

MICROTUNE INC
Form DEF 14A
March 30, 2006

SCHEDULE 14A

(Rule 14a-101)

Information Required in Proxy Statement

SCHEDULE 14A INFORMATION

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

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

Check the appropriate box:

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

MICROTUNE, INC.

(Name of Registrant as Specified in Its Charter)

N/A

(Name of Person(s) Filing Proxy Statement, if Other Than the Registrant)

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No fee required.

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(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 (set forth the amount on which the filing fee is calculated and state how it was determined):

(4) Proposed maximum aggregate value of transaction:

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(1) Amount Previously paid:

(2) Form, Schedule or Registration Statement No:

(3) Filing party:

(4) Date filed:

2201 Tenth Street

Plano, Texas 75074

Dear Stockholder:

You are cordially invited to attend the 2006 Annual Meeting of Stockholders of Microtune, Inc., which will be held on Friday, April 28, 2006 at the Richardson Hotel, 701 East Campbell Road, The Mockingbird Room, Richardson, Texas 75081 at 4:00 p.m. (Central Time).

Details of the business to be conducted at the Annual Meeting are given in the attached Notice of Annual Meeting of Stockholders and Proxy Statement.

After careful consideration, our Board of Directors has approved the proposals set forth in the Proxy Statement and recommends that you vote for each proposal.

Whether or not you plan to attend the Annual Meeting, it is important that your shares be represented and voted at the meeting. Therefore, we urge you to vote promptly by mailing a completed proxy card in the enclosed postage-paid envelope or by voting electronically over the Internet or by telephone. If your shares are held in the name of a brokerage firm or bank, you will receive a voting instruction form in lieu of a proxy card and may also be eligible to vote electronically. Timely voting by any of these methods will ensure your representation at the Annual Meeting.

We look forward to seeing you at the 2006 Annual Meeting of Stockholders of Microtune, Inc.

Sincerely,

James A. Fontaine
Chief Executive Officer and President

Plano, Texas

March 30, 2006

YOUR VOTE IS IMPORTANT

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In order to ensure your representation at the meeting, you are requested to complete, sign and date the enclosed proxy card as promptly as possible and return it in the enclosed envelope. No postage need be affixed if mailed in the United States.

STOCKHOLDERS WHO HAVE EMAIL ACCOUNTS CAN NOW ELECT TO ACCESS MICROTUNE'S ANNUAL REPORTS AND PROXY MATERIALS OVER THE INTERNET THROUGH OUR ONLINE DELIVERY SERVICE. BY USING THIS SERVICE, YOU NOT ONLY IMPROVE THE SPEED AND EFFICIENCY BY WHICH YOU CAN ACCESS THESE MATERIALS, BUT ALSO HELP MICROTUNE REDUCE THE PRINTING AND POSTAGE COSTS OF DISTRIBUTING PAPER COPIES.

TO ENROLL IN THE ONLINE PROGRAM, PLEASE FOLLOW THE INSTRUCTIONS AT **WWW.ICSDELIVERY.COM/TUNE**.

MICROTUNE, INC.

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

TO BE HELD FRIDAY, APRIL 28, 2006

DEAR STOCKHOLDERS:

The 2006 Annual Meeting of Stockholders of Microtune will be held on Friday, April 28, 2006 at 4:00 p.m., Central Time, at the Richardson Hotel, 701 East Campbell Road, The Mockingbird Room, Richardson, Texas 75081. Only stockholders of record at the close of business on March 15, 2006 will be entitled to vote. At our Annual Meeting we will ask our stockholders to act on the following matters:

1. Elect members of the Board of Directors to serve until the 2007 Annual Meeting of Stockholders. All of the incumbent members of the Board of Directors have been nominated for reelection;
2. Approve the amendment and restatement of our 2000 Stock Plan to allow for the award of restricted stock, to provide for a limitation on the number of shares of restricted stock that may be awarded under the plan and to make certain technical revisions and improvements to the plan;
3. Ratify the appointment of Ernst & Young LLP as our independent auditors for the fiscal year ending December 31, 2006; and
4. Transact any other business that is properly presented at our Annual Meeting, or any adjournment or postponement of our Annual Meeting.

We have described each of these matters in more detail in the enclosed Proxy Statement that accompanies this Notice.

All stockholders are cordially invited to attend the meeting in person. Any stockholder attending the meeting may vote in person even if such stockholder returned a proxy card.

Sincerely,

James A. Fontaine
Chief Executive Officer and President

Plano, Texas

March 30, 2006

IMPORTANT: REGARDLESS OF THE NUMBER OF SHARES YOU OWN OR WHETHER OR NOT YOU PLAN TO ATTEND THE ANNUAL MEETING, PLEASE COMPLETE, DATE AND SIGN THE ENCLOSED PROXY CARD OR VOTING INSTRUCTION FORM AND MAIL IT PROMPTLY IN THE ENCLOSED ENVELOPE IN ORDER TO ENSURE REPRESENTATION OF YOUR SHARES. NO POSTAGE NEED BE AFFIXED IF MAILED IN THE UNITED STATES. YOU MAY ALSO BE ABLE TO VOTE YOUR SHARES ELECTRONICALLY OVER THE INTERNET OR BY TELEPHONE. PLEASE SEE THE VOTING INSTRUCTIONS INCLUDED WITH THIS MAILING.

MICROTUNE, INC.

**PROXY STATEMENT FOR
2006 ANNUAL MEETING OF STOCKHOLDERS**

APRIL 28, 2006

General

The Board of Directors of Microtune, Inc. is asking for your proxy for use at our 2006 Annual Meeting of Stockholders, and at any adjournment or postponement of our Annual Meeting. We are holding the Annual Meeting on Friday, April 28, 2006 at 4:00 p.m., Central Time, at the Richardson Hotel, 701 East Campbell Road, The Mockingbird Room, Richardson, Texas 75081. We are initially mailing this Proxy Statement and proxy card to our stockholders entitled to vote at the Annual Meeting on or about March 30, 2006.

INFORMATION ABOUT THE MICROTUNE ANNUAL MEETING

Q: Why am I receiving these materials?

A: Our Board of Directors is providing these proxy materials to you in connection with our Annual Meeting of Stockholders, which will take place on April 28, 2006. Our stockholders are invited to attend the Annual Meeting and are requested to vote on the proposals described in this Proxy Statement.

Q: What proposals will be voted on at the Annual Meeting?

A: The following three proposals are scheduled to be voted on at the Annual Meeting:

Proposal No. 1: Elect members of the Board of Directors to serve until the 2007 Annual Meeting of Stockholders. All of the incumbent members of the Board of Directors have been nominated for reelection;

Proposal No. 2: Approve the amendment and restatement of our 2000 Stock Plan to allow for the award of restricted stock, to provide for a limitation on the number of shares of restricted stock that may be awarded under the plan and to make certain technical revisions and improvements to the plan; and

Proposal No. 3: Ratify the appointment of Ernst & Young LLP as our independent auditors for the fiscal year ending December 31, 2006.

Also, the Annual Meeting may involve the consideration of such other business as may properly come before the meeting or any adjournments or postponements thereof.

Q: What is Microtune's voting recommendation?

A: Our Board of Directors recommends that you vote your shares as follows:

FOR all nominees for election as directors under Proposal No. 1;

FOR Proposal No. 2; and

FOR Proposal No. 3.

Q: How many votes does Microtune need to hold the Annual Meeting?

A: We need a quorum to take action at our Annual Meeting. We will have a quorum at our Annual Meeting if a majority of the shares issued and outstanding on the record date and entitled to vote are present, either in person or by proxy at our Annual Meeting. If by the date of our Annual Meeting we do not receive sufficient votes to constitute a quorum or to approve one or more of the proposals, the Chairman of our Annual Meeting, or the persons named as proxies, may propose one or more adjournments of our Annual Meeting to

permit further solicitation of proxies. The persons named as proxies would generally exercise their authority to vote in favor of adjournment. Your shares will be counted as present at the Annual Meeting if you:

are present and vote in person at the Annual Meeting; or

have properly submitted a proxy card.

Both abstentions and broker non-votes are counted as present for the purpose of determining the presence of a quorum. Broker non-votes occur when shares held by a broker on behalf of a beneficial owner are not voted with respect to a particular proposal, which generally occurs when the broker has not received voting instructions from the beneficial owner and lacks the discretionary authority to vote the shares itself.

Q: Who can vote at the Annual Meeting?

A: Our Board of Directors has set March 15, 2006 as the record date for the Annual Meeting. All stockholders who owned shares of our common stock on March 15, 2006 may attend and vote at the Annual Meeting. Each of these stockholders is entitled to one vote on all matters to be voted on for each share of common stock held as of such date. On March 15, 2006, 52,854,599 shares of our common stock were outstanding. For information regarding security ownership by management and more than 5% stockholders, see Security Ownership of Certain Beneficial Owners and Management on page 26.

Q: What shares that I own can be voted?

A: All shares owned by you as of the close of business on March 15, 2006, the record date, may be voted by you if either (1) you held these shares directly in your name as the stockholder of record, or (2) these shares were held for you as the beneficial owner through a broker, bank or other nominee.

Q: What is the difference between holding shares as a stockholder of record and as a beneficial owner?

A: Most stockholders of Microtune hold their shares through a broker, bank or other nominee rather than directly in their own name. As summarized below, there are some distinctions between shares held of record and those owned beneficially.

Stockholder of Record:

If your shares are registered directly in your name with our transfer agent, Computershare Shareholder Services, you are considered the stockholder of record with respect to those shares, and these proxy materials are being sent directly to you by us. As the stockholder of record, you have the right to grant your voting proxy directly to us or to vote in person at the Annual Meeting. We have enclosed a proxy card for you to use.

