

TRIMBLE NAVIGATION LTD /CA/
Form DEF 14A
April 10, 2006

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 X
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

Trimble Navigation Limited
(Name of Registrant as Specified in its Charter)

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

(2) Aggregate number of securities to which transaction applies:

(3) Per unit price or other underlying value of transaction computed pursuant
to Exchange Act Rule 0-11:

(4) Proposed maximum aggregate value of transaction:

(5) Total fee paid:

Fee paid previously with preliminary materials.

Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

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

(3) Filing Party:

(4) Date Filed:

TRIMBLE NAVIGATION LIMITED
NOTICE OF ANNUAL MEETING OF SHAREHOLDERS
MAY 18, 2006

To The Shareholders:

NOTICE IS HEREBY GIVEN that the Annual Meeting of Shareholders of Trimble Navigation Limited (the "Company") will be held at the Hyatt Regency Hotel, located at 5101 Great America Parkway, in Santa Clara, California 95054, on Thursday, May 18, 2006, at 6:00 p.m. local time, for the following purposes:

1. To elect directors to serve for the ensuing year and until their successors are elected.
2. To approve an amendment to the Company's 2002 Stock Plan to increase the number of shares of the Company's Common Stock available for grant of stock options and stock awards thereunder.
3. To approve an amendment to the Company's 1988 Employee Stock Purchase Plan to increase the number of shares of the Company's Common Stock available for purchase thereunder.
4. To ratify the appointment of Ernst & Young LLP as the independent auditors of the Company for the current fiscal year ending December 29, 2006.
5. To transact such other business as may properly come before the meeting or any adjournment thereof.

The foregoing items of business are more fully described in the Proxy Statement accompanying this Notice. Only shareholders of record at the close of business on March 20, 2006, will be entitled to notice of and to vote at the Annual Meeting or any adjournment thereof.

All shareholders are cordially invited to attend the Annual Meeting in person. However, to ensure your representation at the meeting, you are urged to mark, sign, date, and return the enclosed Proxy card as promptly as possible in the postage-prepaid envelope enclosed for that purpose. Alternatively, you may also vote via the Internet or by telephone in accordance with the detailed instructions on your Proxy card. Any shareholder attending the meeting may vote in person even if such shareholder previously returned a Proxy.

For the Board of Directors
TRIMBLE NAVIGATION LIMITED

Robert S. Cooper
Chairman of the Board
Sunnyvale, California
April 11, 2006

IMPORTANT: WHETHER OR NOT YOU PLAN TO ATTEND THE ANNUAL MEETING, YOU ARE REQUESTED TO COMPLETE AND PROMPTLY RETURN THE ENCLOSED PROXY CARD IN THE POSTAGE-PREPAID ENVELOPE PROVIDED OR VOTE VIA THE INTERNET OR BY TELEPHONE TO ENSURE THAT YOUR SHARES ARE REPRESENTED AT THE MEETING.

TRIMBLE NAVIGATION LIMITED

**PROXY STATEMENT FOR
ANNUAL MEETING OF SHAREHOLDERS**

May 18, 2006

The enclosed Proxy is solicited on behalf of the Board of Directors of Trimble Navigation Limited, a California corporation (the "Company"), for use at the Company's Annual Meeting of Shareholders ("Annual Meeting") to be held at the Hyatt Regency Hotel, located at 5101 Great America Parkway, in Santa Clara, California 95054, on Thursday, May 18, 2006, at 6:00 p.m. local time, and at any adjournment(s) or postponement(s) thereof, for the purposes set forth herein and in the accompanying Notice of Annual Meeting of Shareholders.

The Company's principal executive offices are located at 935 Stewart Drive, Sunnyvale, California 94085. The telephone number at that address is (408) 481-8000.

These proxy solicitation materials are to be mailed on or about April 11, 2006, to all shareholders entitled to vote at the Annual Meeting. A copy of the Company's Annual Report for the last fiscal year ended December 30, 2005, accompanies this Proxy Statement but does not form any part of the proxy solicitation materials. A copy of the Annual Report on Form 10-K may be obtained by sending a written request to the Company's Investor Relations Department at 935 Stewart Drive, Sunnyvale, California, 94085. A full copy of the Company's Annual Report on Form 10-K, as filed with the Securities and Exchange Commission ("SEC") for the fiscal year ended December 30, 2005, is available via the Internet at the SEC's EDGAR web site at <http://www.sec.gov>. In addition, a copy of the Company's Annual Report on Form 10-K is also available via the Internet at the Company's web site at <http://www.trimble.com>.

