEL, Inc., a Delaware corporation, will be held on Tuesday, June 10, 2008 at 10:00 a.m. local time at our headquarters, located at 471 Brighton Drive, Bloomingdale, Illinois 60108 for the following purposes:

1. To elect three Class III directors whose terms will expire at the 2011 annual meeting of stockholders;
2. To ratify the appointment of Grant Thornton LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2008; and
3. To transact such other business as may properly come before the meeting or any adjournment or postponement thereof.

The foregoing items of business are more fully described in the proxy statement accompanying this notice. Only stockholders of record at the close of business on April 17, 2008 are entitled to notice of and to vote at the meeting.

All stockholders are cordially invited to attend the meeting in person. However, to assure your representation at the meeting, you are urged to deliver your proxy by telephone or the Internet or to mark, sign, date and return the enclosed proxy as promptly as possible in the postage-prepaid envelope enclosed for that purpose. Any stockholder attending the meeting may vote in person even if he or she has previously returned a proxy.

Sincerely,

Martin H. Singer
*Chief Executive Officer and
Chairman of the Board of Directors*

Bloomington, Illinois
April 28, 2008

YOUR VOTE IS IMPORTANT.

**PLEASE SUBMIT YOUR PROXY AS PROMPTLY AS POSSIBLE
BY FOLLOWING THE INSTRUCTIONS ON THE ENCLOSED PROXY CARD.**

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**PCTEL, INC.
471 Brighton Drive
Bloomington, Illinois 60108**

**PROXY STATEMENT FOR THE
2008 ANNUAL MEETING OF STOCKHOLDERS**

GENERAL INFORMATION

The board of directors of PCTEL, Inc. is soliciting proxies for the 2008 annual meeting of stockholders. This proxy statement contains important information for you to consider when deciding how to vote on the matters brought before the meeting. Please read it carefully.

Our board of directors has set April 17, 2008 as the record date for the meeting. Stockholders of record at the close of business on April 17, 2008 are entitled to vote at and attend the meeting, with each share entitled to one vote. There were 20,850,541 shares of our common stock outstanding on the record date. On the record date, the closing price of our common stock on the Nasdaq Global Market was \$7.22 per share.

This proxy statement is being mailed on or about April 28, 2008 to stockholders entitled to vote at the meeting.

In this proxy statement:

We and PCTEL mean PCTEL, Inc.

If you hold shares in street name, it means that your shares are held in an account at a brokerage firm and the stock certificates and record ownership are not in your name.

NASD means the National Association of Securities Dealers.

SEC means the Securities and Exchange Commission.

Beneficial ownership of stock is defined under various SEC rules in different ways for different purposes, but it generally means that, although you (or the person or entity in question) do not hold the shares of record in your name, you do have investment or voting control, and/or an economic or pecuniary interest, in the shares through an agreement, relationship or the like.

QUESTIONS AND ANSWERS

Q: When and where is the stockholder meeting?

A: Our annual meeting of stockholders is being held on Tuesday, June 10, 2008 at 10:00 a.m. at our headquarters, located at 471 Brighton Drive, Bloomington, Illinois 60108.

Q: Why am I receiving this proxy statement and proxy card?

A: You are receiving this proxy statement and the accompanying proxy card because you are the stockholder of record on the record date. This proxy statement describes issues on which we would like you, as a stockholder, to vote. It also gives you information on these issues so that you can make an informed decision. The proxy card is used for voting.

Q: What is the effect of signing and returning my proxy card?

A: When you sign and return the proxy card, you appoint Martin H. Singer and John W. Schoen as your representatives at the meeting. Mr. Singer is our Chief Executive Officer and Chairman of the Board and Mr. Schoen is our Chief Financial Officer. Messrs. Singer and Schoen will vote your shares at the meeting as you have instructed them on the proxy card. This way, your shares will be voted whether or not you attend the annual meeting. Even if you plan to attend the meeting, it is a good idea to complete, sign and return your proxy card or vote via the Internet or telephone in advance of the meeting just in case your plans change. You can vote in person at the meeting even if you have already sent in your proxy card.

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If an issue comes up for a vote at the meeting that is not described in this proxy statement, Messrs. Singer and Schoen will vote your shares, under your proxy, in their discretion.

If you do not indicate on the proxy card how you want your votes cast, the proxy holders (as your representatives) will vote your shares FOR each of the proposals.

Q: What am I voting on?

A: You are being asked to vote on the following two proposals:

the election of three Class III directors whose terms will expire at the 2011 annual meeting of stockholders; and

the ratification of the appointment of Grant Thornton LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2008.

Q: How do I vote?

A: There are four methods by which you may vote. Please see the detailed instructions provided on your proxy card for more information on each method.

Place your vote by telephone;

Place your vote via the Internet;

Mail in your completed, signed and dated proxy card; or

Vote in person by attending our annual meeting.

Q: What does it mean if I receive more than one proxy card?

A: It means that you have multiple accounts with the transfer agent and/or with stockbrokers. Please sign and return all proxy cards to ensure that all of your shares are voted.

Q: What if I change my mind after I return my proxy card?

A: You may revoke your proxy (that is, cancel it) and change your vote at any time prior to the voting at the annual meeting by providing written notice to our Corporate Secretary at the following address: 471 Brighton Drive, Bloomingdale, Illinois 60108, Attn: John W. Schoen.

You may also do this by:

Signing another proxy card with a later date;

Voting in person at the meeting; or

Voting via the Internet or by telephone on a date after the date on your proxy card (your latest proxy is counted).

Q: Will my shares be voted if I do not sign and return my proxy card?

A: If your shares are held in street name, your brokerage firm may either vote your shares on routine matters (such as the election of directors and the ratification of the appointment of our independent registered public accounting firm) or leave your shares unvoted. Your brokerage firm may not vote on non-routine matters without specific instructions from you. Thus, because the proposals to be acted upon at the meeting consist of routine matters only, the broker may turn in a proxy card for uninstructed shares that votes FOR routine matters.

Q: How many votes may be cast at the meeting?

A: As of the record date, 20,850,541 shares of common stock were outstanding. Each outstanding share of common stock entitles the holder of such share to one vote on all matters covered in this proxy statement. Therefore, there are a maximum of 20,850,541 votes that may be cast at the meeting.

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Q: What is a quorum ?

A: A quorum is the number of shares that must be present, in person or by proxy, in order for business to be transacted at the meeting. The required quorum for the annual meeting is a majority of the shares outstanding on the record date. There must be a quorum present for the meeting to be held. All completed and signed proxy cards, Internet votes, telephone votes and votes cast by those stockholders who attend the annual meeting in person, whether representing a vote FOR, AGAINST, WITHHELD, ABSTAIN, or a broker non-vote, will be counted toward the quorum.

Q: How are abstentions counted?

A: If you return a proxy card that indicates an abstention from voting in all matters, the shares represented will be counted as present for the purpose of determining a quorum, but they will not be voted on any matter at the annual meeting.

Q: What is a broker non-vote ?

A: Under the rules that govern brokers who have record ownership of shares that are held in street name for their clients (who are the beneficial owners of the shares), brokers have the discretion to vote such shares on routine matters (such as the election of directors and the ratification of the appointment of our independent registered public accounting firm), but not on non-routine matters without specific instructions from their clients. The vote with respect to any non-routine matter is referred to as a broker non-vote. Thus, because the proposals to be acted upon at the meeting consist of only routine matters, the broker may turn in a proxy card for uninstructed shares that votes FOR routine matters. A broker non-vote may also occur with respect to routine matters if the broker expressly instructs on the proxy card that it is not voting on a certain matter.

Q: How are broker non-votes counted?

A: Broker non-votes are counted for the purpose of determining the presence or absence of a quorum, but are not counted for determining the number of votes cast for or against a proposal, whether such proposal is a routine or non-routine matter.

Q: What is the required vote for each of the proposals to pass?

A: The three director nominees receiving the highest number of votes, in person or by proxy, will be elected as directors.

For the proposal to ratify the appointment of Grant Thornton LLP, our independent registered public accounting firm, the required vote is the affirmative (i.e. FOR) vote of a majority of the shares present, represented and voting at the annual meeting.

The votes cast on a particular proposal include votes FOR, AGAINST and ABSTAIN, but do not include broker non-votes.

Q: Who is soliciting my vote?

A: We are making this proxy solicitation and will bear the entire cost of it, including the preparation, assembly, printing and mailing of proxy materials. We may reimburse brokerage firms and other custodians for their

reasonable out-of-pocket expenses for forwarding these proxy materials to you. We expect our transfer agent, Wells Fargo Bank, N.A., to tabulate the proxies and to act as the inspector of the election. In addition to this solicitation by mail, proxies may be solicited by our directors, officers and other employees by telephone, the Internet or fax, in person or otherwise. None of these persons will receive any additional compensation for assisting in the solicitation.