Beneficial Owner:

If your shares are held in a stock brokerage account or by a bank or other nominee, you are considered the beneficial owner of shares held in street name, and these proxy materials are being forwarded to you by your broker, banker or nominee, who is considered the stockholder of

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record with respect to those shares. As the beneficial owner, you have the right to direct your broker, bank or nominee regarding how to vote your shares and are also invited to attend the Annual Meeting. However, since you are not the stockholder of record, you may not vote these shares in person at the Annual Meeting, unless you request, complete and deliver a legal proxy from your broker, bank or nominee. Your broker, bank or nominee has enclosed a voting instruction card for you to use to direct the broker, bank or nominee regarding how to vote your shares.

Q: What vote is required for each item?

A: **Proposal No. 1: Election of Directors.** A plurality of the votes cast at the Annual Meeting is required to elect each nominee. Accordingly, abstentions and broker non-votes will have no effect on the election of directors. Shares represented by proxies will be voted for the election of the nominees named above unless authority to do so is specifically withheld. If any nominee declines to serve or becomes unavailable for any reason, or if a vacancy occurs before the election (although we know of no reason to anticipate that this will occur), the proxies may be voted for such substitute nominees as the Board of Directors may designate.

Proposal No. 2: Approval and Ratification of an Amendment to Our 2000 Stock Plan to Allow for the Award of Restricted Stock. The affirmative vote of the holders of a majority of the shares of our common stock present in person or represented by proxy and entitled to vote is required to approve the amendment and restatement of our 2000 Stock Plan. An abstention will be counted as a vote against approval since it is one less vote for approval of the shares present. Broker non-votes will not affect the outcome since they are not considered shares present for voting purposes.

Proposal No. 3: Ratification of Appointment of Independent Auditors. Ratification of Ernst & Young LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2006 requires the affirmative vote of the holders of a majority of the shares of common stock present in person or represented by proxy and entitled to vote. An abstention will be counted as a vote against approval since it is one less vote for approval of the shares present. Broker non-votes will not affect the outcome since they are not considered shares present for voting purposes. Shares represented by proxies will be voted for the ratification of Ernst & Young LLP as our independent registered public accountants for the fiscal year ending December 31, 2006, unless authority to do so is specifically withheld.

Q: How are votes counted?

A: You may vote either FOR each nominee for election to the Board of Directors under Proposal No. 1 or to WITHHOLD your vote for that nominee. You may vote FOR, AGAINST or ABSTAIN on the other proposals. If you sign your proxy card with no further instructions, your shares will be counted as a vote:

FOR each of the nominees for election as directors under Proposal No. 1;

FOR Proposal No. 2; and

FOR Proposal No. 3.

A plurality of the votes cast at the Annual Meeting is required to elect each nominee under Proposal No. 1. Proposal No. 2 and Proposal No. 3 require the affirmative vote of the holders of a majority of the shares of common stock present in person or represented by proxy and entitled to vote.

Q: Who will count the vote?

A: A representative of Microtune will tabulate the votes and act as the inspector of election.

Q: How can I vote my shares in person at the Annual Meeting?

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A: Shares held directly in your name as the stockholder of record may be voted in person at the Annual Meeting. If you choose to do so, please bring the enclosed proxy card and proof of identification to the Annual Meeting.

If you hold your shares in street name, you must request a legal proxy from your broker, bank or nominee in order to vote in person at the Annual Meeting.

Q: How can I vote my shares without attending the Annual Meeting?

A: If you hold shares directly as a stockholder of record, you may vote your shares without attending the Annual Meeting by completing, signing and returning the enclosed proxy card in the enclosed postage prepaid envelope. Furthermore, you may also vote your shares by telephone or over the Internet. Please refer to the summary instructions included on your proxy card.

If you hold your shares in street name, your broker, bank or nominee will include either a voting instruction card or a proxy card. You may vote your shares by marking and signing your proxy card and following the instructions provided by your broker, bank or nominee and mailing it in the enclosed envelope. Furthermore, the instructions provided by your broker, bank or nominee may also provide for voting using the telephone or over the Internet. If your broker, bank or nominee provides such an option and you wish to vote using the telephone or over the Internet, then follow the instructions provided by them. If you provide specific voting instructions, your shares will be voted as you have instructed.

Q: How can I change my vote after I return my proxy?

A: You may change your vote at any time prior to the vote at the Annual Meeting. If you are a stockholder of record, you may change your vote by granting a new proxy bearing a later date (which automatically revokes any earlier proxy), by providing a written notice of revocation to our Corporate Secretary, Jeffrey A. Kupp, prior to the time your shares are voted, or by attending the Annual Meeting and voting in person. Attendance at the meeting will not cause your previously granted proxy to be revoked unless you specifically so request.

For shares you hold beneficially in street name, you may change your vote by submitting new voting instructions to your broker, bank or nominee, or, if you have obtained a legal proxy from your broker or nominee giving you the right to vote your shares, by attending the meeting and voting in person.

Q: Where can I find the voting results of the Annual Meeting?

A: The preliminary voting results will be announced at the Annual Meeting. The final results will be published in a current report on Form 8-K, filed as soon as practicable after the Annual Meeting, and our first quarterly report on Form 10-Q, filed after the date of the Annual Meeting.

Q: What happens if additional proposals are presented at the Annual Meeting?

A: Other than the three proposals described in this Proxy Statement, we do not expect any matters to be presented for a vote at the Annual Meeting. If you grant us your proxy, the persons named as proxy holders, James A. Fontaine, our Chief Executive Officer and President and Jeffrey A. Kupp, our Chief Financial Officer and Corporate Secretary, will have the discretion to vote your shares on any additional matters properly presented for a vote at the Annual Meeting.

Q: May I propose actions for consideration at next year's Annual Meeting of Stockholders or nominate individuals to serve as directors?

A: You may submit proposals for consideration at future annual stockholder meetings, including director nominations, in accordance with the procedures set forth below:

Proposals of our stockholders that are intended to be presented by such stockholders at our next annual meeting of stockholders must be delivered to our principal executive offices no later than 120 days prior to the anniversary of the date of this year's mailing, or November 30, 2006, in order to be considered for possible inclusion in the Proxy Statement and form of proxy card relating to our 2007 Annual Meeting of

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Stockholders; provided, however, if the date of the annual meeting has been changed by more than 30 days from the date contemplated at the time of this year's Annual Meeting, notice by the stockholder to be timely

must be so delivered not earlier than the close of business on the later of the day 120 days prior to such meeting or the day 10 days after public announcement of the date of the meeting is first made.

If a stockholder intends to submit a proposal at our 2007 Annual Meeting which is not eligible for inclusion in the Proxy Statement and form of proxy card relating to the meeting, the stockholder must do so no later than 60 days before the date of our 2007 Annual Meeting.

Such proposals must comply with the Securities and Exchange Commission's (SEC) regulations regarding the inclusion of stockholder proposals in our sponsored proxy materials, and should contain such information as required by our bylaws.

Q: Who bears the costs of soliciting proxies?

A: Microtune will pay all expenses of soliciting proxies to be voted at our Annual Meeting. After the proxies are initially distributed, Microtune may also solicit proxies by mail, telephone or in person. We have not engaged a proxy solicitor and therefore do not expect to incur any proxy solicitation fees. After the proxy cards are initially distributed, we will ask brokers, custodians, nominees and other record holders to forward copies of the Proxy Statement, proxy card and other materials to people for whom they hold shares of our common stock, and to request that the beneficial holders give them authority to complete and sign the proxy cards. We will reimburse record holders for reasonable expenses they incur in forwarding proxy materials to beneficial holders. We expect to incur approximately \$5,000 for services provided by ADP Investor Communication Services for distribution of proxies, internet and telephone voting, voting tabulation and voting reports.

Q: How can I sign up to access future shareholder communications electronically?

A: All stockholders who have email accounts can now elect to access Microtune's annual reports and proxy materials online through our online delivery service. By using this service, you are not only improving the speed and efficiency by which you can access these materials, but you will also help Microtune reduce the printing and postage costs of distributing paper copies.

To enroll in the online program, simply go to www.icsdelivery.com/tune and follow the instructions.

MICROTUNE CORPORATE GOVERNANCE

Corporate Governance

Our Board of Directors and members of management are committed to following high standards of corporate governance to ensure that the long-term interests of our stockholders are served. We have in place a variety of policies and practices to promote high standards of corporate governance. Our Board of Directors has determined that seven of our eight directors are independent in accordance with the rules of NASDAQ, and all of the members of our Audit Committee, Compensation Committee, and Nominating and Corporate Governance Committee also meet the guidelines of The NASDAQ National Market for independence. Compensation of our Chief Executive Officer is approved by our Compensation Committee, which evaluates our CEO's performance in light of preset corporate goals and objectives. In addition, we have:

established disclosure control policies and procedures in accordance with the requirements of the Sarbanes-Oxley Act of 2002;

established a procedure for receipt, retention, and treatment of anonymous and confidential complaints or concerns regarding accounting, internal accounting controls and auditing matters; and

established a Code of Ethics and Business Conduct applicable to our directors, officers and employees.

Copies of our Code of Ethics and Business Conduct and the current charters for the Audit, Compensation and Nominating and Corporate Governance Committees can be found in the Investors' Corporate Governance section of our website at www.microtune.com. In addition, we have attached the Amended and Restated Charter of our Audit Committee as Appendix 1 to this Proxy Statement.