INFORMATION CONCERNING SOLICITATION AND VOTING

Record Date and Shares Outstanding

Shareholders of record at the close of business on March 20, 2006 (the "Record Date") are entitled to notice of, and to vote at, the Annual Meeting. At the Record Date, the Company had issued and outstanding 54,380,507 shares of common stock, without par value ("Common Stock").

Revocability of Proxies

Any proxy given pursuant to this solicitation may be revoked by the person giving it at any time before its use by delivering to the Company (Attention: Corporate Secretary) a written notice of revocation or a duly executed proxy bearing a later date (including a proxy by telephone or over the Internet) or by attending the meeting and voting in person. Attendance at the meeting will not, by itself, revoke a proxy.

Voting

Each share of Common Stock outstanding on the Record Date is entitled to one vote on all matters. An automated system administered by the Company's agent tabulates the votes. Abstentions and broker non-votes are each included in the determination of the number of shares present and voting at the Annual Meeting and the presence or absence of a quorum. The required quorum is a majority of the shares outstanding on the Record Date. Abstentions are counted as votes against proposals presented to the shareholders in tabulations of the votes cast on proposals presented to shareholders, whereas broker non-votes are not counted for purposes of determining whether a proposal has been

approved.

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Voting via the Internet or by Telephone

In addition to completing the enclosed proxy card and submitting it by mail, shareholders may also vote by submitting proxies electronically either via the Internet or by telephone. Please note that there are separate arrangements for using the Internet and telephone depending on whether shares are registered in the Company's stock records directly in a shareholder's name or whether shares are held in the name of a brokerage firm or bank. Detailed electronic voting instructions can be found on the individual Proxy card mailed to each shareholder.

In order to allow individual shareholders to vote their shares and to confirm that their instructions have been properly recorded, the Internet and telephone voting procedures have been designed to authenticate each shareholder's identity. Shareholders voting via the Internet should be aware that there may be costs associated with electronic access, such as usage charges from Internet access providers and telephone companies, that will be borne solely by the individual shareholder.

Voting in Person

If your shares are registered directly in your name with our transfer agent, American Stock Transfer & Trust Co., Inc., you are considered to be the registered shareholder with respect to those shares. Proxy materials for registered shareholders are mailed directly to you by our mailing agent, ADP Investor Communications Services. Registered shareholders have the right to vote in person at the meeting. If your shares are held in a brokerage account or by another nominee, you are considered to be a beneficial shareholder of those shares. Proxy materials for beneficial shareholders are forwarded to you together with a voting instruction card. In order to vote in person at the annual meeting, beneficial shareholders must obtain a "legal proxy" from the broker, trustee or nominee that holds their shares. Without a legal proxy, beneficial owners will not be allowed to vote in person at the annual meeting.

Solicitation of Proxies

The entire cost of this proxy solicitation will be borne by the Company. The Company has retained the services of Morrow & Co. to solicit proxies, for which services the Company has agreed to pay approximately \$8,000. In addition, the Company will also reimburse certain out-of-pocket expenses in connection with such proxy solicitation. The Company may reimburse brokerage firms and other persons representing beneficial owners of shares for their expenses in forwarding soliciting materials to such beneficial owners. Proxies may also be solicited by certain of the Company's directors, officers, and regular employees, without additional compensation, personally or by telephone, telegram or facsimile.

Deadline for Receipt of Shareholder Proposals for 2007 Annual Meeting

Shareholders are entitled to present proposals for actions at forthcoming shareholder meetings of the Company if they comply with the requirements of the appropriate proxy rules and regulations promulgated by the Securities and Exchange Commission. Proposals of shareholders which are intended to be considered for inclusion in the Company's proxy statement and form of proxy related to the Company's 2007 Annual Meeting of Shareholders must be received by the Company at its principal executive offices (Attn: Corporate Secretary—Shareholder Proposals, Trimble Navigation Limited at 935 Stewart Drive, Sunnyvale, California 94085) no later than December 9, 2006. Shareholders interested in

submitting such a proposal are advised to retain knowledgeable legal counsel with regard to the detailed requirements of the applicable securities laws. The timely submission of a shareholder proposal to the Company does not guarantee that it will be included in the Company's applicable proxy statement.