We shall provide without charge to each stockholder solicited by these proxy solicitation materials a copy of our Annual Report on Form 10-K, together with the financial statements and financial statement schedules required to be filed with the Annual Report, upon written request sent to PCTEL, Inc., 471 Brighton Drive, Bloomingdale, Illinois 60108, Attn: John W. Schoen, Chief Financial Officer.

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Deadline for Receipt of Stockholder Proposals and Nominations for 2009 Annual Meeting of Stockholders

Stockholders are entitled to present proposals for action and director nominations at the 2009 annual meeting of stockholders only if they comply with the applicable requirements of the proxy rules established by the Securities Exchange Commission and the applicable provisions of our bylaws. Stockholders must ensure that such proposals and nominations are received by our Corporate Secretary at the following address: 471 Brighton Drive, Bloomingdale, Illinois 60108, Attn: Corporate Secretary, on or prior to the deadline for receiving such proposals and nominations.

Proposals for the 2009 annual meeting of stockholders that are intended to be considered for inclusion in the proxy statement and form of proxy relating to such meeting must be received no later than December 29, 2008, and must comply with the procedures of Rule 14a-8 under the Securities Exchange Act of 1934 (the Exchange Act) and the provisions of our bylaws.

If a stockholder intends to submit a proposal or director nomination for consideration at our 2009 annual meeting of stockholders outside the procedures of Rule 14a-8 under the Exchange Act, the stockholder must comply with the requirements of our bylaws and we are not required to include such proposal or nomination in the proxy statement and form of proxy relating to such meeting. Our bylaws contain an advance notice provision that requires stockholders to submit a written notice containing certain information not less than 120 days prior to the date of our proxy statement for the previous year's annual meeting of stockholders. For purposes of the 2009 annual meeting of stockholders, this means that such proposals or nominations must also be received by December 29, 2008. A copy of the relevant bylaw provision is available upon written request to our Corporate Secretary at the address provided above.

The attached proxy card grants the proxy holders discretionary authority to vote on any business raised at the annual meeting. If you fail to comply with the advance notice provisions set forth above in submitting a proposal or nomination for the 2009 annual meeting of stockholders, the proxy holders will be allowed to use their discretionary voting authority if such proposal or nomination is raised at that meeting.

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SUMMARY OF PROPOSALS

The board of directors has included two proposals on the agenda for our 2008 annual meeting of stockholders. The following is a brief summary of the matters to be considered and voted upon by our stockholders.

Election of Directors

We have a classified board of directors that currently consists of seven directors. Each director serves a three-year term. The first proposal on the agenda for our annual meeting is the election of three Class III directors to serve until our 2011 annual meeting of stockholders. Our board of directors has nominated Steven D. Levy, Giacomo Marini and Martin H. Singer to serve as our Class III directors. Additional information about the election of directors and a brief biography of each nominee begins on page 6.

Our board of directors recommends a vote FOR each of the three nominees.

Ratify Appointment of our Independent Registered Public Accounting Firm

The second proposal is the ratification of the appointment of Grant Thornton LLP as our independent registered public accounting firm. More information about this proposal begins on page 13.

Our board of directors recommends a vote FOR the ratification of the appointment of Grant Thornton LLP as our independent registered public accounting firm.

Other Matters

Other than the proposals listed above, our board of directors does not currently intend to present any other matters to be voted on at the meeting. Our board of directors is not currently aware of any other matters that will be presented by others for action at the meeting. However, if other matters are properly presented at the meeting and you have signed and returned your proxy card or voted on the Internet or by telephone, the proxies will have discretion to vote your shares on these matters to the extent authorized under the Exchange Act.

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PROPOSAL #1

ELECTION OF DIRECTORS

Classification of Board of Directors

We have a classified board of directors currently consisting of two Class I directors, Brian J. Jackman and John R. Sheehan, whose terms will expire at our 2009 annual meeting of stockholders; two Class II directors, Richard C. Alberding and Carl A. Thomsen, whose terms will expire at our 2010 annual meeting of stockholders; and three Class III directors, Giacomo Marini, Martin H. Singer and Steven D. Levy, whose terms are expiring at this 2008 annual meeting of stockholders. At each annual meeting of stockholders, certain directors are elected for a term of three years to succeed those directors whose terms expire on the annual meeting dates.

Nominees

On the recommendation of the board of directors, the nominees for election at the 2008 annual meeting of stockholders as Class III directors are Steven D. Levy, Giacomo Marini and Martin H. Singer. If elected, Messrs. Levy, Marini and Singer will continue as directors, and their terms will expire at the annual meeting of stockholders in 2011.

The proxy holders may not vote the proxies for a greater number of persons than the number of nominees named. Unless otherwise instructed, the proxy holders will vote the proxies received by them for our three Class III director nominees. In the event that any of our nominees is unable or declines to serve as a director at the time of the annual meeting, the proxies will be voted for any nominee who shall be designated by the present board of directors to fill the vacancy. We are not aware that any of our nominees will be unable or will decline to serve as a director.

Vote Required and Board of Directors Recommendation

If a quorum is present and voting, the three nominees receiving the highest number of votes will be elected to the board of directors. Abstentions and broker non-votes are not counted in the election of directors.

Our board of directors has unanimously approved the director nominees and recommends that stockholders vote FOR the election of the director nominees listed above.

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The following table sets forth certain information regarding our current directors and nominees for directors to be elected at our 2008 annual meeting of stockholders:

| Name | Age | Position with PCTEL | Director Since |
|---|------------|---|-----------------------|
| Class I directors whose terms will expire at the 2009 annual meeting of stockholders: | | | |
| Brian J. Jackman | 67 | Director | 2002 |
| John R. Sheehan | 71 | Director | 2002 |
| Class II directors whose terms will expire at the 2010 annual meeting of stockholders: | | | |
| Richard C. Alberding | 77 | Director | 1999 |
| Carl A. Thomsen | 63 | Director | 2001 |
| Class III director nominees to be elected at the 2008 annual meeting of stockholders whose terms will expire at the 2011 annual meeting of stockholders: | | | |
| Steven D. Levy | 51 | Director | 2006 |
| Giacomo Marini | 56 | Director | 1996 |
| Martin H. Singer | 56 | Chief Executive Officer and Chairman of the Board of Directors | 1999 |

Mr. Jackman has been a director since February 2002. Mr. Jackman is currently the President of The Jackman Group, Inc., a management consulting company that he formed in 2005. In September 2001, Mr. Jackman retired from Tellabs, a communications company that he had been with since 1982. Mr. Jackman served as President, Global Systems and Technology, and Executive Vice President of Tellabs since 1998, and he was President of Tellabs Operations from 1993 to 1998. Mr. Jackman held various management positions in sales and marketing for IBM from 1965 to 1982. He is currently on the boards of directors of Open Text, Inc., an enterprise content management solutions company, and Keithley Instruments, a test and measurement equipment company. In addition, Mr. Jackman serves on the board of trustees of Gannon University. Mr. Jackman holds a bachelor of arts degree in English literature from Gannon University in Erie, Pennsylvania and a master degree in business administration from Penn State University.

Mr. Sheehan has been a director since October 2002. Mr. Sheehan has served as a senior consultant in the London Perret Roche Group in Red Bank, New Jersey since October 2001. He began his career at Bell Laboratories in 1962. In his 33 years at Bell Laboratories, Western Electric and AT&T, he worked in senior positions in development, manufacturing, strategic planning and general management of business units. Since leaving AT&T in 1996, Mr. Sheehan has held senior management positions in three startup companies. Mr. Sheehan received a bachelor of science degree in electrical engineering from Drexel University and a master of science degree in electrical engineering from New York University.

Mr. Alberding has been a director since August 1999. Mr. Alberding retired from Hewlett-Packard, then a computer, peripherals and measurement products company, in June 1991, serving at that time as an Executive Vice President with responsibility for worldwide company sales, support and administration activities for measurement and computation products, as well as all corporate level marketing activities. Mr. Alberding is a director of Sybase, Inc.,

an enterprise software company. Mr. Alberding holds a bachelor of arts degree in business administration and marketing from Augustana College, and an associate of science degree in electrical engineering from DeVry Technical Institute in Chicago.

Mr. Thomsen has been a director since March 2001. Mr. Thomsen served as Senior Vice President, Chief Financial Officer and Corporate Secretary at Stratex Networks, Inc., (now a part of Harris Stratex Networks, Inc.), a provider of wireless transmission solutions, from 1995 to 2007. Mr. Thomsen is also currently a member of the

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board of directors of the Cardiac Therapy Foundation of the Mid-peninsula, a non-profit organization providing a cardiovascular wellness and rehabilitation program. Mr. Thomsen holds a bachelor of science degree in business administration from Valparaiso University and a master degree in business administration from the University of Michigan. He is also a certified public accountant.