Corporate Governance Provisions Adopted as a Result of the Settlement of the Derivative Litigation. On January 11, 2005, we announced that we had reached an agreement to settle the consolidated stockholder derivative litigation, pending in the U.S. District Court for the Eastern District of Texas, against a number of our current and former officers and directors and Microtune as a nominal defendant. The court approved the terms of the derivative litigation settlement and issued a final judgment and order dismissing the action with prejudice on March 31, 2005. Pursuant to paragraph 4(a) of the Stipulation and Agreement of Settlement, dated January 10, 2005, we have adopted certain corporate governance provisions. Some of the more notable provisions are as follows:

we recommended and presented a proposal to our stockholders at the 2005 Annual Meeting to amend our Second Amended and Restated Certificate of Incorporation and our Second Amended and Restated Bylaws to declassify our Board of Directors such that each director now serves a one-year term and stands for election or re-election every year;

by majority vote of our independent directors, our Board of Directors elected A. Travis White as Lead Independent Director, who works with our Chief Executive Officer to perform a variety of functions related to our corporate governance;

we adopted a variety of compensation principles for our executive officers and directors, including linking compensation to performance, requiring full board approval of any discretionary bonuses, and implementing restrictions on stock sales following the exercise of options;

our Board of Directors, as a whole, evaluates individual members of the Board on a periodic basis and a consideration in such evaluation is whether the individual director has personally attended at least 50% of Board and committee meetings;

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we will implement an internal audit function in the quarter following the first instance in which we have at least \$50 million in combined revenues for any two consecutive quarters;

we have designated a trading compliance officer who is responsible for overseeing a comprehensive insider trading compliance program designed to ensure compliance with our trading policies;

we vest stock options granted to any director or executive officer on a going-forward basis over a minimum of a three-year period;

we have designated a corporate ethics officer who is responsible for devising, implementing and improving our ethical standards and for providing a vehicle for corporate employees to confidentially report suspected wrongdoing or non-compliance with corporate policies and procedures;

all stockholder proposals that are properly submitted will be evaluated by the Nominating and Corporate Governance Committee; and our full Board of Directors will include a recommendation for or against such stockholder proposal and the reasons for such recommendation in the proxy statement; and

our Board of Directors has established a procedure for stockholders to nominate a total of two directors.

These provisions will remain in effect for five years from the date of adoption.

Board of Directors

Our Board of Directors is currently comprised of eight members who will all stand for election at our 2006 Annual Meeting of Stockholders. Our Board of Directors currently has two vacancies. Messrs. Ciciora, Clardy, Craddock, Fontaine, LeVecchio, and White each attended the Stanford University Law School's Directors' College in June 2005.

Board Meetings and Committees

Our Board of Directors has determined that seven of our Board members, Messrs. Ciciora, Clardy, Craddock, LeVecchio, Marren, Tai and White are independent directors as defined under the current listing standards of The NASDAQ National Market. Mr. White was appointed Lead Independent Director of our Board of Directors on January 18, 2005. As Lead Independent Director, Mr. White works with our Chief Executive Officer to perform a variety of functions related to our corporate governance.

Our Board and its committees have the authority to conduct investigations and to retain outside advisors of their choosing, at Microtune's expense. During fiscal 2005, our Board of Directors met eight times and acted a number of times by unanimous written consent. Each director attended at least 75% of the aggregate of these Board meetings and of the meetings of the committees on which he served. Members of our Board of Directors are encouraged to attend our Annual Meeting. We expect several of our directors to attend the Annual Meeting.

Our Board of Directors currently has four committees - an Audit Committee, a Compensation Committee, a Nominating and Corporate Governance Committee and a Technical Advisory Committee.

The **Audit Committee's** principal function is to assist the Board of Directors in fulfilling its responsibilities for oversight of:

the integrity of our financial statements;

the adequacy of our system of internal controls;

our compliance with legal and regulatory requirements;

the qualifications and independence of our independent auditors; and

the performance of our independent auditors and internal audit function.

In accordance with its charter, our Audit Committee is responsible for:

Financial Reporting

reviewing with management and our independent auditors the significant judgments and estimates used in developing our financial reports and the major issues addressed;

reviewing the accounting and reporting treatment of significant transactions outside our ordinary operations;

reviewing with management and our independent auditors significant changes to our accounting principles or their application as reflected in our financial reports;

meeting periodically with our independent auditors (in private, as appropriate):

to review their reasoning in accepting or questioning significant decisions made by management in preparing our financial reports;

to review any audit problems or difficulties and management's response;

to review any outstanding disagreements with management that would cause them to issue a non-standard report on our financial statements;

to examine the appropriateness of our accounting principles (including the quality, not just the acceptability, of accounting principles) and the clarity of disclosure practices used or proposed;

to determine if any restrictions have been placed by management on the scope of their audit; and

to discuss any other matters the Audit Committee deems appropriate;

reviewing and discussing with management and our independent auditor our earnings press releases, including the use of pro-forma or adjusted non-GAAP information;

reviewing financial information and earnings guidance provided to analysts and rating agencies; and

reviewing quarterly and annual financial statements and discussing their appropriateness with management and our independent auditors and, in the case of our annual financial statements, recommending to the Board of Directors whether the audited financial statements should be included in our Annual Report on Form 10-K;

Relationship with Independent Auditors

bearing primary responsibility for overseeing our relationship with our independent auditors. In carrying out this responsibility, the committee is responsible for:

appointing, determining funding for, and overseeing our outside auditors;

the compensation and oversight of the work of the independent auditor for the purpose of preparing or issuing an audit report or related work;

reviewing the scope and plan for our independent auditors' annual audit and reviewing and annually pre-approving, in advance, the fees to be charged by our independent auditors for their audit services;

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reviewing with our independent auditors the extent of non-audit services provided and related fees, and approving any internal control-related services and permitted non-audit services or other non-audit relationships;

at least annually, obtaining and reviewing a report from the independent auditors delineating all relationships between the independent auditors and Microtune, consistent with Independence Standards Board Standard No. 1;

determining whether the Audit Committee believes the outside auditors are independent;

at least annually, obtaining and reviewing a report by Microtune's independent auditors describing the independent auditor firm's internal quality-control procedures; material issues raised by the most recent internal quality-control review, or peer review, of the firm, or by any inquiry or investigation by governmental or professional authorities, within the preceding five years, respecting one or more independent audits carried out by the firm, and any steps taken to deal with any such issues; and (to assess the auditors' independence) all relationships between the independent auditors and Microtune;

inquiring of management, internal auditors and the independent auditors concerning any deficiencies in the policies and procedures that could adversely affect the adequacy of internal controls and the financial reporting process and reviewing the timeliness and reasonableness of proposed corrective actions and the adequacy of disclosure about changes in internal control over financial reporting;

reviewing significant management audit findings and recommendations, and management's responses thereto; and

inquiring of our independent auditor annually as to whether any illegal act has been detected or has otherwise come to their attention in the course of their audit, unless the illegal act is clearly inconsequential;

Complaint Procedures and General Oversight

establishing procedures for the receipt, retention and treatment of complaints received by Microtune regarding accounting, internal accounting controls or auditing matters, and the confidential, anonymous submission by employees of concerns regarding questionable accounting or auditing matters;

recommending to Microtune, as necessary, appropriate remedial measures or actions with respect to the complaints or concerns described immediately above;

discussing with management, Microtune's senior internal audit employee and our independent auditor whether Microtune and its subsidiaries are in conformity with applicable legal requirements and Microtune's Code of Ethics and Business Conduct and advise the Board with respect to its policies and procedures regarding compliance with applicable laws and regulations and with the Code of Ethics and Business Conduct;

reviewing management's responses to recommendations for improving internal controls in the independent auditors' management letters;

reviewing Microtune's policies and practices with respect to risk assessment and risk management;

reviewing Microtune's policies and practices related to compliance with laws, ethical conduct and conflicts of interest;

reviewing significant cases of conflicts of interest, misconduct or fraud;

reviewing significant issues between the Company and regulatory agencies; and

reviewing as appropriate material litigation involving the Company;

Approval of Reports

preparing and approving the committee's report required by the rules of the Securities and Exchange Commission to be included in the proxy statement for our annual meeting of stockholders, and such other reports as may from time to time be necessary or appropriate;

Annual Performance Review

conducting an annual evaluation of the committee's performance in carrying out its responsibilities; and

reviewing and reassessing the adequacy of the committee's charter annually and recommending any proposed changes to the Board of Directors for approval.

Mr. LeVecchio, Mr. Craddock and Mr. White are the current members of the Audit Committee. Mr. LeVecchio became a member of the Audit Committee in August 2003. Mr. Craddock and Mr. White became members of the committee in January 2004. The Audit Committee discusses general financial and accounting-related matters at its regular quarterly meetings that coincide with full Board meetings, and it discusses our

quarterly financial performance and associated earnings announcements at regular quarterly operating results meetings. The committee met nine times during fiscal 2005. For more information about our Audit Committee, see the Report of the Audit Committee of the Board of Directors on page 37.

Our Board of Directors has determined that each of the members of the Audit Committee who served during fiscal year 2005 is independent as defined under NASDAQ Marketplace Rule 4200(a)(15), and met the independence requirements of Rule 10A-3(b)(1) of the Securities Exchange Act of 1934, as amended, as well as the requirements of NASDAQ Marketplace Rule 4350(d)(2). Mr. LeVecchio serves as Chairman of the Audit Committee and our Board of Directors has determined that Mr. LeVecchio qualifies as a financial expert as defined by the rules of the SEC.

The **Compensation Committee** reviews and makes recommendations to the Board of Directors regarding all forms of compensation to be provided to our executive officers and directors. In addition to addressing executive compensation, the committee provides guidance to management on general compensation and organizational development issues and also administers our stock compensation plans. The philosophy of the Compensation Committee is to provide compensation to our officers and directors in such a manner as to attract and retain the best available personnel for positions of substantial responsibility, to provide incentives for such persons to perform to the best of their abilities, and to promote the success of our business.

In accordance with its charter, the Compensation Committee is also responsible for:

determining our overall compensation philosophy;

reviewing and making recommendations to the Board of Directors regarding the compensation policy for officers and directors;

reviewing and making recommendations to the Board of Directors regarding all forms of compensation to be provided to the officers of the Company;

reviewing and making recommendations to the Board of Directors regarding general compensation goals for non-officer employees and the criteria by which bonuses are awarded to non-officer employees;

administering our stock compensation plans and making recommendations to the Board of Directors regarding any amendments to our stock plans; and

preparing the Report of the Compensation Committee included in our Proxy Statement which describes: (1) the factors and criteria by which compensation paid to the Chief Executive Officer during the last fiscal year was determined; (2) the relationship of Chief Executive Officer compensation to Microtune's performance; and (3) the compensation policies applicable to executive officers.