If the Company is not notified at its principal executive offices of a shareholder proposal at least 45 days prior to the one year anniversary of the mailing of this Proxy Statement, then the proxy holders for the Company's 2007 Annual Meeting of Shareholders will have the discretionary authority to vote against any such shareholder proposal if it is properly raised at such annual meeting, even though such shareholder proposal is not discussed in the Company's proxy statement related to that shareholder meeting.

The Proxy card attached or enclosed with this Proxy Statement, to be used in connection with the Company's 2006 Annual Meeting, grants the proxy holder discretionary authority to vote on any matter otherwise properly raised at such Annual Meeting. The Company presently intends to use a similar form of proxy card for next year's 2007 Annual Meeting of Shareholders.

**ITEM I
ELECTION OF DIRECTORS**

Nominees

A board of seven directors is to be elected at the Annual Meeting. The Board of Directors of the Company has authorized the nomination at the Annual Meeting of the persons named below as candidates. All nominees currently serve on the Board of Directors. The Board waived the recommended retirement age for re-election as a Director with respect to Dr. Cooper because of his unique qualification and ability to continue to serve the Company. The Board has determined that a majority of the Directors are independent directors as defined by Rule 4200(a)(15) of the National Association of Securities Dealers ("NASD") listing standards.

The names of the nominees and certain information about them, as of the Record Date, are set forth below:

Name of Nominee	Age	Principal Occupation	Director Since
Steven W. Berglund	54	President and Chief Executive Officer of the Company	1999
Robert S. Cooper (1) (3)	74	Aerospace Business Consultant to L3COM Incorporated	1989
John B. Goodrich (1) (3) (4)	64	Business Consultant; Secretary of the Company	1981
William Hart (2) (3) (4)	65	Venture Capital Investor and Business Consultant	1984
Ulf J. Johansson (2) (4)	60	Director, Telefon AB LM Ericsson	1999
Bradford W. Parkinson (2)	71	Professor (Emeritus), Stanford University	1984

Nickolas W. Vande Steeg (1) 63 President & Chief Operating Officer, Parker 2003
Hannifin Corporation

(1) Member of the Compensation Committee

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

Steven W. Berglund joined Trimble as president and chief executive officer in March 1999. Prior to joining Trimble, Mr. Berglund was president of Spectra Precision, a group within Spectra Physics AB, and a pioneer in the development of laser systems. He spent 14 years at Spectra Physics in a variety of senior leadership positions. In the early 1980s, Mr. Berglund spent a number of years at Varian Associates in Palo Alto, where he held a variety of planning and manufacturing roles. Mr. Berglund began his career as a process engineer at Eastman Kodak in Rochester, New York. He attended the University of Oslo and the University of Minnesota where he received a B.S. in chemical engineering in 1974. He later received his M.B.A. from the University of Rochester in New York in 1977.

Robert S. Cooper was appointed Chairman of the Company's Board of Directors in September 1998. Dr. Cooper has served as a Director of the Company since December 1989. Prior to his retirement in 2005 and since 2000, Dr. Cooper was President of the Aerospace Electronics Division of the Titan Corporation, an aerospace company. From 1985 to 2000, Dr. Cooper was president, chief executive officer, and chairman of the board of directors of Atlantic Aerospace Electronics Corporation, an aerospace company, until the company was acquired by Titan Corporation. Dr. Cooper also serves on the board of directors of BAE Systems North America. From 1981 to 1985, he was Assistant Secretary of Defense for Research and Technology and simultaneously held the position of Director for the Defense Advanced Research Projects Agency (DARPA). Dr. Cooper received a B.S. degree in Electrical Engineering from State University of Iowa in 1954, a M.S. degree in Electrical Engineering from Ohio State University in 1958, and a Doctor of Science degree in Electrical Engineering from the Massachusetts Institute of Technology in 1963.

John B. Goodrich has served as a Director of the Company since January 1981. Mr. Goodrich retired from the law firm of Wilson Sonsini Goodrich & Rosati, where he practiced from 1970 until 2002. Mr. Goodrich, currently a business consultant, serves on the board of directors of Tessera Technology, Inc., a developer of semiconductor packaging technology and on the boards of several privately held corporations in high technology businesses. Mr. Goodrich received a B.A. degree from Stanford University in 1963, a J.D. from the University of Southern California in 1966, and an L.L.M. in Taxation from New York University in 1970.