Mr. Levy has been a director since March 2006. Mr. Levy most recently served as a Managing Director and Global Head of Communications Technology Research at Lehman Brothers from July 1998 until September 2005. Before joining Lehman Brothers, Mr. Levy was a Director of Telecommunications Research at Salomon Brothers from March 1997 to July 1998, a Managing Director and Head of the Communications Research Team at Oppenheimer & Co. from July 1994 to March 1997, and a senior communications analyst at Hambrecht & Quist from July 1986 to July 1994. Mr. Levy is also currently a member of the board of directors of Zhone Technologies, a broadband equipment vendor, Allot Communications, a developer of networking systems for carriers, and privately held GENBAND Inc, an innovator of IP Infrastructure. Mr. Levy holds a master degree in business administration and a bachelor of science degree in materials engineering from Rensselaer Polytechnic Institute.

Mr. Marini has been a director since October 1996. Mr. Marini has been the founder and Managing Director of Noventi, a Silicon Valley-based early-stage technology venture capital firm, since March 2002. He also serves as Chairman of Marini Investments, a private investment company, of TES, an industrial automation company, and of Cosmo Industrie, an engineered construction products company. Prior to this, Mr. Marini was the co-founder, Executive Vice President and Chief Operating Officer of Logitech, a computer peripherals company. Previously he held technical and management positions with Olivetti and IBM. He currently serves on the boards of several private companies. Mr. Marini holds a computer science laureate degree from the University of Pisa, Italy.

Mr. Martin H. Singer has been our Chief Executive Officer and Chairman of the Board since October 2001. Prior to that, Mr. Singer served as our non-executive Chairman of the Board from February 2001 until October 2001, and he has been a director since August 1999. From October 2000 to May 2001, Mr. Singer was an independent consultant. From December 1997 to August 2000, Mr. Singer served as President and Chief Executive Officer of SAFCO Technologies, a wireless communications company. He left SAFCO in August 2000 after its sale to Agilent Technologies. From September 1994 to December 1997, Mr. Singer served as Vice President and General Manager of the wireless access business development division for Motorola, a communications equipment company. Prior to this period, Mr. Singer held senior management and technical positions in Motorola, Tellabs, AT&T and Bell Labs. Mr. Singer holds a Bachelor of Arts degree in psychology from the University of Michigan, and a Master of Arts degree and a Ph.D. in experimental psychology from Vanderbilt University. Mr. Singer currently serves as the Chairman of the Midwest council of the AeA (American Electronics Association). He is also on the advisory board for the Master of Management & Manufacturing program at Northwestern University (Kellogg) and served on the standing advisory group for the Public Company Accounting Oversight Board for two years. He received the Martin N. Sandler distinguished Achievement Award (2007) from the AICC for his contributions to the development of economic ties between Israel and the U.S. Mr. Singer has 7 patents in telecommunications and has written numerous articles on network evolution, immigration and labor policy, and other issues related to technology development.

CORPORATE GOVERNANCE

Board and Committee Meetings

Our board of directors held a total of seven meetings during fiscal 2007. The board of directors currently has an audit committee, a compensation committee and a nominating and governance committee. The members of each of the committees are listed in the table below. Each member of the audit committee, compensation committee and nominating and governance committee meets the Nasdaq independence requirements. The board of directors has determined that Mr. Thomsen qualifies as an audit committee financial expert as defined under the rules and

regulations of the SEC, and that all members of our audit committee meet the Nasdaq financial literacy

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requirements. During our last fiscal year, each of our directors attended at least 75% of the total number of meetings of the board of directors and any committee on which such director served.

| Committee | Members During Fiscal 2007 | Committee Functions | Date Current Written Charter Adopted | Meetings Held in Fiscal 2007 |
|---------------------------|---|--|--|-------------------------------------|
| Audit | | Selects our independent auditors | | |
| | Carl A. Thomsen (Chair) Richard C. Alberding (until August 2007) Giacomo Marini (beginning August 2007) Steven D. Levy | Oversees our internal financial reporting and accounting controls | | |
| | | Consults with and reviews the services provided by our independent auditors | Originally adopted August 1999; last amended November 2004 | 9 |
| Compensation | | Reviews and recommends to the board of directors the compensation and benefits of our Chief Executive Officer | | |
| | Richard C. Alberding (Chair) John R. Sheehan Brian J. Jackman | Reviews and approves compensation and benefits of our other executives and senior management | Originally adopted August 1999; last amended May 2007 | 6 |
| | | Establishes and reviews general policies relating to the compensation and benefits of our employees | | |
| Nominating and Governance | | Assists the board of directors in identifying and selecting prospective director nominees for the annual meeting of stockholders | | |
| | John R. Sheehan (Chair) Brian J. Jackman | Reviews and makes recommendations on matters regarding corporate governance, composition of the board of directors, evaluation | Originally adopted February 2004; last amended March 2005 | 3 |

and nominations,
committees of the board
of directors and conflicts
of interest

Establishes, maintains
and improves corporate
governance guidelines

A copy of each of the charters for our committees of the board of directors is available on our website located at www.pctel.com. They may be found on the website in Corporate Governance under Investor Relations.

Mr. Jackman is currently the lead independent director of our board of directors. As lead independent director, his principal responsibilities are (i) working with the Chairman and Chief Executive Officer and the other members of the board of directors to set the agenda for each meeting of the board of directors, (ii) serving as a liaison for communications between our board of directors and the Chief Executive Officer, (iii) acting as the chair for executive sessions held at regularly scheduled meetings of the board of directors, and (iv) consulting with our General Counsel regarding communications received from our stockholders.

Independence

Currently our board of directors has seven members. Our board of directors recently determined that the six non-employee directors are independent directors based on the Nasdaq and SEC standards for independence. Only independent directors may serve on our audit, compensation and nominating and governance committees.

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In determining the independence of our directors, the board of directors affirmatively decides whether a non-employee director has a relationship that would interfere with that director's exercise of independent judgment in carrying out the responsibilities of being a director. In coming to that decision, the board of directors is informed of the Nasdaq and SEC rules that disqualify a person from being considered as independent, considers the responses to an annual questionnaire from each director and reviews the applicable standards with each member of the board of directors.

Director Nomination Process

Stockholder Recommendations and Nominations.

It is the policy of our nominating and governance committee to consider director candidates recommended by our stockholders holding on the date of submission of such recommendation at least 1% of the then outstanding shares of our common stock continuously for at least 12 months prior to such date.

Stockholders desiring to recommend a candidate for election to the board of directors should send their recommendation in writing to the attention of our Corporate Secretary, at our offices located at 471 Brighton Drive, Bloomingdale, Illinois 60108. This written recommendation must include the information and materials required by our bylaws as well as the candidate's name, home and business contact information, detailed biographical data, relevant qualifications, a signed letter from the candidate confirming willingness to serve, information regarding any relationships between the candidate and PCTEL within the last three years and evidence of the required ownership of our common stock by the recommending stockholder. A copy of the relevant bylaw provision is available upon written request to our Corporate Secretary at the address provided above.

In accordance with the advance notice provision in our bylaws, director nominations to be considered at the next annual meeting of stockholders must be received not less than 120 days prior to the date of our proxy statement for the previous year's annual meeting of stockholders. For purposes of our 2009 annual meeting of stockholders, director nominations must be received by December 29, 2008.

Identifying and Evaluating Nominees for Director.

The nominating and governance committee uses the following procedures for identifying and evaluating any individual recommended or offered for nomination to the board of directors:

The committee considers candidates recommended by stockholders in the same manner as candidates recommended by other sources.

The committee considers the following factors in its evaluation of candidates:

- The current size and composition of the board of directors and the needs of the board of directors and the respective committees of the board of directors.
- The candidate's judgment, independence, character and integrity, age, area of expertise, diversity of experience, length of service and potential conflicts of interest.
- Other factors that the committee considers appropriate.

The nominating and governance committee requires the following minimum qualifications to be satisfied by any candidate recommended or offered for nomination to the board of directors:

The highest personal and professional ethics and integrity.

Proven achievement and competence in the candidate's field and the ability to exercise sound business judgment.

Skills that are complementary to those of the existing board of directors.

The ability to assist and support management and make significant contributions to our success.

An understanding of the fiduciary responsibilities that are required of a member of the board of directors and the commitment of time and energy necessary to diligently carry out those responsibilities.

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Compensation of Directors

Cash and Stock Compensation. Our non-employee directors currently receive a yearly cash retainer of \$12,500 and shares of restricted common stock equivalent to \$4,000. They also receive \$2,500 per board meeting attended (unless the board meeting is conducted by teleconference, in which case directors receive \$1,000 for each such telephonic meeting in which they participate) and \$1,000 per committee meeting attended. In addition, our non-employee directors annually receive additional shares of restricted stock as set forth below:

the chairs of our compensation committee and nominating and governance committee each receive shares of restricted common stock equivalent to \$7,000; and

our lead independent director and audit committee chair each receive shares of restricted common stock equivalent to \$10,000.

All of the shares of restricted common stock received by our non-employee directors vest six months after the date of grant, provided that the individual continues to serve as a director on such date. The number of shares granted is based on the total dollar value divided by the per share closing price of our stock on the date of grant.