As part of our settlement of the consolidated derivative litigation, our Board of Directors agreed to give the Compensation Committee the following additional responsibilities:

evaluating our Chief Executive Officer's performance against annual and long-term performance goals and the Philadelphia Semiconductor Index;

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coordinating evaluation of our Chief Executive Officer's and Chief Financial Officer's performance with our Lead Independent Director;

recommending Chief Executive Officer, executive officer and employee bonus compensation for the last fiscal year to the Board of Directors which is based on the achievement of goals set in advance (discretionary awards can be made only if beneficial to Microtune and approved by the Board of Directors);

annually reviewing current compensation package with consideration given to performance goals and incentive awards and overall compensation package; and

reviewing director compensation annually.

Our Board of Directors has determined that each of the members of the Compensation Committee is a non-employee director, as defined in Rule 16b-3 promulgated under the Securities Exchange Act of 1934, as amended, and an outside director, as defined pursuant to Section 162(m) of the Internal Revenue Code of 1986. Our Board of Directors has also determined that the members of the Compensation Committee who served during fiscal year 2005 are independent as defined under NASDAQ Marketplace Rule 4200(a)(15). Messrs. Clardy, Ciciora and Marren are the current members of the Compensation Committee. Messrs. Clardy and Ciciora served on the committee throughout fiscal 2005. Mr. Clardy is the Chairman of the committee. Mr. Marren became a member of the committee on November 1, 2005. The Compensation Committee met formally three times during fiscal 2005 and acted a number of times by unanimous written consent.

The **Nominating and Corporate Governance Committee** is appointed by the Board of Directors to fulfill the following general responsibilities:

identifying individuals qualified to become directors;

recommending to the Board of Directors a slate of director nominees to be elected by the stockholders at the next annual meeting of stockholders and, when appropriate, director appointees to take office between annual meetings;

developing and recommending to the Board of Directors the corporate governance guidelines applicable to Microtune;

leading the Board of Directors in its annual evaluation of the performance of the Board and executive management; and

recommending to the Board of Directors membership on our standing board committees.

In accordance with its charter, the Nominating and Corporate Governance Committee is responsible for the following:

identifying and evaluating potential new Board members, providing information about potential nominees for the full Board of Directors to consider;

recommending the slate of qualified director nominees for the Board of Directors in connection with each annual meeting and any directors to be elected by the Board to fill vacancies between annual meetings;

recommending committee assignments for directors;

evaluating the composition, organization and performance of the Board of Directors and its committees;

evaluating and making recommendations to the Board of Directors as to the determination of each director's independence;

reviewing and reporting to the Board of Directors regarding succession planning with respect to the Chief Executive Officer;

developing, recommending to the Board of Directors, and annually reviewing the corporate governance guidelines applicable to Microtune;

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developing and recommending to the Board of Directors a self-evaluation process for the Board of Directors and its committees; and

overseeing the Board of Directors and committee self-evaluation process and reporting its findings to the Board of Directors following the end of each fiscal year.

Messrs. Ciciora, Clardy and White are the current members of the Nominating and Corporate Governance Committee. Messrs. Ciciora and Clardy served on the committee throughout fiscal 2005. Mr. Ciciora is the Chairman of the committee. Mr. White became a member of the committee on November 17, 2005. The Nominating and Corporate Governance Committee met formally one time during fiscal 2005 and acted a number of times by unanimous written consent.

The **Technical Advisory Committee** was established by the Board of Directors on May 17, 2004. The Technical Advisory Committee is responsible for assisting management in the strategic development of new technology and the commercialization and marketing of existing technology. Mr. Craddock and Mr. Ciciora are the current members of the Technical Advisory Committee and served on the committee throughout fiscal 2005. Mr. Craddock is the Chairman of the committee. The Technical Advisory Committee met formally one time during fiscal 2005.

Director Qualifications.

When evaluating director nominees, the Nominating and Corporate Governance Committee generally seeks to identify individuals with diverse, yet complementary backgrounds. The committee believes that director nominees should exhibit proven leadership capabilities and experience at a high level of responsibility within their chosen fields, and have the experience and ability to analyze complex business issues facing Microtune, specifically, those issues that are inherent in the fabless semiconductor industry. In addition to business expertise, the committee requires that director nominees have the highest personal and professional ethics, integrity and values and, above all, are committed to representing the long-term interests of our stockholders and other stakeholders. In general, candidates who hold or who have held an established executive-level position in a high technology company are preferred.

When considering a candidate for director, the Nominating and Corporate Governance Committee takes into account a number of factors, including the following:

independence;

depth of understanding of technology, manufacturing, sales and marketing, finance and/or other elements directly relevant to our business;

education and professional experience;

judgment, integrity and reputation;

existing commitments to other businesses as a director, executive or owner;

personal conflicts of interest, if any; and

the size and composition of the existing Board of Directors.

Prior to nominating a sitting director for re-election at an annual meeting of stockholders, the Nominating and Corporate Governance Committee will consider the director's past attendance at, and participation in, meetings of the Board of Directors and its committees and the director's formal and informal contributions to the work of the Board of Directors and its committees.

When seeking candidates for director, the Nominating and Corporate Governance Committee may solicit suggestions from incumbent directors, management, stockholders and others. Additionally, the committee may in the future use the services of third party search firms to assist in the

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identification of appropriate candidates. After conducting an initial evaluation of a prospective candidate, the committee will interview that candidate if it believes the candidate might be suitable to be a director. The committee may also ask the candidate to meet with management. If the committee believes a candidate would be a valuable addition to the Board of Directors, it may recommend to the Board that candidate's appointment or election.

Stockholder Recommendations for Nominations to the Board of Directors.

In connection with the settlement of our consolidated stockholder derivative litigation, we agreed to establish a procedure for stockholders to nominate two directors for election to our Board of Directors. The Nominating and Corporate Governance Committee will evaluate such recommendations by applying its regular nominee criteria described above and the additional procedures described below.

In 2005, a corporate governance consultant selected by lead plaintiffs' counsel, working in conjunction with us, identified potential directors by contacting stockholders who had held 1% or more of our common stock for at least nine months to solicit names of candidates for election to our Board of Directors. Our Nominating and Corporate Governance Committee then reviewed the candidate's qualifications and selected the stockholders' nominee. This procedure resulted in the election of Bernard T. Marren as the first stockholder nominated member of our Board of Directors on August 30, 2005, in accordance with our Third Amended and Restated Bylaws. We have received a waiver and extension from plaintiffs' counsel, and we expect to appoint our second stockholder nominated director by following the same procedures no later than July 28, 2006.

Director Compensation

Our outside directors participate in our 2000 Director Option Plan. The 2000 Director Option Plan was approved by our stockholders and provides for the issuance of up to 887,500 shares of common stock to eligible participants under nonstatutory stock option grants. Under our 2000 Director Option Plan, outside directors receive a one-time grant to purchase 15,000 shares (vesting over three years) upon appointment to our Board and an annual option grant to purchase 24,000 shares (vesting over three years) on the date of the annual meeting, if the director is serving on the Board of Directors on that date. Options are granted at an exercise price equal to the closing price of our common stock on NASDAQ on the date of grant and expire in ten years.

Our outside directors receive cash compensation and reimbursement of travel expenses associated with their attendance at director meetings. Directors receive \$25,000 annually, payable in equal quarterly installments. For each Board meeting in excess of five annually, directors receive an additional \$1,500 per meeting that they attend. Any director who acts as the Chairman of a committee or as our Lead Independent Director receives an additional \$10,000 annually, payable in equal quarterly installments. Directors received an additional \$1,000 for each committee meeting in excess of three that they attended in 2005. In February 2006, the Board of Directors changed this requirement from three to four meetings.

Communications with Directors

Stockholders may communicate with any and all members of the Board of Directors by transmitting correspondence by mail or facsimile addressed to one or more directors by name (or to the Lead Independent Director, for a communication addressed to the entire Board of Directors) at the following address and fax number:

Name of Director(s)

c/o Corporate Secretary

Microtune, Inc.

2201 Tenth Street

Plano, Texas 75074

Fax: (972) 673-1815

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Communications from our stockholders to one or more directors will be collected and organized by our Corporate Secretary under procedures approved by our independent directors. The Corporate Secretary will forward all communications to the Board or to the identified director(s) as soon as practicable, although communications that are abusive, in bad taste or that present safety or security concerns may be handled differently. If multiple communications are received on a similar topic, the Corporate Secretary may, in his or her discretion, forward only representative correspondence.

The Lead Independent Director will determine whether any communication addressed to the entire Board should be properly addressed by the entire Board or a committee thereof. If a communication is sent to the Board or a committee, the Board of Directors or the chairman of that committee, as the case may be, will determine whether a response to the communication is warranted. If a response to the communication is warranted, the content and method of the response will be coordinated with our General Counsel.

PROPOSAL NO. 1**ELECTION OF DIRECTORS**

The following table shows all of Microtune's current directors, each of whom has been nominated for election. Each nominee, if elected, will serve until the 2007 Annual Meeting of Stockholders or until a qualified successor is elected, unless the nominee resigns or is removed from the Board before then. In the event any such nominee, who has expressed an intention to serve if elected, fails to stand for election, the persons named in the proxy presently intend to vote for a substitute nominee designated by the Board of Directors.