William Hart has served as a Director of the Company since December 1984. Mr. Hart is an advisor to early-stage technology and financial services companies. Mr. Hart retired from Technology Partners, a Silicon Valley venture capital firm, in 2001. As the founder and Managing Partner of Technology Partners, he led the firm for 21 years. Mr. Hart was previously a senior officer and director of Cresap, McCormick and Paget, management consultants, and held positions in field marketing and manufacturing planning with IBM Corporation. Mr. Hart has served on the boards of directors of numerous public and privately held technology companies. Mr. Hart received a Bachelor of Management Engineering degree from Rensselaer Polytechnic Institute in 1965 and an M.B.A. from the Amos Tuck School of Business at Dartmouth College in 1967.

Ulf J. Johansson, Ph.D., has served as a Director of the Company since December 1999. Dr. Johansson is a Swedish national with a distinguished career in communications technology. He was a founder, and served as chairman of, Europolitan Vodafone AB, a GSM mobile telephone operator in Sweden, since its start in 1990 until March 2005. In April 2005 Dr. Johansson was elected to the Board of Directors of Telefon AB LM Ericsson. He currently also serves as Chairman of the Board of Directors for AcandoFrontec AB, an IT and management consulting company, and Eurostep Group AB, a software and consulting company specialized in product life cycle management. Dr. Johansson has served on the board of directors of Novo Nordisk A/S, a Danish pharmaceutical/life science company since 1998, but left that position in March 2005 in order to take up the assignments as chairman of Novo Nordisk Foundation and Novo A/S, the private Danish investment company, parent company of the Novo Group and the majority owner of Novo Nordisk A/S and Novozymes A/S. From 1998 to 2003, Dr. Johansson served as chairman of the University

Board of Royal Institute of Technology in Stockholm. Earlier positions included being president and chief executive officer of Spectra-Physics, and executive vice president of Ericsson Radio Systems AB. Dr. Johansson received a Master of Science in Electrical Engineering, and a Doctor of Technology (Communication Theory) from the Royal Institute of Technology in Sweden.

Bradford W. Parkinson has served as a Director of the Company since 1984. Currently, Dr. Parkinson is the Edward C. Wells Endowed Chair professor (emeritus) at Stanford University and has been a Professor of Aeronautics and Astronautics at Stanford University since 1984. Dr. Parkinson has also directed the Gravity Probe-B spacecraft development project at Stanford University, sponsored by NASA, and has been program manager for several Federal Aviation Administration sponsored research projects on the use of Global Positioning Systems for navigation. While on a leave of absence from Stanford University, Dr. Parkinson served as the Company's President and Chief Executive Officer from August 1998 through March 1999, while the Company searched for a Chief Executive Officer. From 1980 to 1984 he was group vice president and general manager for Intermetrics, Inc. where he directed five divisions. In 1979, Dr. Parkinson served as group vice president for Rockwell International directing business development and advanced engineering. In 2003, he was awarded the Draper Prize by the National Academy of Engineering for the development of GPS. Dr. Parkinson received a B.S. degree from the U.S. Naval Academy in 1957, an M.S. degree in Aeronautics/Astronautics Engineering from Massachusetts Institute of Technology in 1961 and a Ph.D. in Astronautics Engineering from Stanford University in 1966.

Nickolas W. Vande Steeg joined the Company's Board of Directors in July 2003. Mr. Vande Steeg is president and chief operating officer of Parker Hannifin Corporation and has been with the company since 1971. Parker Hannifin is a diversified manufacturer of motion and control technologies and systems solutions for a wide variety of commercial, mobile, industrial and aerospace markets. Currently, he is overseeing all industrial groups; Hydraulics, Fluid Connectors and Automation, Seal Filtration, Instrumentation and Climate Controls, two regional groups; Asia Pacific and Latin America, as well as the "lean organization" element of Parker Hannifin's WIN Strategy, which is focused on premier customer service, financial performance and profitable growth. Mr. Vande Steeg currently serves on the boards of directors of Parker Hannifin, and Azusa Pacific University. Mr. Vande Steeg began his career at John Deere Corporation serving as an Industrial Engineer and Industrial Relations Manager from 1965 to 1970. Mr. Vande Steeg received his B.S. in Industrial Technology from the University of California, Irvine in 1968 and an M.B.A. from Pepperdine University in Malibu, California in 1985.