Our 1997 Stock Plan provides for the non-discretionary, automatic grant of options to each of our non-employee directors. Each new non-employee director is automatically granted an option to purchase 15,000 shares on the date on which such person first becomes a director. These initial grants vest over a period of three years, with one-third of the number of shares granted vesting on each anniversary of the date of grant, provided that the optionee continues to serve as a director on these dates. Furthermore, each non-employee director is automatically granted an additional option to purchase 10,000 shares of common stock on January 1 of each year, provided that he or she has served on the board of directors for at least six months. These subsequent grants vest fully on the first anniversary of the date of grant, provided that the optionee continues to serve as a director on such date. Under the terms of our 1997 Stock Plan, the exercise price of options granted to non-employee directors must be 100% of the fair market value of our common stock on the last trading day preceding the date of grant.

Deferred Compensation Plan. Our non-employee directors are eligible to participate in the Board of Directors Deferred Compensation Plan. The principal purpose of the Directors Deferred Compensation Plan is to provide additional retirement benefits and income tax deferral opportunities for our non-employee directors. The Directors Deferred Compensation Plan permits the deferral of cash compensation that would otherwise be received by the non-employee directors for their service on our board of directors. Compensation that is deferred under the Directors Deferred Compensation Plan will be paid out by us upon the termination of a non-employee director's service on the board of directors. If such termination occurs after the non-employee director has reached the age of 55, such non-employee director may elect to receive the deferred compensation in a lump sum, annually over 15 years, or over the lifetime of the non-employee director in 20 annual payments.

Reimbursements. In addition, each of our non-employee directors is reimbursed for all reasonable out of pocket expenses incurred in connection with his service on our board of directors.

Directors Compensation for the Fiscal Year Ended December 31, 2007

| Fees Earned or Paid | Stock | Option |
|------------------------------------|--------------|---------------|
|------------------------------------|--------------|---------------|

| Name | in Cash (\$) | Awards(1)(2) (\$) | Awards(1)(3) (\$) | Total (\$) |
|----------------------|-------------------------|------------------------------|------------------------------|-----------------------|
| Richard C. Alberding | 34,500 | 10,994 | 23,724 | 69,168 |
| Carl A. Thomsen | 33,500 | 14,000 | 23,724 | 71,224 |
| Steven D. Levy | 33,500 | 3,994 | 38,917 | 76,411 |
| Giacomo Marini | 27,000 | 3,994 | 23,724 | 54,718 |
| Brian J. Jackman | 34,500 | 14,000 | 23,724 | 72,224 |
| John R. Sheehan | 33,500 | 10,994 | 23,724 | 68,218 |

(1) The values shown reflect the dollar amounts recognized in 2007 for financial reporting purposes, utilizing fair value determined under Financial Accounting Standard 123R (FAS 123R). The assumptions used in

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calculating these amounts are discussed in note 12 to our financial statements for the year ended December 31, 2007, filed with our Annual Report on Form 10-K. The values shown reflect 1,123 shares for Messrs. Alberding and Sheehan, 1,430 shares for Messrs. Thomsen and Jackman, and 408 shares for Messrs. Levy and Marini.

- (2) The equity portion of the directors' annual retainer for committee and board membership vests six months from the date of grant. The number of shares stated is based on a dollar amount converted to shares using the closing price of our common stock as of the date of the annual meeting held on June 5, 2007. At December 31, 2007, Mr. Alberding held 5,309 shares, Mr. Thomsen held 6,608 shares, Mr. Levy held 829 shares, Mr. Marini held 34,357 shares, Mr. Jackman held 6,372 shares, and Mr. Sheehan held 5,263 shares.
- (3) The annual stock option grant vests in full one year from the date of grant. The initial stock option grant for new directors vests ratably in equal annual increments over three years from the date of grant. Each continuing non-employee director receives annually a stock option for 10,000 shares. The grant date is the first trading day of the calendar year. A new non-employee director receives a stock option for 15,000 shares upon his election or appointment to the board of directors. In fiscal 2007, the six continuing non-employee directors each received a stock option for 10,000 shares. At December 31, 2007, Mr. Alberding held options to purchase 77,500 shares, Mr. Thomsen held options to purchase 70,000 shares, Mr. Levy held options to purchase 25,000 shares, Mr. Marini held options to purchase 70,000 shares, Mr. Jackman held options to purchase 62,500 shares, and Mr. Sheehan held options to purchase 55,000 shares. The per-option grant date value under FAS 123R was \$9.30 for options granted January 3, 2007.

Stockholder Communications with the Board of Directors

Stockholders who wish to communicate directly with our independent directors may do so by sending an e-mail message to Varda Goldman, our Vice President and General Counsel, at general.counsel@pctel.com. Mrs. Goldman monitors these communications, consults with Mr. Jackman, our current lead independent director, and provides a summary of all received messages to the board of directors at its regularly scheduled meetings. Where the nature of the communication warrants, Mrs. Goldman may obtain more immediate attention of the appropriate committee or independent director of the board of directors, of independent advisors or of our management. Mrs. Goldman may decide in her judgment whether a response to any stockholder communication is necessary.

Attendance at the Annual Meeting of Stockholders

All directors are welcome to attend the 2008 annual meeting of stockholders and it is expected that our lead independent director will be in attendance at every annual meeting of stockholders. At the 2007 annual meeting of stockholders, Mr. Singer was in attendance.

Code of Ethics

We adopted the PCTEL, Inc. Code of Ethics for Principal Executive and Key Financial Officers (Code of Ethics). The Code of Ethics applies to the principal executive financial officer, the principal accounting officer or controller and persons performing similar functions and responsibilities who shall be identified by the audit committee from time to time.

The Code of Ethics is available on our website, located at www.pctel.com. It may be found at the website as follows:

1. From the main web page, click on Investor Relations,
2. Next, click on Corporate Governance,

3. Finally, click on Financial Code of Ethics.

We intend to satisfy the disclosure requirement required under Form 8-K regarding an amendment to, or waiver from, a provision of the Code of Ethics by posting such information on our website.

Compensation Committee Interlocks and Insider Participation

During fiscal 2007, neither Richard C. Alberding, John R. Sheehan, nor Brian J. Jackman were officers or employees of PCTEL while they served as members of the compensation committee. In addition, no executive officer of PCTEL served as a member of the board of directors or compensation committee of any entity that has one or more executive officers serving as a member of our board of directors or compensation committee.

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PROPOSAL #2

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

Our audit committee has appointed Grant Thornton LLP, independent registered public accounting firm, to audit our financial statements for the fiscal year ending December 31, 2008. This appointment is being presented to our stockholders for ratification at the 2008 annual meeting of stockholders.

Before selecting Grant Thornton LLP as our independent registered public accounting firm for fiscal year 2008, our audit committee carefully considered the firm's qualifications as independent auditors. This included a review of the qualifications of the engagement team, the quality control procedures the firm has established and its reputation for integrity and competence in the fields of accounting and auditing. The audit committee's review also included matters required to be considered under the SEC's rules on auditor independence, including the nature and extent of non-audit services, to ensure that Grant Thornton LLP's independence will not be impaired.

Grant Thornton LLP has been conducting independent audits of our financial statements since May 2006. Representatives of Grant Thornton LLP are expected to be present at the 2008 annual meeting of stockholders. They will have the opportunity to address the audience at the meeting, and will be available to answer appropriate questions from stockholders.

Change in Independent Registered Public Accounting Firm

As previously reported in our Current Report on Form 8-K filed with the Securities and Exchange Commission on May 18, 2006, on May 12, 2006 our audit committee dismissed our independent registered public accounting firm, PricewaterhouseCoopers LLP.

The reports of PricewaterhouseCoopers LLP on our consolidated financial statements as of and for the years ended December 31, 2004, and December 31, 2005, did not contain an adverse opinion or a disclaimer of opinion and were not qualified or modified as to uncertainty, audit scope, or accounting principles.

We reported a material weakness in our internal control over financial reporting in Item 9A of our Annual Report on Form 10-K for the year ended December 31, 2004 and in Item 9A of our Annual Report on Form 10-K for the year ended December 31, 2005. These Annual Reports indicated that as of December 31, 2004 and 2005, we had a material weakness in that we did not maintain effective controls over the review, completeness and accuracy of our provision for income taxes and the related financial statement presentation and disclosure of income tax matters. This control deficiency resulted in audit adjustments to the fourth quarter 2004 consolidated financial statements with respect to the provision for income taxes, the 2005 annual consolidated financial statements with respect to income tax disclosures and the 2005 second quarter consolidated financial statements with respect to the provision for income taxes. During 2006, we remediated this material weakness. Except for the material weakness in internal control over financial reporting described in this paragraph, during the years ended December 31, 2004 and 2005, and through May 12, 2006, we did not have any reportable events within the meaning of Item 304(a)(1)(v) of Regulation S-K. We authorized PricewaterhouseCoopers LLP to respond fully to the inquiries of the successor independent registered public accounting firm concerning the subject matter of the material weakness described above.