<u>Name</u>	<u>Age</u>	<u>Principal Occupation</u>	<u>Director Since</u>
Walter S. Ciciora ⁽¹⁾	63	Independent Consultant	1996
James H. Clardy ⁽²⁾	71	Venture Partner, Austin Ventures	1996
Steven Craddock ⁽³⁾	57	Senior Vice President of New Media Development, Comcast Corp.	2002
James A. Fontaine	48	President and Chief Executive Officer, Microtune, Inc.	2003
Anthony J. LeVecchio ⁽⁴⁾	59	President and Owner, The James Group	2003
Bernard T. Marren ⁽⁵⁾	70	President and Chief Executive Officer, OPTi, Inc.	2005
William P. Tai	43	General Partner, Charles River Ventures	1998
A. Travis White ⁽⁶⁾	60	Semi-Retired, Independent Consultant	2004

- (1) Chairman of the Nominating and Corporate Governance Committee and member of the Compensation Committee.
- (2) Chairman of the Compensation Committee and member of the Nominating and Corporate Governance Committee.
- (3) Chairman of the Technical Advisory Committee and member of the Audit Committee.
- (4) Chairman of the Audit Committee.
- (5) Member of the Compensation Committee.
- (6) Lead Independent Director and member of the Audit Committee and Nominating and Corporate Governance Committee.

The following is a brief description of the business experience and educational background of each of the nominees for director, including the capacities in which each has served during the past five years.

Walter S. Ciciora became a director of Microtune in November 1996. Mr. Ciciora has been an independent consultant for companies in the cable, television, consumer electronics and telecommunications industries since October 1993. Mr. Ciciora holds a B.S., M.S. and Ph.D. in electrical engineering from the Illinois Institute of Technology and a M.B.A. from the University of Chicago.

James H. Clardy became a director of Microtune in August 1996, and served as a member of the Office of the President from June 2003 to August 2003. Mr. Clardy has been a venture partner of Austin Ventures, a venture capital firm, since January 1998. Mr. Clardy assumed the role of interim Chief Executive Officer of D2 Audio in August 2004. He left D2 Audio in 2005 and has served as interim President and Chief Executive Officer of nanoCoolers since July 2005. He currently serves on the boards of directors of several privately-held companies. Mr. Clardy holds a B.S. in electrical engineering from the University of Tennessee.

Steven Craddock became a director of Microtune in April 2002. Mr. Craddock has been the Senior Vice President of New Media Development for Comcast Corp. since June 1994, where he is responsible for the evaluation and development of new interactive multimedia and interactive

technologies. He also serves as Comcast's representative to CableLabs[®], a research and development consortium sponsoring industry initiatives

such as the DOCSIS, PacketCable and CableHome standards. He currently serves on the boards of several privately-held companies. Mr. Craddock is a licensed professional engineer (PE) and holds a B.S. in civil engineering and electrical engineering from the Virginia Military Institute.

James A. Fontaine became a director, Chief Executive Officer and President of Microtune in August 2003. Mr. Fontaine was retired from May 2002 until his return to Microtune in August 2003. Mr. Fontaine previously served as Microtune's Chief Strategy Officer from October 2001 until May 2002, Office of the President from August 2001 until September 2001, President from February 1999 until August 2001, and Executive Vice President of Sales and Marketing from August 1998 until February 1999. Mr. Fontaine holds a B.S. in electrical engineering from Marquette University.

Anthony J. LeVecchio became a director of Microtune in August 2003. Mr. LeVecchio has been the President and Owner of The James Group, Inc., a general business consulting firm, since 1988. He currently serves as a director and as chairman of the audit committee of DG Systems (NASDAQ: DGIT) and Ascendant Solutions (OTC BB: ASDS.OB) and serves as a member of the board of directors of several privately-held companies. Mr. LeVecchio holds a Bachelor of Economics and a M.B.A. in Finance from Rollins College.

Bernard T. Marren became a director of Microtune in August 2005. Mr. Marren is currently the President and CEO of OPTi, Inc. (OTC BB: OPTI.OB), a company that licenses intellectual property for logic chips. He is also the chairman and founder of Quorum Systems, Inc., a private fabless semiconductor manufacturing company that develops highly integrated RF transceivers, and a director of u-Nav Microelectronics Inc., another private RF semiconductor company that delivers low-power chipsets for battery-powered global positioning systems.

William P. Tai became a director of Microtune in June 1998. Mr. Tai has been a general partner of Charles River Ventures since June 2002. He also has been a general partner/managing director of Institutional Venture Partners, a venture capital firm, since July 1997. Mr. Tai also serves on the board of Transmeta Corp. (NASDAQ: TMTA), a provider of microprocessors. In addition, Mr. Tai serves on the boards of directors of several privately-held companies. Mr. Tai holds a B.S. in electrical engineering from the University of Illinois and a M.B.A. from Harvard Business School.

A. Travis White became a director of Microtune in January 2004. Mr. White has been semi-retired since January 2000. Prior to his retirement, Mr. White was President and Chief Executive Officer of Centillum Communications, Inc. from April 1998 through January 2000. Prior to April 1998, he was President of Sony Semiconductor Company of America and also Senior Vice President of Sony Corporation, Japan. He currently serves on the boards of two privately-held companies, Zilker Labs, Inc. and Microprobe, Inc., and one public company, Staktek Holdings, Inc. (NASDAQ: STAK), where he serves as chairman of the audit committee. In addition, Mr. White is involved in a number of chief executive officer coaching assignments. Mr. White holds a B.S. in biological sciences and chemistry from the University of Texas, El Paso.

Required Vote

A plurality of the votes cast at the Annual Meeting is required to elect each nominee. Accordingly, abstentions and broker non-votes will have no effect on the election of directors. Shares represented by proxies will be voted for the election of the nominees named above unless authority to do so is specifically withheld. If any nominee declines to serve or becomes unavailable for any reason, or if a vacancy occurs before the election, the proxies may be voted for such substitute nominees as the Board of Directors may designate.

Recommendation of the Board of Directors

The Board of Directors unanimously recommends a vote FOR the election of each of the eight nominees listed above. Unless otherwise instructed, the proxy holders named in each proxy will vote the shares represented thereby FOR the election of the eight nominees named in Proposal No. 1.

PROPOSAL NO. 2

APPROVAL OF THE AMENDMENT AND RESTATEMENT OF OUR 2000 STOCK PLAN TO ALLOW FOR THE AWARD OF RESTRICTED STOCK, TO PROVIDE FOR A LIMITATION ON THE NUMBER OF SHARES OF RESTRICTED STOCK THAT MAY BE AWARDED UNDER THE 2000 STOCK PLAN AND TO MAKE CERTAIN TECHNICAL REVISIONS AND IMPROVEMENTS TO THE 2000 STOCK PLAN

Our Board of Directors has adopted, and recommends to our stockholders for approval, the amendment and restatement of our 2000 Stock Plan. The amended and restated 2000 Stock Plan allows for the award of restricted stock, provides for a limitation on the number of shares of restricted stock that may be issued under the plan and revises and clarifies certain language of the plan in connection with the allowance for awards of restricted stock.

Currently, the 2000 Stock Plan allows for the award of options, stock purchase rights or common stock equivalents pursuant to the terms of the plan, but does not make provision for the direct award of restricted stock. The amended and restated plan would allow for the award of restricted stock in addition to the types of awards already permitted by the plan. The amended and restated plan also revises language as necessary to clarify ambiguities arising from the allowance of awards of restricted stock and makes certain technical revisions and improvements to the plan.

The maximum number of shares of common stock that may be issued under the 2000 Stock Plan is currently 10,554,496 shares, plus 989,326 shares, which is, as of December 31, 2005, the number of shares subsequently returned to the Company's 1996 Stock Option Plan as a result of termination of options which were issued and outstanding under the Company's 1996 Stock Option Plan on the date immediately prior to the date of stockholder approval of the original adoption of the 2000 Stock Plan. The amended and restated 2000 Stock Plan would provide that only 30% of the shares of common stock subject to the plan described above would be available for future awards of restricted stock.

The following is a summary of the principal features of the 2000 Stock Plan. We have included a copy of the proposed amended and restated 2000 Stock Plan as Appendix 2 to this Proxy Statement. Any stockholder of Microtune who wishes to obtain a copy of the original plan document may do so upon written request to us at 2201 Tenth Street, Plano, Texas 75074.

Summary of the 2000 Stock Plan

The following summary of the material provisions of the 2000 Stock Plan reflects the terms and conditions of the plan as currently in effect.

General. The 2000 Stock Plan as adopted by our Board of Directors and approved by our stockholders became effective as of August 4, 2000 and was amended effective as of June 20, 2002, February 27, 2004 and, contingent upon stockholder approval, March 16, 2006. The purposes of the plan are to enable us to attract and retain the best available personnel for positions of substantial responsibility, to provide additional incentive to employees, directors and consultants, and to promote the success of our business.

Eligibility. Equity awards may be granted under the 2000 Stock Plan to any employee, director or consultant of the Company.

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Administration. The 2000 Stock Plan will be administered by a committee composed solely of two or more non-employee directors as defined in Rule 16b-3(b)(3) under the Exchange Act who also qualify as outside directors as defined in Section 162(m) of the Internal Revenue Code. Members of the committee shall be designated by the Board.

The committee shall have the authority to, among other things, approve individuals for participation in the plan, construe and interpret the plan and to establish, amend or waive rules and regulations for its administration. Subject to the limitations of the express provisions of the 2000 Stock Plan, options may be subject to such provisions as the committee may deem advisable, and may be amended by the committee from time to time. No amendment, however, may adversely affect the rights of the holder of an option without such holder's consent.

Shares Subject to the 2000 Stock Plan. Pursuant to the plan as currently in effect, the aggregate shares of common stock that may be issued under the plan is equal to the sum of the number of shares that were reserved but unissued under our 1996 Stock Option Plan as of August 4, 2000, the number of shares subsequently returned to our 1996 Stock Option Plan, and 10,554,496 shares. A description of the Board of Directors proposed amendment to the plan to provide for the award of restricted stock and to further provide for a limitation on the number of shares of restricted stock that may be awarded under the plan is included under the caption "Proposal to Allow Restricted Stock Awards" set forth below. As of December 31, 2005, options for 8,069,965 shares of common stock were outstanding under the plan.

If any option granted under the plan or the 1996 Stock Option Plan should lapse, expire, terminate, be forfeited or be cancelled without the issuance of shares, the common stock subject to or reserved for such option may be used again for new grants of options under the plan. However, shares that have actually been issued under the plan upon the exercise of an option or right may not be returned to the plan and may not become available for future distribution.