Vote Required

The seven nominees receiving the highest number of affirmative votes of the shares entitled to be voted shall be elected as directors. Every shareholder voting for the election of directors may cumulate such shareholder's votes and give one candidate a number of votes equal to the number of directors to be elected multiplied by the number of shares held by the shareholder as of the Record Date, or distribute such shareholder's votes on the same principle among as many candidates as the shareholder may select, provided that votes cannot be cast for more than the number of directors to be elected. However, no shareholder shall be entitled to cumulate votes unless the candidate's name has been placed in nomination prior to the voting and the shareholder, or any other shareholder, has given notice at the meeting prior to the voting of the intention to cumulate the shareholder's votes.

Votes withheld from any director are counted for purposes of determining the presence or absence of a quorum, but have no other legal effect under California law. While there is no definitive statutory or case law authority in California as to the proper treatment of abstentions and broker non-votes in the election of directors, the Company believes that both abstentions and broker non-votes should be counted solely for purposes of determining whether a quorum is present at the Annual Meeting. In the absence of controlling precedent to the contrary, the Company intends to treat abstentions and broker non-votes with respect to the election of directors in this manner.

Unless otherwise directed, the proxy holders will vote the proxies received by them for the seven nominees named above. In the event that any such nominee 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. In the event that additional persons are nominated for election as directors, the proxy holders intend to vote all proxies received by them in such a manner as will ensure the election of as many of the nominees listed above as possible. In such event, the specific nominees to be voted for will be determined by the proxy holders. As of the date of this Proxy Statement, the Board of Directors has no reason to believe that any nominee will be unable or will decline to serve as a director. The directors elected will hold office until the next annual meeting of shareholders and until their successors are duly elected and qualified.

Recommendation of the Board of Directors

The Board of Directors recommends that shareholders vote FOR the election of the above-named persons to the Board of Directors of the Company.

ITEM II AMENDMENT OF THE 2002 STOCK PLAN

The Board of Directors is seeking shareholder approval of an amendment to the Company's 2002 Stock Plan to increase the number of shares of Common Stock available for issuance thereunder by 1,500,000 shares, for an aggregate of 6,000,000 shares. The Company's 2002 Stock Plan was originally adopted by the Company's Board of Directors in March 2002 and approved by the shareholders in May 2002. In May 2004, the shareholders approved an increase in the number of shares of the Company's Common Stock reserved for issuance under the 2002 Stock Plan to 4,500,000 shares plus any shares reserved but unissued under the Company's 1993 Stock Option Plan (the "1993 Plan") together with any shares subsequently returned to the 1993 Plan as the result of the termination of any options originally granted under the 1993 Plan. In May 2005, the shareholders approved an amendment to the 2002 Stock Plan to allow the granting of stock awards, in addition to the grant of stock options previously permitted to be granted under the plan. As of March 1, 2006, options to purchase an aggregate of 3,575,597 shares, having an average exercise price of \$23.3371 per share and expiring from June 21, 2012 to January 19, 2016, were outstanding and 1,451,931 shares remained available for future grant under the 2002 Stock Plan.

Given the number of shares currently remaining for grant in the 2002 Stock Plan and the Company's present anticipated executive, managerial and technical hiring needs and expectations, the Board of Directors believes that the increase in the number of shares under the 2002 Stock Plan is necessary in order for the Company to be competitive in the marketplace. Over the years, the Silicon Valley, where the Company is headquartered, has become more intensely competitive and attracting and recruiting highly skilled employees continues to be difficult for the Company. Another challenge in the Company's current employment market is to ensure that its experienced and qualified employees, the Company's most significant asset, are appropriately recognized, rewarded, and are encouraged to stay with the Company and help it grow, thereby increasing shareholder value.

The Board of Directors amended the 2002 Stock Plan in January 2006, subject to shareholder approval, to increase the number of shares available for grant of stock options and stock awards under the plan by 1,500,000 shares, for an aggregate of 6,000,000 shares. The use of stock options and stock awards as equity incentives in hiring, retaining and motivating the most talented people within the available human resource pool has been critical to the Company's past overall growth and success by encouraging and motivating high levels of performance from its employees and consultants. The proposed amendment to the 2002 Stock Plan reflects the Company's philosophy that stock incentives are an important and meaningful component of employee compensation, which enables the Company to attract the best available candidates and to ensure that its experienced and qualified employees, the Company's most significant asset, are appropriately recognized, rewarded, and are encouraged to stay with the Company and help it grow, thereby increasing shareholder value. The Board of Directors believes that the proposed amendment is in the best interests of the Company, its shareholders, and its employees and at the Annual Meeting, the shareholders are being asked to approve the proposed amendment to increase the number of shares of common stock available for issuance under the 2002 Stock Plan by 1,500,000 shares, for an aggregate of 6,000,000 shares.