During our fiscal years ended December 31, 2004 and December 31, 2005 and through May 12, 2006, there were no disagreements with PricewaterhouseCoopers LLP on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedure, which disagreements, if not resolved to PricewaterhouseCoopers

LLP's satisfaction, would have caused PricewaterhouseCoopers LLP to make reference thereto in its reports on our financial statements for such years. PricewaterhouseCoopers LLP's letter to the Securities and Exchange Commission stating its agreement with the statements above is filed as an exhibit to our Current Report on Form 8-K filed on May 18, 2006.

On May 12, 2006, our audit committee engaged Grant Thornton LLP as our independent registered public accounting firm. During our fiscal years ended December 31, 2004 and December 31, 2005 and through May 12, 2006, neither we nor anyone acting on our behalf consulted with Grant Thornton LLP regarding either: (i) the

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application of accounting principles to a specified transaction, either completed or proposed; or the type of audit opinion that might be rendered on our financial statements; or (ii) any matter that was either the subject of a disagreement (as defined in Item 304(a)(1)(iv) of Regulation S-K and the related instructions) or a reportable event (as described in Item 304(a)(1)(v) of Regulation S-K).

Summary of Fees

The following table summarizes the approximate aggregate fees billed to us or expected to be billed to us by Grant Thornton LLP for our 2007 fiscal year and by Grant Thornton LLP and PricewaterhouseCoopers LLP (who was our independent registered public accounting firm through May 12, 2006) for our 2006 fiscal year:

| Type of Fees | Fiscal Year 2007 | Fiscal Year 2006 |
|-----------------------|-------------------------|-------------------------|
| Audit Fees(1) | \$ 748,110 | \$ 764,030 |
| Audit-Related Fees(2) | 100,000 | |
| Tax Fees(3) | | |
| All Other Fees(4) | | 1,500 |
| Total Fees | \$ 848,110 | \$ 765,530 |

- (1) *Audit Fees* These are fees for professional services performed by PricewaterhouseCoopers LLP during the first quarter of fiscal 2006, and by Grant Thornton LLP for the second, third and fourth quarters of fiscal 2006 and during fiscal 2007. The professional services provided included auditing our annual financial statements, reviewing our quarterly financial statements and other services that are normally provided in connection with statutory and regulatory filings or engagements. Audit fees attributable to PricewaterhouseCoopers LLP also include fees for professional services performed for the audits of management's assessment of the effectiveness of internal control over financial reporting.
- (2) *Audit-Related Fees* These are fees for the assurance and related services performed by Grant Thornton LLP that are reasonably related to the performance of the audit or review of our financial statements.
- (3) *Tax Fees* These are fees for professional services performed by Grant Thornton LLP or PricewaterhouseCoopers LLP with respect to various advisory services related principally to tax preparation services and tax consultation services. For fiscal 2007 and 2006, neither Grant Thornton LLP nor PricewaterhouseCoopers LLP performed any services that fell within this category.
- (4) *All Other Fees* These are fees for permissible services performed by Grant Thornton LLP or PricewaterhouseCoopers LLP that do not fall within the above categories. For fiscal 2006, these fees were comprised of a subscription fee paid to PricewaterhouseCoopers LLP for an Internet-based system to access accounting disclosure information.

Pre-Approval of Independent Auditor Services and Fees

Our audit committee reviewed and pre-approved all audit and non-audit fees for services provided by Grant Thornton LLP and has determined that the firm's provision of such services to us during fiscal 2007 is compatible with and did not impair Grant Thornton LLP's independence. It is the practice of the audit committee to consider and approve in

advance all auditing and non-auditing services provided to us by our independent registered public accounting firm in accordance with the applicable requirements of the SEC.

Vote Required and Recommendation

Stockholder ratification of the selection of Grant Thornton LLP as our independent registered public accounting firm is not required by our bylaws or other applicable legal requirement. However, our board of directors is submitting the selection of Grant Thornton LLP to our stockholders for ratification as a matter of good corporate practice.

Notwithstanding the selection by the audit committee of Grant Thornton LLP or stockholder ratification of that selection, the audit committee may direct the appointment of a new independent registered public accounting firm at any time during the year if the audit committee determines that such a change would be in our

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best interest and in that of our stockholders. In the event of a negative vote on ratification, the audit committee will reconsider its selection.

The affirmative vote of the holders of a majority of the shares of our common stock present or represented by proxy and entitled to vote at the annual meeting will be required to approve this proposal.

Our board of directors recommends that stockholders vote FOR the ratification of Grant Thornton LLP as our independent registered public accounting firm.

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth certain information regarding the beneficial ownership of our common stock as of March 31, 2008 by:

Each stockholder known by us to beneficially own more than 5% of our common stock;

Each of our directors, including director nominees;

Each of our executive officers named in the summary compensation table on page 36; and

All of our directors and executive officers as a group, including director nominees.

Beneficial ownership is determined based on the rules of the SEC. Percent of beneficial ownership is based upon 20,950,555 shares of our common stock outstanding as of March 31, 2008. In addition, shares of common stock that are exercisable as of March 31, 2008 or will become exercisable on or before May 30, 2008 (60 days subsequent to March 31), are treated as outstanding and beneficially owned by the person holding the options for the purpose of computing the percentage ownership of such person and are listed below under the Number of Shares Underlying Options column, but those option shares are not treated as outstanding for the purpose of computing the percentage ownership of any other person. Unless otherwise indicated, we believe the stockholders listed below

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have sole voting or investment power with respect to all shares listed beside each stockholder's name, subject to applicable community property laws.

| Beneficial Owners | Number of Shares Beneficially Owned | Number of Shares Underlying Options | Total Shares Beneficially Owned | Percent of Shares Beneficially Owned (%) |
|--|--|--|--|---|
| 5% Stockholders | | | | |
| Royce & Associates LLC(1) 1414 Avenue of the Americas New York, NY 10019 | 2,052,000 | | 2,052,000 | 9.79% |
| Austin W. Marxe and David M. Greenhouse(2) 527 Madison Avenue, Suite 2600 New York, NY 10022 | 1,972,907 | | 1,972,907 | 9.42% |
| Entities affiliated with Dimensional Fund Advisors Inc.(3) 1299 Ocean Avenue, 11th Floor Santa Monica, CA 90401 | 1,780,170 | | 1,780,170 | 8.50% |
| Whitman Capital, LLC/Whitman Partners, LP(5) 525 University Avenue, Suite 701 Palo Alto, CA 94301 | 1,438,557 | | 1,438,557 | 6.87% |
| State of Wisconsin Investment Board(4) P.O. Box 7842 Madison, WI 53707 | 1,173,243 | | 1,173,243 | 5.60% |
| Directors and Named Executive Officers | | | | |
| Martin H. Singer(6) | 430,642 | 699,433 | 1,130,075 | 5.22% |
| Jeffrey A. Miller | 165,172 | 187,000 | 352,172 | 1.67% |
| John W. Schoen(7) | 205,878 | 128,441 | 334,319 | 1.59% |
| Biju Nair | 90,399 | 157,730 | 248,129 | 1.18% |
| Luis Rugeles | 58,287 | 33,000 | 91,287 | * |
| Giacomo Marini | 34,357 | 70,000 | 104,357 | * |
| Richard C. Alberding(8) | 5,309 | 77,500 | 82,809 | * |
| Carl A. Thomsen(9) | 6,608 | 70,000 | 76,608 | * |
| Brian J. Jackman | 6,372 | 62,500 | 68,872 | * |
| John R. Sheehan(10) | 5,263 | 55,000 | 60,263 | * |
| Steven D. Levy | 829 | 20,000 | 20,829 | * |
| All directors, director nominees and current executive officers as a group (11 persons) | 1,009,116 | 1,560,604 | 2,569,720 | 11.42% |

* Less than 1% of the outstanding shares of common stock.

(1) Information with respect to the number of shares beneficially owned is based solely on the Schedule 13G/A filed with the SEC by Royce & Associates LLC (R&A) on January 30, 2008. R&A, in its capacity as an investment adviser, possesses sole dispositive control and voting power over such shares. The Schedule 13G/A filed by R&A contained information as of December 31, 2007 and may not reflect current holdings of our

common stock.

- (2) Information with respect to the number of shares beneficially owned is based solely on the Schedule 13G/A filed with the SEC by Austin W. Marx and David M. Greenhouse on February 13, 2008. According to such Schedule 13G/A, Messrs. Marx and Greenhouse share sole voting and investment power with respect to such shares. Messrs. Marx and Greenhouse are the controlling principals of AWM Investment Company, Inc. (AWM), the general partner of Special Situations Cayman Fund, L.P. (SS Cayman), Special Situations Fund III, L.P. (SSF3), and Special Situations Fund III QP, L.P. (SSFQP). Messrs. Marx and Greenhouse

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are also members of SST Advisers, L.L.C., the general partner of Special Situations Technology Fund, L.P. (SS Technology) and the Special Situations Technology Fund II, L.P. (SS Tech II). AWM also serves as the investment adviser to SS Cayman, SSF3, SSFQP, SS Technology, and SS Tech II. Of the 1,972,907 shares of common stock, 144,690 shares are owned by SS Cayman, 132,712 shares are owned by SS Technology, 790,757 shares are owned by SS Tech II, 53,573 shares are owned by SSF3, and 851,175 shares are owned by SSFQP. The Schedule 13G/A filed by Messrs. Marx and Greenhouse contained information as of December 31, 2007 and may not reflect current holdings of our common stock.