Adjustment Provisions. In the event of a stock split, stock dividend, reverse stock split, combination or reclassification of our common stock, or any other increase or decrease in the number of issued shares of common stock effected without receipt of consideration by Microtune, the number of securities reserved for issuance under the 2000 Stock Plan but which have not been granted and the exercise price for such options are proportionately adjusted. The Board or the committee administering the plan shall be responsible for making such adjustments.

Terms and Conditions. Each option granted under the 2000 Stock Plan shall be evidenced by an agreement in a form approved by the committee. Each option shall be subject to the following terms and conditions, and to such other terms and conditions as the committee may deem appropriate that are not inconsistent with the provisions of the plan.

Timing of Option Grants and Number of Underlying Shares. Options shall be granted to such participants as the committee may designate, at such times as the committee may determine. Each option agreement shall designate the number of shares of common stock underlying the options to which the agreement pertains.

Exercise Price. The per share exercise price of each option granted under the plan shall be at least the fair market value per share of common stock for incentive stock options, and 110% of the fair market value in the case of 10% stockholders. In the case of nonstatutory stock options, the exercise price will be determined by the administrator of the 2000 Stock Plan. In the event of a merger or other corporate transaction, options may be granted with an exercise price less than 100% of the fair market value per share.

Vesting of Options. Each option agreement shall specify the manner in which the option shall vest.

Option Period. Each option agreement shall specify the period for which the option thereunder is granted and shall provide that the option shall expire at the end of such period. In the case of incentive stock options, the period will not exceed ten years, or five years in the case of 10% stockholders.

Payment. The exercise price of an option shall be paid in full at the time of exercise:

in cash;

by check;

by promissory note;

through the surrender of previously-acquired shares of common stock having a fair market value equal to the exercise price of the option. This method of payment may only be used if the previously acquired shares have been held by the participant for at least six months, unless the committee in its discretion permits the use of shares held less than six months;

through consideration received by the company under a cashless exercise program;

through a reduction in the amount of any company liability to the optionee;

by a combination of the above; or

such other consideration and method of payment to the extent permitted by the committee and applicable law.

Termination of Options Upon Termination Due to Disability or Death. Upon the termination of employment of an employee participant or upon the termination of the consulting or advisor relationship of a non-employee participant by reason of disability (as defined in Section 22(e)(3) of the Internal Revenue Code) or death, such participant's options may be exercised within the period of time specified in the option agreement to the extent the options are vested on the date of termination. If there is no specified time in the option agreement, the options shall remain exercisable for twelve months following termination.

Termination of Options Upon Termination Other than for Death or Disability. Upon the termination of an employee participant's employment or upon the termination of the consulting or advisor relationship of a non-employee participant for any reason other than for cause, disability or death, such participant's options (to the extent vested prior to such termination) may be exercised by such participant during the 90 day period commencing on the date of termination, but not later than the expiration of the term of the options.

Term of Plan. The 2000 Stock Plan shall continue until August 4, 2010, unless terminated earlier by the Board.

Nontransferability. During the lifetime of a participant, any option granted to him or her shall be exercisable only by him or her. No option shall be assignable or transferable, except by will or by laws of descent and distribution, and no option shall be subjected to any encumbrance, pledge or charge of any nature, unless otherwise determined by the committee in its discretion.

Amendment or Discontinuance of the Plan. Our Board of Directors may from time to time alter, amend or suspend the 2000 Stock Plan, or may at any time terminate the plan. However, the Board must obtain stockholder approval of any amendment to the plan in order to comply with U.S. state corporate laws, U.S. federal and state securities laws, the Internal Revenue Code of 1986, as amended, and the stock exchange on which the common stock is listed.

Outstanding Options. The number of shares acquirable pursuant to stock options that will be awarded under the 2000 Stock Plan is not currently determinable. As of December 31, 2005, options to purchase an aggregate of 3,473,857 shares were available for grant under the plan. As of December 31, 2005, options to purchase 8,069,965 shares of common stock were outstanding under the 2000 Stock Plan. Pursuant to the 2000 Stock Plan, in 2005, options to purchase 3,552 shares originally granted under the plan expired and options to purchase 246,351 shares were canceled.

Federal Income Tax Consequences

The following discussion summarizes some U.S. federal income tax consequences to participants in the 2000 Stock Plan. This summary is based on statutory provisions, Treasury regulations, judicial decisions and rulings of the Internal Revenue Service. This summary does not purport to be complete, and does not cover, among other things, state and local tax treatment of participation in the plan.

Nonstatutory Stock Options; Incentive Stock Options

Participants will not realize taxable income upon the grant of a nonstatutory stock option. Upon the exercise of a nonstatutory stock option, the employee will recognize ordinary income (subject to withholding by Microtune) in an amount equal to the excess of (1) the amount of cash and the fair market value on the date of exercise of the common stock received over (2) the exercise price paid therefor. The participant will generally have a tax basis in any shares of common stock received pursuant to the cash exercise of a nonstatutory stock option that equals the fair market value of such shares on the date of exercise. Subject to the discussion under *Certain Tax Code Limitations on Deductibility* below, we will be entitled to a deduction for U.S. federal income tax purposes that corresponds as to timing and amount with the compensation income recognized by the employee under the foregoing rules.

Employees will not realize taxable income upon the grant of an incentive stock option (*ISO*). Upon the exercise of an ISO, the employee will not have taxable income, although the excess of the fair market value of the shares of common stock received upon exercise of the ISO (*ISO Stock*) over the exercise price will increase the alternative minimum taxable income of the employee, which may cause such employee to incur alternative minimum tax. The payment of any alternative minimum tax attributable to the exercise of an ISO would be allowed as a credit against the employee's regular tax liability in a later year to the extent the employee's regular tax liability is in excess of the alternative minimum tax for that year.

Upon the disposition of ISO Stock that has not been disposed before the end of the requisite holding periods (generally, at least two years from the date of grant and one year from the date of exercise of the ISO), the employee will generally recognize capital gain (or loss) equal to the difference between the amount received in the disposition and the exercise price paid by the employee for the ISO Stock. However, if an employee disposes of ISO Stock that has not been held for the requisite holding period (a *disqualifying disposition*), the employee will recognize ordinary income in the year of the disqualifying disposition to the extent that the fair market value of the ISO Stock at the time of exercise of the ISO (or, if less, the amount realized in the case of an *arm's-length disqualifying disposition* to an unrelated party) exceeds the exercise price paid by the employee for such ISO Stock. The employee would also recognize capital gain to the extent the amount realized in the disqualifying disposition exceeds the fair market value of the ISO Stock on the exercise date. If the exercise price paid for the ISO Stock exceeds the amount realized in the disqualifying disposition (in the case of an *arm's-length disposition* to an unrelated party), such excess would ordinarily constitute a capital loss.

Neither we nor any subsidiaries of ours, if applicable, will generally be entitled to any federal income tax deduction upon the grant or exercise of an ISO, unless the employee makes a disqualifying disposition of the ISO Stock. If an employee makes such a disqualifying disposition, we will then, subject to the discussion below under *Certain Tax Code Limitations on Deductibility*, be entitled to a tax deduction that corresponds as to timing and amount with the compensation income recognized by the employee under the rules described in the preceding paragraph.

Under current rulings, if an employee transfers previously held shares of common stock (other than ISO Stock that has not been held for the requisite holding period) in satisfaction of part or all of the exercise price of a nonstatutory stock option or an ISO, the employee will recognize income with respect to the common stock received in the manner described above, but no additional gain will be recognized as a result of the transfer of such previously held shares in satisfaction of the nonstatutory stock option or ISO exercise price. Moreover, that

number of shares of common stock received upon exercise which equals the number of shares of previously held common stock surrendered therefore in satisfaction of the nonstatutory stock option or ISO exercise price will have a tax basis that equals, and a holding period that includes, the tax basis and holding period of the previously held shares of common stock surrendered in satisfaction of the nonstatutory stock option or ISO exercise price. Any additional shares of common stock received upon exercise will have a tax basis that equals the amount of cash (if any) paid by the employee, plus, in the case of a nonstatutory stock option, the amount of ordinary income recognized by the employee with respect to the common stock received.

Stock Purchase Rights

Participants will not realize taxable income upon the grant of a stock purchase right. Upon the exercise of a stock purchase right, the employee will generally recognize ordinary income (subject to withholding by the Company) in an amount equal to the excess of (1) the amount of cash and the fair market value on the date of exercise of the common stock received over (2) the exercise price paid therefor. The participant will generally have a tax basis in any shares of common stock received pursuant to the cash exercise of a stock purchase right that equals the fair market value of such shares on the date of exercise. If, however, the shares of common stock acquired upon exercise of the stock purchase right are unvested and subject to repurchase by us in the event of the participant's termination of service prior to vesting in those shares, then the participant will not recognize any taxable income at the time of exercise but will have to report as ordinary income, as and when our repurchase right lapses, an amount equal to the excess of (1) the fair market value of the shares of common stock on the date the repurchase right lapses over (2) the exercise price paid for the shares of common stock. The participant may, however, elect under Section 83(b) of the Internal Revenue Code to include as ordinary income in the year of exercise of the stock purchase right an amount equal to the excess of (1) the fair market value of the purchased shares of common stock on the exercise date over (2) the exercise price paid for such shares of common stock. If the Section 83(b) election is made, the participant will not recognize any additional income as and when the repurchase right lapses.

Subject to the discussion under *Certain Tax Code Limitations on Deductibility* below, we (or, if applicable, a subsidiary of ours) will be entitled to a deduction for U.S. federal income tax purposes that corresponds as to timing and amount with the compensation income recognized by the participant under the foregoing rules.