The essential features of the 2002 Stock Plan, including this proposed amendment, which is subject to shareholder approval, are summarized below. This summary does not purport to be a complete description of all the provisions of the 2002 Stock Plan, and is subject to and qualified in its entirety by reference to the complete text of the amended 2002 Stock Plan, a copy of which is attached to this Proxy Statement as Appendix A.

General

The purpose of the 2002 Stock Plan is to help the Company attract and retain the best available personnel for positions of substantial responsibility, to provide additional incentive to the Company's employees, directors and consultants and the employees and consultants of the Company's parent and subsidiary companies and to promote the success of the Company's business. Options granted under the 2002 Stock Plan may be either "incentive stock options" or nonstatutory stock options. In addition, the 2002 Stock Plan also allows the granting of stock awards either in connection with an option grant or as a stand-alone award.

Administration

The 2002 Stock Plan may generally be administered by the Company's Board of Directors or a committee appointed by the Board of Directors, referred to as the administrator. Consistent to the terms of the 2002 Stock Plan, the administrator may make any determinations deemed necessary or advisable for the 2002 Stock Plan.

Eligibility

Nonstatutory stock options and stock awards may be granted to the Company's employees, directors and consultants and to employees and consultants of any of the Company's parent or subsidiary companies. Incentive stock options may be granted only to the Company's employees and to employees of any of the Company's parent or subsidiary companies. The administrator, in its discretion, but subject to the terms of the 2002 Stock Plan, selects which of the Company's employees, directors and consultants to whom options or awards may be granted, the time or times at which such options or awards shall be granted, and the exercise or purchase price, number of shares and other terms and conditions subject to each such grant.

Stock Subject to Awards

Subject to adjustment upon the occurrence of certain changes in capitalization, the maximum aggregate number of shares that may be granted as stock options or stock awards and delivered under the 2002 Stock Plan is 6,000,000 shares plus (a) any shares that have been previously reserved but not issued under the 1993 Plan as of the date of initial shareholder approval of the 2002 Stock Plan, and (b) any shares returned to the 1993 Plan as a result of termination of options granted under the 1993 Plan. The shares may be authorized, but unissued, or reacquired Common Stock, all of which shares may be granted as stock options and 10% of which may be granted as stock awards. The closing price of one share of Common Stock as of March 1, 2006 was \$41.15.

Terms of Options and Awards

Each option or award under the 2002 Stock Plan is evidenced by an agreement between the Company and the optionee or awardee, as applicable, and is subject to the following terms and conditions, but other specific terms may vary:

(a) Exercise Price of Options. The administrator determines the exercise price of options at the time the options are granted. The exercise price of options may not be less than 100% of the fair market value of the Company's Common Stock on the date such option is granted; provided, however, that the exercise price of an incentive stock option granted to a 10% shareholder may not be less than 110% of the fair market value on the date such option is granted. The fair market value of the Company's Common Stock is generally determined with reference to the closing sale price for the Company's Common Stock (or the closing bid if no sales were reported) on the date the option is granted.

(b) Exercise of Options; Form of Consideration. The administrator determines when options become exercisable, and may, in its discretion, accelerate the vesting of any outstanding option. The means of payment for shares issued upon exercise of an option is specified in each option agreement. The 2002 Stock Plan permits payment to be made by cash, check, promissory note, other shares of the Company's Common Stock (with some restrictions), cashless exercises, reduction in any Company liability the Company may owe to an optionee, any other form of consideration permitted by applicable law, or any combination thereof.

(c) Awards. The administrator determines the time or times at which a stock award vests. Awardees are entitled to receive stock awards without payment of any consideration to the Company, unless otherwise required by applicable law. Unless otherwise provided in the award agreement, awardees will have full voting rights and be entitled to regular cash dividends with respect to the shares subject to an award.

(d) Term of Option. The term of an option under the 2002 Stock Plan may be no more than ten (10) years from the date of grant; provided, however, that in the case of an incentive stock option granted to a 10% shareholder, the term of the option may be no more than five (5) years from the date of grant. No option may be exercised after the expiration of its term.