- (3) Information with respect to the number of shares beneficially owned is based solely on the Schedule 13G/A filed with the SEC by Dimensional Fund Advisors Inc. (Dimensional) on February 6, 2008. According to such Schedule 13G/A, Dimensional, in its capacity as an investment adviser, possesses sole dispositive control and voting power over such shares, which are held of record by its clients. Dimensional disclaims beneficial ownership of all of such shares. The Schedule 13G/A filed by Dimensional contained information as of December 31, 2007 and may not reflect current holdings of our common stock.
- (4) Information with respect to the number of shares beneficially owned is based solely on the Schedule 13G filed with the SEC by State of Wisconsin Investment Board (SWIB) on February 8, 2008. According to such Schedule 13G, SWIB possesses sole dispositive control and voting power over such shares. The Schedule 13G filed by SWIB contained information as of December 31, 2007 and may not reflect current holdings of our common stock.
- (5) Information with respect to the number of shares beneficially owned is based solely on the Schedule 13G/A filed with the SEC by Whitman Capital, LLC/Whitman Partners LP (Whitman) on February 15, 2006. According to such Schedule 13G/A, Whitman possesses sole dispositive control and voting power over such shares. The Schedule 13G/A filed by Whitman contained information as of December 31, 2005 and may not reflect current holdings of our common stock. Although Whitman has not filed a new Schedule 13G or an amendment to the previously filed Schedule 13G/A, we believe that Whitman remains a beneficial owner of 5% or more of our common stock.
- (6) Includes 1,000 shares of common stock held by the Andrea Singer Trust, 122,703 shares of common stock held by the Martin Singer Trust, and 18 shares held by his son.
- (7) Includes 64,757 shares of common stock held by the Denise F. Schoen Family Trust and 38,785 shares of common stock held by the John W. Schoen III Living Trust.
- (8) Includes 5,309 shares of common stock held by the Richard C. Alberding Revocable Trust.
- (9) Includes 6,608 shares of common stock held by the Thomsen Family Trust.
- (10) Includes 4,080 shares of common stock held the Two Rivers Associates LLC (Two Rivers). Mr. Sheehan is the Managing Director of Two Rivers.

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COMPENSATION DISCUSSION AND ANALYSIS

Introduction

The compensation committee of our board of directors was formed in March 2000 and currently consists of Mr. Alberding, Mr. Sheehan and Mr. Jackman, each of whom is an independent, non-employee director of our company. The CEO and other members of management are invited from time to time by the committee to observe and participate in committee meetings.

The original charter of the compensation committee was adopted by our board of directors in August 1999. The committee has reviewed the charter on an annual basis and has modified it from time to time, most recently in May 2007, to clarify the responsibilities of the committee in recognition of our corporate governance needs as well as current industry requirements and practices. The charter of the committee is located on our website (www.PCTEL.com) in the Corporate Governance section under Investor Relations.

The committee maintains minutes of its meetings, and reports to our board of directors on at least a quarterly basis to make our board of directors aware of significant matters that require its attention. The committee met a total of six times in 2007.

Responsibilities of the Committee

Acting on behalf of our board of directors, the compensation committee's responsibilities are outlined in its charter and include the following:

- Reviewing the performance of the CEO, taking into consideration the performance evaluations conducted through our nominating and governance committee with the other members of our board of directors;

- Reviewing the performance of our other executive officers;

- Recommending to our board of directors the total compensation package for the CEO and determining and approving the compensation for the other executive officers and key managers;

- Providing guidance with respect to the compensation philosophies and goals for all of our employees, including the CEO and other executive officers;

- Administering our employee stock plans and employee stock purchase plan, including determining eligibility and the number and type of equity awards to be granted and the terms of such grants; and

- Reviewing and recommending to our board of directors general equity and cash compensation incentives for the outside directors on our board of directors.

Annual Compensation Process

The compensation of the CEO and all other officers and managers is established prior to the end of the first quarter of the fiscal year. Although the committee has full authority to determine the compensation of the executive officers of our company other than the CEO, the CEO's compensation must be approved each year by the non-employee directors of our board, based on the recommendation of the committee. In making its recommendation, the committee takes into consideration the results of a performance evaluation of the CEO for the preceding year. This evaluation includes the

business and financial performance of our company, the CEO's success in executing our company's near term objectives and long range strategies, and the quality of the CEO's interaction with the board of directors, the management and our company's stockholders. The annual evaluation of the CEO is conducted by the nominating and governance committee based on input from each member of our board of directors, including the CEO. At the time of this performance evaluation, the committee solicits directional guidance from our board of directors as to the general elements that should be addressed in the CEO's total compensation package for the upcoming year. In addition, the Chair of the committee, as well as our Lead Director, will solicit comment from the CEO in the course of the committee's formulation of its recommendation. The review and approval of the committee's recommendation by our board of directors are undertaken in closed session, without the CEO or any other employee of our company present.

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The CEO provides significant assistance to the committee each year with operational insights as to individual performance matters and with recommendations for compensation for the officers (other than the CEO) and managers of our company. The CEO is also involved in providing commentary and observations to the committee on general compensation objectives for our company's senior management. With regard to determining the compensation of the CEO, the committee uses its independent judgment, based in part on the advice of the committee's independent compensation consultant (see below), in formulating its recommendation to our board of directors. With limited exceptions, the committee's discussions on the elements of compensation for the CEO are conducted in closed session, typically with its compensation consultant in attendance but with no company employees present. The CEO is not permitted to participate in the deliberations by our board of directors in its evaluation of the committee's recommendation for CEO compensation.

Compensation Philosophy

The committee's philosophy in setting compensation policies for executive and key managers is to maximize stockholder value over time. The primary goals of the executive compensation program are, therefore:

To closely align the interests of the executives and managers with those of our stockholders, with the objective of enhancing stockholder value.

To provide executives and managers with a structured compensation package, including competitive salaries, performance-motivating cash and equity incentive programs, and benefits that embrace a balance of work and family life, and to promote for each an opportunity to advance in a rapidly growing organization.

To offer a collaborative workplace environment where each executive and manager has the opportunity to impact our company's long term success.

To maintain a significant portion of each executive's total compensation at risk and tied to our achievement of financial, organizational and management performance goals.

To offer competitive compensation opportunities that give us the ability to attract and retain highly experienced executives and managers whose skills are critical to our long term success, motivate individuals to perform at their highest level, and reward outstanding achievement.

To provide increased rewards for superior individual and corporate performance, and substantially reduced or no rewards for average or inadequate performance.

It is the committee's practice to review at least annually all components of compensation for our officers to ensure that the amount and structure of total compensation for each officer is consistent with our compensation philosophies and objectives. Internal pay equity among our officers, i.e., the relationship that exists between the total compensation we pay to the CEO to compensation levels we pay to our other executive officers and management, is also a factor in the committee's assessment of total compensation for our officers.

With these considerations in mind, the general philosophy of the committee has been to (i) establish executive compensation at a level between the median and the 75th percentile of total direct compensation in reference to peer group and other competitive market information, and (ii) establish a strong correlation between the level of compensation and the financial performance of our company compared against its peer group and other companies.

Independent Compensation Consultant. The committee relies significantly upon the services of independent compensation consultants in applying its judgment as to appropriate levels and components of compensation for the

executive officers and key management in our company. In 2007, we renewed the annual engagement of The Delves Group, an independent, Chicago-based compensation consulting firm, to assist the committee in establishing our compensation goals and objectives, to provide relevant peer group and survey data on the compensation practices of other companies, and to advise on industry trends in executive compensation. The committee first engaged The Delves Group in 2004 and has renewed this engagement each year since that time. Although the fees of this consultant are paid by our company, the consultant is accountable and has direct reporting responsibility to the committee. The committee's practice is to invite a representative of this consulting firm to attend substantially all committee meetings.

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Survey Data, Peer Groups and the Use of Industry Benchmarking Data. A significant factor in the committee's analysis of executive compensation, particularly as it relates to the compensation of the CEO and the other executive officers, is the use of compensation data derived from broadly available compensation surveys compiled by recognized compensation firms, as well as public data from a peer group of publicly traded companies that are comparable to PCTEL. The survey data used by the committee's independent compensation consultant is derived from different databases of companies that compare to PCTEL only in general terms, including broad industry sectors and size of company.