Restricted Stock Awards

Generally, a participant will not recognize taxable income upon the grant of restricted stock and we will not be entitled to any federal income deduction upon the grant of such award. The value of the restricted stock will generally be taxable to the participant as compensation income in the year or years in which the restrictions on the shares of common stock lapse. Such value will equal the fair market value of the shares of common stock on the date or dates the restrictions terminate. A participant, however, may elect pursuant to Section 83(b) of the Internal Revenue Code to treat the fair market value of the shares of common stock subject to the restricted stock award on the date of such grant as compensation income in the year of the grant of the restricted stock award. The participant must make such an election pursuant to Section 83(b) of the Internal Revenue Code within 30 days after the date of grant. If such an election is made and the participant later forfeits the restricted stock to us, the participant will not be allowed to deduct, at a later date, the amount such participant had earlier included as compensation income.

A participant will be subject to withholding for federal, and generally for state and local, income taxes at the time the participant recognizes income under the rules described above. Dividends that are received by a participant prior to the time that the restricted stock award is taxed to the participant under the rules described in the preceding paragraph are taxed as additional compensation, not as dividend income. The tax basis of a participant in the restricted stock award will equal the amount recognized by the participant as compensation income under the rules described in the preceding paragraph, and the participant's holding period in such shares will commence on the date income is so recognized.

Subject to the discussion under *Certain Tax Code Limitations on Deductibility* below, we will be entitled to a deduction for U.S. federal income tax purposes that corresponds as to timing and amount with the compensation income recognized by the participant under the foregoing rules.

Common Stock Equivalent

A participant generally will not have taxable income upon the grant of a common stock equivalent award but rather will generally recognize ordinary compensation income at the time the participant receives shares of common stock in satisfaction of such common stock equivalent award in an amount equal to the fair market value of the shares of common stock received.

Certain Tax Code Limitations on Deductibility

In order for the amounts described above to be deductible by us, such amounts must constitute reasonable compensation for services rendered or to be rendered and must be ordinary and necessary business expenses. Our ability to obtain a deduction for future payments under the plan could also be limited by Section 280G of the Internal Revenue Code, which prevents the deductibility of certain excess parachute payments made in connection with a change in control of an employer. Our ability to obtain a deduction for amounts paid under the plan could also be affected by Section 162(m) of the Internal Revenue Code, which limits the deductibility of compensation paid to certain employees of Microtune to \$1 million with respect to any such employee during our taxable year.

Effect of American Jobs Protection Act of 2004

On October 22, 2004, the American Jobs Creation Act of 2004 (H.R. 4520) (*AJCA*) was signed into law by the President. The *AJCA* significantly altered the rules relating to the taxation of deferred compensation.

The *AJCA* added a new Section 409A to the Internal Revenue Code, which generally provides that any deferred compensation arrangement which does not meet specific requirements regarding (1) timing of payouts, (2) advance election of deferrals and (3) restrictions on acceleration of payouts will result in immediate taxation of any amounts deferred to the extent not subject to a substantial risk of forfeiture. In addition, tax on the amounts included in income as a result of not complying with Section 409A are increased by an interest component as specified by statute, and the amounts included in income are also subject to a 20% excise tax. In general, to avoid a Section 409A violation, amounts deferred may only be paid out on separation from service, disability, death, a specified time, a change in control (as defined by the Treasury Department) or an unforeseen emergency. Furthermore, the election to defer generally must be made in the calendar year prior to performance of services, and any provision for accelerated payout other than for reasons specified by the Treasury may cause the amounts deferred to be subject to early taxation and to the imposition of the excise tax.

The *AJCA* is broadly applicable to any form of deferred compensation other than tax-qualified retirement plans and bona fide vacation, sick leave, compensatory time, disability pay or death benefits, and may be applicable to certain awards under the plan. Section 409A is effective with respect to amounts deferred after December 31, 2004, but may also apply to amounts deferred earlier under arrangements which are materially modified after October 3, 2004. In IRS Notice 2005-1, the Treasury Department provided interim guidance on transition issues and the meaning of various provisions of new Section 409A. Additional guidance has been provided in proposed Treasury regulations. We intend that any awards granted under the plan will satisfy the requirements of Section 409A to avoid the imposition of the excise tax.

Accounting Treatment

In December 2004, the FASB issued SFAS No. 123R, Share-Based Payment. SFAS No. 123R is a revision of SFAS No. 123 and supersedes APB No. 25. Among other items, SFAS No. 123R eliminates the use of APB

No. 25 and the intrinsic value method of accounting for stock-based compensation, and requires companies to recognize in the financial statements the cost of employee services received in exchange for awards of equity instruments, based on the grant date fair value of those awards. The effective date of SFAS No. 123R is the beginning of the first quarter of 2006.

SFAS No. 123R permits companies to adopt its requirements using either a modified prospective method, or a modified retrospective method. Under the modified prospective method, compensation cost is recognized in the financial statements beginning with the effective date, based on the requirements of SFAS No. 123R for all share-based payments granted after that date, and based on the requirements of SFAS No. 123 for all unvested awards granted prior to the effective date of SFAS No. 123R. Under the modified retrospective method, the requirements are the same as under the modified prospective method, but also permits entities to restate financial statements of previous periods based on pro forma disclosures made in accordance with SFAS No. 123. We expect to adopt SFAS No. 123R using the modified prospective method.

We currently utilize a standard option pricing model (i.e., Black-Scholes) to measure the fair value of stock options granted to employees. While SFAS No. 123R permits entities to continue to use such a model, the standard also permits the use of a lattice model. Although our analysis is ongoing, we expect to use the Black-Scholes model to measure the fair value of stock options under SFAS No. 123R.

SFAS No. 123R also requires that the benefits associated with the tax deductions in excess of recognized compensation cost be reported as a financing cash flow, rather than as an operating cash flow as required under current accounting literature. This requirement will reduce net operating cash flows and increase net financing cash flows in periods once SFAS No. 123R is adopted. These future amounts cannot be estimated, because they depend on, among other things, when employees exercise stock options.

We believe adopting SFAS No. 123R will have a material impact on our consolidated results of operations. At December 31, 2005, the balance of unearned stock-based compensation to be expensed in the period 2006 through 2010 related to unvested share-based awards, as previously calculated under the disclosure-only requirements of SFAS 123, is approximately \$11.9 million. The weighted-average period over which the unearned stock-based compensation is expected to be recognized is approximately two years. We anticipate that we will grant additional share-based awards to employees in the future, which will increase the stock-based compensation expense by the additional unearned compensation resulting from these grants. The fair value of these grants is not included in the amount above, as the impact of these grants cannot be predicted at this time because it will depend on the number of share-based payments granted.

Proposal to Allow Restricted Stock Awards

The Board has adopted, subject to stockholder approval and ratification at our 2006 Annual Meeting of Stockholders, a proposal that the 2000 Stock Plan be amended and restated to allow for the award of restricted stock. The amended and restated plan would further provide that a maximum of 30% of the shares of common stock subject to the plan would be available for future restricted stock awards and would make certain technical revisions and improvements to the plan. If the Board's proposal is approved and ratified by stockholders, the 2000 Stock Plan of Microtune will be amended and restated as set forth in Appendix 2 effective March 16, 2006.

Reasons for the Amendment and Restatement of our 2000 Stock Plan

Our Board of Directors recognizes the importance of attracting, retaining and motivating those persons who make (or are expected to make) important contributions to our success by providing such persons with equity opportunities and performance-based incentives and believes that this goal is best achieved with an equity incentive compensation plan with maximum flexibility. Our Board of Directors believes that the allowance for restricted stock awards will increase the flexibility available to our Compensation Committee to design appropriate incentive

compensation arrangements. Further, our Board of Directors believes that the ability to

grant such awards as compensation under the 2000 Stock Plan, as amended and restated, will help us remain competitive and may result in less stockholder dilution and less compensation expense under SFAS No. 123R.

Required Vote

The affirmative vote of the holders of a majority of the shares of common stock present in person or represented by proxy and entitled to vote is required to approve the amendment and restatement of our 2000 Stock Plan. An abstention will be counted as a vote against approval since it is one less vote for approval. Broker non-votes will not affect the outcome since they are not considered shares present for voting purposes.

Recommendation of the Board of Directors

The Board of Directors unanimously recommends a vote FOR the ratification and approval of the Amended and Restated 2000 Stock Plan. Unless otherwise instructed, the proxy holders named in each proxy will vote the shares represented thereby FOR the ratification and approval of the Amended and Restated 2000 Stock Plan as provided in Proposal No. 2.

PROPOSAL NO. 3

RATIFICATION OF APPOINTMENT OF INDEPENDENT AUDITORS

The Audit Committee has selected Ernst & Young LLP as our independent auditors to perform the audit of our financial statements for the fiscal year ending December 31, 2006, and we are asking stockholders to ratify this selection. Representatives of Ernst & Young LLP are expected to be present at our Annual Meeting. They will have the opportunity to make a statement at our Annual Meeting if they wish to do so, and they will be available to respond to appropriate questions from stockholders.

Fees Paid to Ernst & Young LLP

In connection with the audit of our financial statements for the fiscal year ended December 31, 2005, we entered into an engagement agreement with Ernst & Young LLP which sets forth the terms by which Ernst & Young LLP has performed audit services for the Company. That agreement is subject to alternative dispute resolution procedures and an exclusion of punitive damages.

The following table sets forth the amount of audit fees, audit-related fees, tax fees and all other fees billed or expected to be billed by Ernst & Young LLP for the years ended December 31, 2005 and 2004.

	2005	2004
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Audit fees ⁽¹⁾	\$ 632,800	\$ 810,000
Audit-related fees ⁽²⁾	1,600	1,600
Tax fees ⁽³⁾	140,300	68,700
All other fees ⁽⁴⁾	300	300
Total Fees	\$ 775,000	\$ 880,600

Ernst & Young LLP did not render professional services relating to financial information systems design and implementation for the years ended December 31, 2004 and 2005.

- (1) Audit fees are generated from services consisting of the annual audits of our consolidated financial statements included in our Annual Report on Form 10-K, the annual audit on effectiveness of internal controls over financial reporting, quarterly reviews of our consolidated financial statements included in our Quarterly Reports on Form 10-Q, as well as, statutory audits of our foreign subsidiaries, services related to filings made with the SEC and accounting advisory services related to financial accounting matters.