(e) Termination of Service. If an optionee's service relationship with the Company terminates for any reason (excluding death or disability), then, unless the administrator provides otherwise, the optionee may generally exercise the option within three (3) months of such termination to the extent that the option is vested on the date of termination, (but in no event later than the expiration of the term of such option as set forth in the option agreement). If an optionee's service relationship with the Company terminates due to the optionee's death or disability, then, unless the administrator provides otherwise, the optionee or the optionee's personal representative, estate, or the person who acquires the right to exercise the option by bequest or inheritance, as the case may be, generally may exercise the option, to the extent the option was vested on the date of termination, within twelve (12) months from the date of such termination. If an awardee's service relationship with the Company is terminated for any reason, all unvested shares covered by the award are forfeited.

(f) Non-transferability. Unless otherwise determined by the administrator, options and awards granted under the 2002 Stock Plan are not transferable other than by will or the laws of descent and distribution, and options may be exercised during the optionee's lifetime only by the optionee.

(g) Other Provisions. The stock option or award agreement may contain other terms, provisions and conditions not inconsistent with the 2002 Stock Plan as may be determined by the administrator.

Non-Employee Director Options

The 2002 Stock Plan provides for an automatic grant of a nonstatutory stock option to purchase 15,000 shares of the Company's Common Stock to a non-employee director upon being first elected to the Board of Directors. Thereafter, each non-employee director automatically receives an additional nonstatutory stock option grant to purchase 7,500 shares upon re-election to the Board of Directors at an annual meeting of shareholders. The non-employee directors' options have a purchase price equal to the fair market value on the date of grant and become exercisable in installments cumulatively with respect to 1/36 of the shares for each complete calendar month after the date of grant.

Limitations

The 2002 Stock Plan provides that no service provider may be granted, in any Company fiscal year, options or awards covering more than 300,000 shares of the Company's Common Stock. Notwithstanding this limit, however, in connection with such individual's initial service with the Company, he or she may be granted options or awards covering up to an additional 450,000 shares of the Company's Common Stock. These limits are subject to appropriate adjustments in the case of stock splits, reverse stock splits and the like.

Adjustment Upon Changes in Capitalization

In the event that any dividend or other distribution (whether in the form of cash, common stock, other securities, or other property), recapitalization, stock split, reverse stock split, reorganization, merger, consolidation, split-up, spin-off, combination, repurchase, or exchange of Common Stock or other of the Company's securities, or other change in the Company's corporate structure affecting the Company's Common Stock occurs, the administrator, in order to prevent diminution or enlargement of the benefits or potential benefits intended to be made available under the 2002 Stock Plan, may (in its sole discretion) adjust the number and class of shares that may be delivered under the 2002 Stock Plan and/or the number, class, and price of shares covered by each outstanding option or award.

In the event of a liquidation or dissolution, any unexercised options and unvested awards will terminate. The administrator may, in its sole discretion, provide that each optionee shall have the right to exercise all or any part of an option, including shares as to which the option would not otherwise be exercisable. The administrator may provide that the vesting of an award will accelerate at any time prior to such transaction.

In connection with the merger of the Company with or into another corporation or the Company's "change of control", as defined in the 2002 Stock Plan, each outstanding award or option shall be assumed or an equivalent award or option substituted by the successor corporation. If the successor corporation refuses to assume the options or awards or to substitute substantially equivalent options or awards, the optionee shall have the right to exercise the option as to all the optioned stock, including shares not otherwise vested or exercisable, and in the case of an award, the administrator shall provide for the acceleration of the award. In such event, with respect to options, the administrator shall notify the optionee that the option is fully exercisable for fifteen (15) days from the date of such notice and that the option terminates upon expiration of such period. If, in such a merger or Change in Control, an award or option is assumed or an equivalent award or option is substituted by such successor corporation, and if during a one-year period after the effective date of such merger or Change in Control, the optionee's or awardee's status as a service provider is terminated for any reason other than the optionee's or awardee's voluntary termination of such relationship, then (i) in the case of an option, the optionee shall have the right within three (3) months thereafter to exercise the option as to all of the optioned stock, including shares as to which the option would not be otherwise exercisable, effective as of the date of such termination and (ii) in the case of an award, the award shall be fully vested as of the date of such termination.