The peer group information is designed to be more specific. The consultant, with assistance from our company's management and guidance from the committee, is responsible for selecting the companies that are included within this peer group and for compiling relevant executive compensation and corporate performance data. Although it is not possible to construct a group of companies with characteristics entirely similar to PCTEL, The Delves Group compiles data from companies that are similar in terms of industry sector, revenue level, market capitalization, operating and financial characteristics and other relevant factors. The peer group used to assist the committee in 2007 for determining CEO compensation consisted of 10 companies in similar or related technology businesses with annual revenues ranging from \$100-800 million and a median annual revenue level of approximately \$200 million. In 2007, the peer group of companies was as follows:

| | |
|------------------------|---------------------------|
| PowerWave Technologies | OpenWave Systems |
| Finisar | SBA Communications |
| Stratex Networks | Symmetricon |
| iPass | NMS Communications |
| Airspan Networks | Centillium Communications |

In 2008, the peer group of companies expanded to 16 companies, with 2007 revenues ranging from approximately \$25-\$260 million and median 2007 revenues of approximately \$90 million. This group consisted of the following:

| | |
|---------------------------------|---------------------------------|
| Symmetricon | Westell Technologies, Inc. |
| Airspan Networks, Inc. | Channell Commercial Corporation |
| Clearwire Corporation | NMS Communications Corporation |
| EFJ, Inc. | Axesstel, Inc. |
| Ditech Networks, Inc. | Proxim Wireless Corporation |
| Centillium Communications, Inc. | Wireless Telecom Group, Inc. |
| RELM Wireless Corporation | NextWave, Inc. |
| CalAmp Corporation | LeCroy Corporation |

The compensation data derived from these selected peer groups, which was ranked by amount, consisted of annual and long term compensation amounts representing yearly averages over a three-year period. The financial performance data derived from these peer groups, also ranked by amount, included revenue growth, EBA (earnings before amortization) and EBA margin, EBITD (earnings before interest, taxes and depreciation), and total shareholder return. The Delves Group provided a comprehensive pay-for-performance analysis in connection with the committee's evaluation of executive compensation, comparing levels of compensation, expressed in dollars and percentages, against both compensation and performance data contained in the survey and peer group information.

Industry benchmarking information from the survey data and the identified peer group has been equally relevant to the committee in respect of establishing cash compensation and equity ownership levels among the PCTEL managers and executives other than the CEO. The committee uses benchmarking information to evaluate total compensation of our

company's executives, i.e., principally salary, bonus and long term incentives combined, and looks upon this category of information as a key measure of executive compensation.

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Principal Elements of Compensation

The principal elements included in executive compensation for our company's CEO and executive management consist of:

annual salary;

an annual bonus administered under our Short Term Incentive Plan;

long term equity incentive awards under our 1997 Stock Plan;

tax deferral benefits and matching contributions by our company under our Executive Deferred Compensation Plan and tax deferral benefits under our Executive Deferred Stock Plan; and

health and medical benefits and other standard benefits.

Annual Salary. The committee uses salary as the principal element of cash compensation for our executives. In addition to consideration of the performance levels, experience and responsibilities of our senior managers in reviewing compensation, the committee seeks to establish for our executives and managers an annual salary that is competitive with those paid to executives at comparably situated companies. This element of compensation is key to our company's ability to hire and retain executives and key managers.

Annual Bonuses under our Short Term Incentive Plan. This plan is a performance-based bonus plan that awards annual cash and/or stock bonuses based on the achievement of corporate- and business unit-level objectives tailored to specific growth and business goals established by management with the concurrence of our board of directors and the committee. Executives are permitted to earn maximum potential bonuses expressed as a percentage of their annual salary. The bonus each year is structured to be payable at lesser or greater amounts based on under- or over-achievement of the identified performance objectives.

The committee looks upon the bonus component of executive compensation as its principal tool in structuring incentives designed to realize our company's yearly growth objectives. The performance objectives that are the basis of awards under the Short Term Incentive Plan are in general tied to, or derived from, our company's annual financial plan for the upcoming year as approved by our board of directors. As a result, awards under this plan tend to focus more on near term operational and financial objectives of our company. See the discussion below on page 26 under Short Term Incentive Plan.

Long Term Incentives. Our company provides long term incentives on an annual basis through the grant of restricted stock and stock options under its stock plans. The nature and terms of the equity award are determined by the committee, based on the kinds of motivations that the committee is seeking to establish.

Because of the long range vesting arrangements that are implemented with grants of restricted stock (both service-based and performance-based shares) and stock options, as well as the potential for appreciation in the value of our stock in our public trading markets as our company grows, the committee regards this element of compensation as having long term incentive and retention value in the hands of management. In addition, since these incentives that are service-based are structured to vest over a term that ranges from two to five years, depending on the nature of the award, their incentive value to our management is more strategic in nature.

The committee recognizes the risk-based nature of stock options and performance-based restricted stock, i.e., their economic value to the recipient is dependent on an increase in the stock price in the case of stock options and

achievement of performance objectives in the case of performance-based restricted shares. The committee believes risk is an important element in structuring compensation for our executives and senior managers.

Beginning in 2005, the committee determined to use restricted stock grants instead of stock options as the principal form of long term incentive award for our company's executives and key managers. The committee believes that restricted stock grants (i) can be more readily adapted to performance-oriented goals and objectives than stock options; (ii) provide greater motivational benefit in the hands of our company's management and encourage focus on longer term results; and (iii) promote increasing ownership of our company's stock by our management.

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In addition, the use of restricted stock serves to reduce the dilution to our company's stockholders through reduced grant levels of equity incentives to employees. Because restricted stock grants do not require the payment of an exercise price by the recipient, they have inherently greater value. As a general premise, based on valuation factors specific to our company, one share of restricted stock is the economic equivalent of three option shares. Therefore, substantially fewer shares are required for a stock grant to achieve the same economic incentive as a stock option, which permits us to grant smaller awards and conserve the stock reserves under our stock plans.

Stock Ownership Guidelines

From time to time, the committee has considered the implementation of formal stock ownership guidelines for our company's officers and for members of our board of directors. The committee currently believes that formal stock ownership guidelines for either the officers or directors of our company are unnecessary, due to our company's historical emphasis on the use of stock instead of cash as the form of payment of bonuses to executives under the Short Term Incentive Plan, the existing annual stock elements of director compensation, and the actual ownership levels of stock by both officers and the directors in our company. However, the committee continues to evaluate the need for stock ownership guidelines on a periodic basis.

Under the insider trading policy adopted by our company at the time of our initial public offering, our insiders are prohibited from trading in our common stock while in possession of material non-public information. To obviate the possibility of hedging the economic risk of ownership, this prohibition extends to trading in derivative securities of our company, including any put or call options.

PCTEL Equity Incentive Plans and Terms of Grant

Our company has traditionally provided long term incentives to our executives and senior managers through the grant of restricted stock and stock options under our 1997 Stock Plan. This plan was approved by the stockholders at the time it was originally adopted in 1997, and in 2006, material amendments to the plan (including an increase in the reserve of shares for issuance under the plan) were also approved by our stockholders.

Material Terms of Stock Option Grants. Stock options granted to employees have a term of 10 years and are exercisable over time, typically over a period of 48 months from the date of grant, subject to the continued employment of the recipient. Under this 48-month exercisability schedule, there is a one year cliff period at the conclusion of which 25% of the shares subject to the option grant become exercisable; thereafter, the remaining option shares become exercisable in equal monthly increments over the balance of the four-year vesting period. All stock option grants made to our company's employees, including officers, have an exercise price equal to the fair market value of the common stock on the date of grant, based on the trading price of the common stock as reported by Nasdaq. The committee and our board of directors have determined, as a matter of policy, that all stock option grants under the 1997 Stock Plan will be non-statutory options for federal tax purposes. A non-statutory option is taxable to the recipient upon exercise of the option to the extent that the fair market value of the stock on the exercise date exceeds the exercise price.

Because the economic value of a stock option to the employee is dependent upon an increase in the trading price of the common stock above the exercise price of the option, this portion of an executive's compensation is directly aligned with an increase in stockholder value. If the trading price of the stock falls below the exercise price of the stock option, as has happened from time to time in respect of PCTEL stock option grants, then the stock option may lose its incentive value to the executive. The committee has never repriced previously granted stock options to employees where the trading price of the stock is less than the exercise price, and our 1997 Stock Plan, as amended in 2006, expressly prohibits the repricing of previously granted awards.

Material Terms of Time-Based Restricted Stock Grants. Restricted stock grants typically vest in equal yearly increments over four years from the date of grant, also subject to the continued employment of the recipient. In some cases, restricted stock grants have been made with shorter vesting periods (two or three years), depending on the purpose for which they have been awarded, and in some cases will vest only at the end of a defined period (cliff vesting). As restricted stock grants vest, there is no exercise price to be paid to enable the recipient of the grant to realize the value of the stock at the vesting date. As a result, even though the stock price of our company may drop below the price of the stock that existed on the grant date of the restricted share, the share continues to hold residual

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value in the hands of the employee. The fair market value of the restricted stock as it vests (based on the trading price of the stock), represents taxable gain to the employee at that time. Our company has the right to require our officers and managers to meet their statutory tax withholding obligations on each vesting date through the delivery of their vested shares net of the number of shares used to satisfy the withholding obligation.