- (2) Audit-related fees are generated from the use of Ernst & Young LLP's online research tool.
- (3) Tax fees are generated from services, including but not limited to, assistance with certain tax compliance matters and various tax planning consultations.
- (4) All other fees relate to continuing education services.

The Audit Committee has determined that the services provided to Microtune are compatible with maintaining Ernst & Young LLP's independence. For more information about Ernst & Young LLP, please see the Report of the Audit Committee of the Board of Directors on page 37.

The Audit Committee has adopted policies and procedures for the pre-approval of audit and non-audit services by Ernst & Young LLP. In general, all services must be pre-approved at duly convened meetings of the Audit Committee or by the Chairman of the Audit Committee. Any services approved by the Audit Committee Chairman are required to be discussed at the following regular meeting of the Audit Committee. All fees paid in 2005 were approved in accordance with these procedures.

Required Vote

Ratification of Ernst & Young LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2006 requires the affirmative vote of the holders of a majority of the shares of common stock present in person or represented by proxy and entitled to vote. An abstention will be counted as a vote against approval since it is one less vote for approval of the shares present. Broker non-votes will not affect the outcome since they are not considered shares present for voting purposes.

If our stockholders do not ratify the selection of Ernst & Young LLP the appointment of the independent registered public accounting firm will be reconsidered by our Audit Committee. Even if the selection is ratified, the Audit Committee, in its discretion, may direct the appointment of a different independent accounting firm at any time during the year if the Audit Committee believes that such a change would be in the best interests of Microtune and its stockholders.

Recommendation of the Board of Directors

The Board of Directors and more specifically, the Audit Committee, unanimously recommends a vote FOR the ratification of the appointment of Ernst & Young LLP to serve as our independent auditors for the year ending December 31, 2006. Unless otherwise instructed, the proxy holders named in each proxy will vote the shares represented thereby FOR the ratification of the appointment of Ernst & Young LLP.

OTHER INFORMATION
Executive Officers

The following table sets forth certain information with respect to our executive officers as of March 30, 2006:

<u>Name</u>	<u>Age</u>	<u>Position</u>
James A. Fontaine	48	Chief Executive Officer and President
Jeffrey A. Kupp	43	Chief Financial Officer and Vice President
Albert H. Taddiken	42	Chief Operating Officer
Robert S. Kirk	45	Vice President of Worldwide Sales
Barry F. Koch	40	Vice President and Managing Director, Microtune GmbH & Co. KG
Phillip D. Peterson	36	General Counsel

Biographical information concerning Mr. Fontaine is set forth under Proposal No. 1 Election of Directors on page 14.

Jeffrey A. Kupp was named Vice President, Chief Financial Officer and Corporate Secretary in May 2005. Mr. Kupp was Vice President and Chief Financial Officer of Inet Technologies Inc. from 2000 to 2004. Mr. Kupp also held the position of Chief Financial Officer at both IEX Corporation and CS Wireless Systems, Inc. and a senior finance position at DSC Communications Corporation. Mr. Kupp began his career in accounting at Ernst & Young LLP. He is a Certified Public Accountant and holds a Bachelor of Arts degree in Accounting and Computer Science from Asbury College and a M.B.A. degree from Cornell University.

Albert H. Taddiken was named Chief Operating Officer in August 2003. Mr. Taddiken also served as a member of the Office of the President from June 2003 through August 2003, Chief Technical Officer from September 2001 to August 2003, General Manager, Broadband Business Unit from December 2001 through June 2003, Vice President, IC Engineering from May 1998 through December 2001 and as Director, RFIC Development from November 1996 through April 1998. Mr. Taddiken began his career at Texas Instruments. Mr. Taddiken holds a B.S.E.E. from the Massachusetts Institute of Technology.

Robert S. Kirk was named Vice President of Worldwide Sales in October 2003. Mr. Kirk served as Vice President of Sales, North America from March 2003 to October 2003. Mr. Kirk was Vice President of Sales, Northern Europe for Avnet from August 2001 to March 2003, and Vice President of Sales, North America for On Semiconductor from May 1982 to August 2001. Mr. Kirk holds a B.S.E.E. from Purdue University.

Barry F. Koch was named Managing Director of Microtune GmbH & Co. KG, a wholly-owned German subsidiary of Microtune, in May 2000. Mr. Koch joined Microtune GmbH & Co. KG as Director of Advanced Development in January 2000 at the time of Microtune's combination with Temic Telefunken Hochfrequenztechnik GmbH (Temic). Mr. Koch had been with Temic and its predecessors since June 1995. In addition, Mr. Koch has held a number of positions at Microtune concurrently with his positions at Microtune GmbH & Co. KG. Mr. Koch was named Vice President and Co-General Manager of Microtune's Broadband Business Unit in January 2004. Additionally, Mr. Koch has served as Vice President and General Manager of Microtune's Automotive Business Unit since December 2001, and served as Vice President of Systems Engineering from May 2000 until December 2001. Mr. Koch holds a B.S.E.E. from the University of Missouri-Rolla and a M.S.E.E. from Purdue University.

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Phillip D. Peterson was named General Counsel in April 2004. Mr. Peterson was an attorney with Cox & Smith Incorporated from September 2002 to October 2003 and with Gray Cary Ware & Freidenrich, LLP from March 2000 to January 2002. Prior to that, he was an attorney with King & Spalding LLP and Fulbright & Jaworski L.L.P. Mr. Peterson holds a J.D. from the University of Texas School of Law and a B.A. from Trinity University.

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT
Share Ownership of Directors and Officers

The following table shows shares of our common stock that we believe are beneficially owned as of March 1, 2006 by:

each person who we know beneficially owns more than 5% of our common stock;

each of our directors;

each executive officer named in the Summary Compensation Table; and

all of our directors and named executive officers as a group.

Under the rules of the SEC, beneficial ownership includes voting or investment power with respect to securities and includes the shares issuable under stock options that are exercisable within 60 days of the date set forth above. Accordingly, we have included any options held by each stockholder that are exercisable within 60 days of March 1, 2006 (i.e., April 30, 2006). Shares issuable under stock options are deemed outstanding for purposes of computing the percentage ownership of the person holding options but are not outstanding for purposes of computing the percentage ownership of any other person. We calculated the Percentage Beneficially Owned based on 52,849,599 shares of our common stock outstanding on March 1, 2006.

Name of Beneficial Owner	Shares	Percentage Beneficially Owned
Institutional Venture Partners VII ⁽¹⁾	2,778,668	5.3%
Simon J. Michael ⁽²⁾	3,470,400	6.6%
Franklin Resources, Inc. ⁽³⁾	3,569,050	6.8%
Walter S. Ciciora ⁽⁴⁾	149,233	*
James H. Clardy ⁽⁵⁾	110,833	*
Steven Craddock ⁽⁶⁾	35,833	*
James A. Fontaine ⁽⁷⁾	639,519	1.2%
Jeffrey A. Kupp ⁽⁸⁾		*
Robert S. Kirk ⁽⁹⁾	167,793	*
Barry F. Koch ⁽¹⁰⁾	190,544	*
Anthony J. LeVecchio ⁽¹¹⁾	42,833	*
Albert H. Taddiken ⁽¹²⁾	510,167	*
William P. Tai ⁽¹³⁾	2,722,667	5.2%
A. Travis White ⁽¹⁴⁾	20,833	*
Bernard T. Marren ⁽¹⁵⁾	500,000	*
All directors and current executive officers as a group (12 Persons) ⁽¹⁶⁾	5,090,255	9.4%

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

(1) Includes 94,773 shares held by Institutional Venture Management VII, 2,597,061 shares held by Institutional Venture Partners VII and 86,834 shares held by IVP Founders Fund I, L.P. The address for these funds is 3000 Sandhill Road, Building 2, Suite 250, Menlo Park,

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CA 94025.

- (2) Based upon an Amendment No. 3 to Schedule 13G filed with the Securities and Exchange Commission on February 14, 2006 by Simon J. Michael, Balch Hill Capital, LLC, and Balch Hill Partners, L.P., all whose address is 2778 Green Street, San Francisco, CA 94123. The 13G states that:
- (i) Simon J. Michael has sole voting power and sole dispositive power with respect to 660,400 shares and shared voting power and shared dispositive power with respect to 2,810,000 shares;
 - (ii) Balch Hill Capital, LLC has shared voting power and shared dispositive power with respect to 2,810,000 shares; and
 - (iii) Balch Hill Partners, L.P. has shared voting power and shared dispositive power with respect to 2,590,000 shares.

- (3) Based upon an Amendment No. 1 to Schedule 13G filed with the Securities and Exchange Commission on February 7, 2006 by Franklin Resources, Inc., Charles B. Johnson, Rupert H. Johnson, Jr. and Franklin Advisers, Inc., all whose address is One Franklin Parkway, San Mateo, CA 94403. The 13G states that:
- (i) Franklin Resources, Inc. has no sole or shared voting power and no sole or shared dispositive power;
 - (ii) Charles B. Johnson has no sole or shared voting power and no sole or shared dispositive power;
 - (iii) Rupert H. Johnson, Jr. has no sole or shared voting power and no sole or shared dispositive power;
 - (iv) Franklin Advisers, Inc. has sole voting power with respect to 2,341,550 shares and sole dispositive power with respect to 2,382,850 shares and no shared voting or dispositive power;
 - (v) Fiduciary Trust Company International has sole voting power and sole dispositive power with respect to 665,700 shares and no shared voting or dispositive power;
 - (vi) Franklin Templeton Investments Corp. has sole voting power and sole dispositive power with respect to 442,100 shares and no shared voting or dispositive power; and
 - (vii) Fiduciary International, Inc. has sole voting power and sole dispositive power with respect to 78,400 shares and no shared voting or dispositive power.
- (4) Mr. Ciciora has sole voting power