Amendment and Termination of the 2002 Stock Plan

The Company's Board of Directors may amend, alter, suspend or terminate the 2002 Stock Plan, or any part thereof, at any time and for any reason. However, the Company will obtain shareholder approval for any amendment to the 2002 Stock Plan to the extent necessary and desirable to comply with applicable laws. Additionally, unless the Company obtains prior shareholder approval, the administrator will not amend any option to reduce its exercise price or agree to grant options in exchange for optionees agreeing to cancel outstanding options where the economic effect would be the same as reducing the exercise price of the cancelled option. No such action by the Board of Directors or shareholders may alter or impair any option or award previously granted under the 2002 Plan without the written consent of the optionee or awardee. Unless terminated earlier, the 2002 Stock Plan shall terminate by its terms ten (10) years from the date that the 2002 Stock Plan was adopted by the Board of Directors.

Certain U.S. Federal Income Tax Information

Incentive Stock Options. An optionee who is granted an incentive stock option does not recognize taxable income at the time the option is granted or upon its exercise, although the exercise is an adjustment item for alternative minimum tax purposes and may subject the optionee to the alternative minimum tax. Upon a disposition of the shares more than two (2) years after grant of the option and one (1) year after exercise of the option, any gain or loss is treated as long-term capital gain or loss. If these holding periods are not satisfied, the optionee recognizes ordinary income at the time of disposition equal to the difference between the exercise price and the lower of (i) the fair market value of the shares at the date of the option exercise, or (ii) the sale price of the shares. Any gain or loss recognized on such a premature disposition of the shares in excess of the amount treated as ordinary income is treated as long-term or short-term capital gain or loss, depending on the holding period. A different rule for measuring ordinary income upon such a premature disposition may apply if the optionee is also an officer, director, or 10% shareholder of the Company. Unless limited by Section 162(m) of the Internal Revenue Code of 1986 (the "Code"), the Company is entitled to a deduction in the same amount as the ordinary income recognized by the optionee.

Nonstatutory Stock Options. An optionee does not recognize any taxable income at the time he or she is granted a nonstatutory stock option. Upon exercise, the optionee recognizes taxable income generally measured by the excess of the then fair market value of the shares over the exercise price. Any taxable income recognized in connection with an option exercise by an optionee is subject to tax withholding by the Company. Unless limited by Section 162(m) of the Code, the Company is entitled to a deduction in the same amount as the ordinary income recognized by the optionee. Upon a disposition of such shares by the optionee, any difference between the sale price and the optionee's exercise price, to the extent not recognized as taxable income as provided above, is treated as long-term or short-term capital gain or loss, depending on the holding period.

Stock Awards. Generally, unless the recipient has elected otherwise, the grant of a stock award will not result in income for the awardee, assuming the shares transferred are subject to restrictions resulting in a "substantial risk of forfeiture" as intended by the Company. At the time the Company's common stock associated with the stock award is vested the recipient of a stock award will recognize ordinary compensation income in an amount equal to the fair market value of the stock received. Unless limited by Section 162(m) of the Code, the Company will be entitled to a deduction for federal income tax purposes equal to the amount of ordinary income that the recipient is required to recognize.

The recipient's basis for determination of gain or loss upon the subsequent disposition of shares acquired as stock awards will be the amount of any ordinary income recognized when the stock becomes vested. Upon the disposition of any stock received as a stock award under the 2002 Stock Plan, the difference between the sale price and the recipient's basis in the shares will be treated as a capital gain or loss and generally will be characterized as long-term capital gain or loss if, at the time of disposition, the shares have been held for more than one year since the recipient recognized compensation income with respect to such shares.

The foregoing is only a summary of the effect of federal income taxation upon the Company and optionees or awardees with respect to the grant and exercise of options or the grant or vesting of awards under the 2002 Stock Plan. It does not purport to be complete, and does not discuss the tax consequences of the employee's, director's or consultant's death or the provisions of the income tax laws of any municipality, state or foreign country in which the employee, director or consultant may reside.

New Plan Benefits

Upon their re-election at the Annual Meeting, pursuant to the terms of the 2002 Stock Plan, each non-executive officer director will automatically receive a grant of nonstatutory stock options to purchase 7,500 shares (45,000 shares, as a group) of the Company's Common Stock at a purchase price equal to the fair market value on the date of grant. These

options become exercisable in installments cumulatively with respect to 1/36 of the shares for each complete calendar month after the date of grant.

Additional future benefits under the 2002 Stock plan are not determinable, as grants of stock options and stock awards are at the discretion of the Board of Directors and are dependent upon the price of the Company's Common Stock in the future.