Material Terms of Performance-Based Restricted Stock Grants. Beginning with the grant of long term incentives in 2006 to the CEO, the committee has determined that the use of performance-based restricted stock grants should be included as an element of executive compensation. The committee believes that the performance measures used in constructing long term incentives must be meaningful to management, must emphasize the long term strategic goals of our company, and must remain relevant over a period of several years. The principal terms of these performance-based incentive grants are summarized below on page 30 under Long Term Equity Incentives: Time-Based Stock Options and Time- and Performance-Based Restricted Stock .

Accounting. Beginning January 1, 2006, Financial Accounting Standard 123R became effective. This accounting standard in general requires that our company record a compensation charge equal to the value of each equity incentive award on the date of grant. Based on the approximate 1:3 ratio that we have used in determining economic equivalence of restricted stock to stock options, there is no material difference in accounting cost to our company in the form of either incentive award to management.

Administrative Protocols for the Grant of Equity Incentives

Board and Committee Authority for Stock Option and Restricted Stock Grants. Consistent with the provisions of our company s stock plans, the responsibility for the administration of the stock plans, including the grant of equity incentives under the plans, is conferred upon our board of directors, or a committee of our board of directors. Our board of directors has delegated to the compensation committee the authority to serve as administrator of our company s plans.

The committee adheres to the following protocols in the grant of equity incentive awards to our company s employees, including officers and senior managers:

The committee has delegated to the Chair of the committee (currently Mr. Alberding) the authority to formally approve award grants to new and continuing non-officer employees recommended by the CEO or the human resources director. This delegation is not exclusive; the committee retains the right to formally approve award grants as well. Equity awards approved by the committee Chair are based on a matrix of equity incentive ranges reviewed and approved by the committee from time to time for non-officer employees based on title, job responsibility, seniority and other factors. The vesting commencement date of awards for new employees is the commencement date of employment; for continuing employees, it is the date of grant.

Stock options or other equity incentive awards that are granted to senior managers or vice presidents of our company, but not including the CEO, are authorized by the committee.

Incentive grants for the CEO require the approval of our board of directors, taking into consideration the recommendation of the committee.

Administrative Protocols in Stock Option and Restricted Stock Grants. We adopted a Statement of Administrative Policy in November 2006, codifying approved procedures in respect of award grants under our company s 1997 Stock Plan and our 2001 Stock Plan (another plan that we use for non-officer employees). This policy is administered by the committee. The key elements of the policy are as follows:

The meeting date of the compensation committee or our board of directors, as the case may be, is the grant date of any approved award, unless the committee or our board of directors expressly identifies a future date as the grant date of the award (discussed below).

Where a written consent of the committee or the committee Chair is used to approve an equity award, the date of the last signature required on the consent, or the date of the signature of the committee Chair, as applicable, constitutes the date of the award.

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Award grant documentation is dated as of the grant date.

Where a stock option or other award is required to be priced at the fair market value of the underlying stock, the closing sales price of the stock as reported by Nasdaq on the grant date is selected to represent that value.

The committee or our board of directors will not authorize a grant of stock options or other equity incentive awards (with the exceptions noted in the paragraph below) to officers or key managers during a quarterly quiet period, subject to the exception noted in the paragraph below. A quiet period is the time during which the officers and key managers of our company may be presumed to be in possession of non-public information concerning the financial performance of our company, beginning with the first day of the last month of each quarter and continuing until the end of the second business day following our company's public release of earnings and other financial information. If stock options or other equity incentive awards (with the exceptions noted in the paragraph below) for individuals in this group are authorized by the committee or our board of directors during such a quiet period, the committee or board of directors will identify a future date as the grant date of the award, and will identify the reported closing price of the common stock on the future grant date as the fair market value of the award. This future grant date typically falls on the third day following our company's earning release for the financial period.

Where performance shares or restricted stock awards that are not dollar-denominated are approved, a grant date during a quarterly quiet period is permitted, since these awards are not price-sensitive on the date of grant. Because of our company's practice since 2005 of paying bonuses under the Short Term Incentive Plan in shares of stock rather than cash, these grants are dollar-denominated, and therefore have been typically awarded subject to a future grant date corresponding with the third day following our company's quarterly earnings release.

Our company's 1997 Stock Plan and 2001 Stock Plan provide that the reported closing price of our company's stock on the grant date will be used to determine the fair market value of the stock and the exercise price of the option or award.

2007 Company Financial Performance, Officer Responsibilities and 2008 Executive Compensation

For fiscal 2007, the company's financial performance was below plan. The company generated annual revenue and EBTA (in general, referring to income net of taxes, stock-based compensation, acquisition intangibles amortization, goodwill impairment and restructuring charges) of \$80.2 million and \$8.2 million against planned revenue and EBTA targets of \$94 million and \$12.8 million, respectively. Much of the shortfall pertained to our company's discontinued UMTS operation in Ireland. However, the discontinuance of this operation enabled the company to achieve greater focus on its operational and strategic objectives. As another step in the furtherance of these objectives, our company completed the sale of one its business units, the Mobility Solutions Group, in January 2008, thus facilitating the transition to a business model with greater emphasis on spectrum management operations, including in particular our company's antenna and RF solutions products.

Compared to its peer group, in 2007 the company performed above the median in respect of financial measures that consisted of annualized revenue growth over the period 2005 through 2007, 2007 total shareholder return, and annualized shareholder return over the period 2005 through 2007, and performed at or below the median in respect of 2007 revenue growth. The company's overall compensation expense (before tax) was below the median established by the peer group.

In late 2007, Mr. Singer recommended to the committee several changes to the elements of compensation to be paid to the company's executives and managers in 2008. These recommendations included freezing executive salaries at 2007 levels (with an exception for one executive) as well as reducing annual bonuses and equity incentive grants to executives and key managers from historical norms. The objective of Mr. Singer's recommendations was to improve the company's operating margins in 2008, with particular focus on reducing general and administrative operating expenses. The committee considered these recommendations in the context of other information relevant to establishing executive compensation for 2008, including survey and peer group information from the committee's compensation consultant.

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The company's 2008 financial plan, adopted in late 2007, called for 2008 planned revenue of \$79 million and planned EBTA of \$11.9 million from continuing operations (excluding revenue and EBTA from the Mobility Solutions Group). These planned financial goals for 2008 were less than the goals adopted for 2007 due to the sale of the Mobility Solutions Group in early January 2008. Revenue and financial earnings targets originally set forth in our annual financial plan are the basis of performance metrics used in the company's annual Short Term Incentive Plan and in performance-based restricted stock granted to the executives (see below), even though these targets are updated and adjusted periodically for acquisitions and divestitures and for normal forecast revisions.

In connection with organizational and management changes made from time to time within the company, the corporate and unit responsibilities of the members of senior management are relevant to the committee's evaluation of executive compensation:

Executive officers with chief corporate responsibilities in 2007 and 2008 included Mr. Singer as the Chief Executive Officer and Mr. Schoen as the Chief Financial Officer.

Executive officers with key unit responsibilities in 2007 included Mr. Miller as the Vice President and General Manager of the Broadband Technology Group, Mr. Nair as the Vice President and General Manager of the Mobility Solutions Group, and Mr. Rugeles as the Vice President and General Manager of the RF Solutions Group. Mr. Suastegui joined the company in June 2007 as the Vice President and General Manager of Global Sales and had key operating responsibilities in that area.

In 2008, Mr. Miller's position was changed to Vice President and General Manager of the Antenna Products Group, and Mr. Rugeles and Mr. Suastegui continued in their management positions with the RF Solutions Group and Global Sales, respectively.

CEO Total Direct Compensation

Mr. Singer's total direct target compensation for 2008, consisting of salary, target bonus and long term incentives, equates to \$1,130,160, representing a decline from total direct target compensation and total direct actual compensation of \$1,621,100 and \$1,340,930, respectively, in 2007. The 2008 target level is at the median of total direct compensation, based on survey and peer group executive compensation information provided by the committee's compensation consultant. In reference to its peer group, PCTEL's financial performance was in general at or above the median. The committee believed that Mr. Singer's total direct target compensation for 2008 was appropriate in light of management's objective to reduce operating expenses in 2008.

Executive Salaries

CEO Salary. In March 2007, Mr. Singer's salary was established at \$450,000, an increase of 13% from his annual salary of \$400,000 in 2006, consistent with the committee's philosophy of maintaining total compensation for the CEO within competitive norms.

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For 2008, Mr. Singer's salary has been maintained at its 2007 level of \$450,000, in recognition of the need to manage corporate operating expense levels and to continue emphasis on stock appreciation and plan attainment as key elements of Mr. Singer's overall compensation.