

THORATEC CORP
Form DEF 14A
April 22, 2003

Table of Contents

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

SCHEDULE 14A INFORMATION

**PROXY STATEMENT PURSUANT TO SECTION 14 (A) OF THE
SECURITIES EXCHANGE ACT OF 1934**

Filed by the Registrant ☒ [X]

Filed by a Party other than the Registrant ☐ []

Check the appropriate box:

- ☐ [] Preliminary Proxy Statement
- ☐ [] Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e) (2))
- ☒ [X] Definitive Proxy Statement
- ☐ [] Definitive Additional Materials
- ☐ [] Soliciting Material under Rule 14a-12

THORATEC CORPORATION

(Name of Registrant as Specified In Its Charter)

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

Payment of Filing Fee (Check the appropriate box):

- ☒ [X] No fee required.
- ☐ [] Fee computed on table below per Exchange Act Rules 14a-6 (i) (1) and 0-11.

- (1) Title of each class of securities to which transaction applies:
- (2) Aggregate number of securities to which transaction applies:
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Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11 (a) (2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registrations statement number, or the Form or Schedule and the date of its filing.

- (1) Amount Previously Paid:
 - (2) Form, Schedule or Registration Statement No.:
 - (3) Filing Party:
 - (4) Date Filed:
-

Table of Contents

April 25, 2003

Dear Shareholder:

You are cordially invited to attend the Thoratec Corporation Annual Meeting of Shareholders to be held on Friday, May 30, 2003 at 9:00 a.m., Pacific Daylight Time, at our Company's headquarters located at 6035 Stoneridge Drive, Pleasanton, California 94588. Details regarding the meeting and the business to be conducted are more fully described in the accompanying Notice of Annual Meeting of Shareholders and Proxy Statement.

We hope you will be able to attend the Annual Meeting to listen to our report on the status of our business and performance during 2002 and our near-term plans, and to ask any questions you may have.

Your vote is very important. Whether or not you plan to attend the Annual Meeting, please vote as soon as possible. You may vote in person at the meeting or by sending in your written Proxy. Your vote by written Proxy will ensure your representation at the Annual Meeting if you cannot attend in person. Please review the instructions on the Proxy Card regarding your voting options.

Thank you for your on-going support and continued interest in Thoratec Corporation.

Very truly yours,

D. KEITH GROSSMAN

Chief Executive Officer and President

Corporate Headquarters

Thoratec Corporation 6035 Stoneridge Drive, Pleasanton, CA 94588
Tel 925-847-8600 Fax 925-847-8574 www.thoratec.com

Woburn Office

470 Wildwood Street, Woburn, MA 01888
Tel 781-932-8668 Fax 781-933-4476

Rancho Cordova Office

2945 Kilgore Road, Rancho Cordova, CA 95670
Tel 916-852-2833 Fax 916-638-3216

TABLE OF CONTENTS

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS To Be Held on May 30, 2003

INFORMATION CONCERNING SOLICITATION AND VOTING

BOARD OF DIRECTORS STRUCTURE AND COMPENSATION

PROPOSAL ONE - ELECTION OF DIRECTORS

PROPOSAL TWO - AMENDMENT TO THE AMENDED AND RESTATED 1997 STOCK OPTION

PLAN TO INCREASE THE NUMBER OF SHARES RESERVED FOR ISSUANCE THEREUNDER

PROPOSAL THREE - AMENDMENT TO THE AMENDED AND RESTATED 1996 NONEMPLOYEE

DIRECTORS STOCK OPTION PLAN TO INCREASE THE NUMBER OF SHARES RESERVED FOR

ISSUANCE THEREUNDER

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

SECURITIES AUTHORIZED FOR ISSUANCE UNDER EQUITY COMPENSATION PLANS

REPORT OF THE COMPENSATION AND OPTION COMMITTEE OF THE BOARD OF

DIRECTORS

COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION

SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

CERTAIN TRANSACTIONS

EXECUTIVE COMPENSATION

INDEPENDENT PUBLIC ACCOUNTANTS

REPORT OF THE AUDIT COMMITTEE OF THE BOARD OF DIRECTORS

STOCK PRICE PERFORMANCE GRAPH

OTHER MATTERS

Table of Contents

THORATEC CORPORATION

**NOTICE OF ANNUAL MEETING OF SHAREHOLDERS
To Be Held on May 30, 2003**

To the Shareholders of Thoratec Corporation

NOTICE IS HEREBY GIVEN, that the Annual Meeting of Shareholders of Thoratec Corporation, a California corporation ("Thoratec" or our Company), will be held on Friday, May 30, 2003 at 9:00 a.m., Pacific Daylight Time, at our Company's headquarters located at 6035 Stoneridge Drive, Pleasanton, California 94588 for the following purposes:

To elect eight directors to serve for the ensuing year and until their successors are elected;

To approve the adoption of an amendment to Thoratec's 1997 Stock Option Plan;

To approve the adoption of an amendment to Thoratec's 1996 Nonemployee Directors Stock Option Plan; and

To transact such other business as may properly come before the meeting or any adjournment thereof.

The foregoing items of business are more fully described in the Proxy Statement accompanying this Notice. Only shareholders of record at the close of business on April 16, 2003 are entitled to notice of, to attend and to vote at the meeting and any adjournments thereof. All shareholders are cordially invited to attend the meeting in person. Any shareholder attending the meeting may vote in person even if such shareholder previously signed and returned a Proxy. If you own shares through a broker, and you wish to attend and vote in person at the meeting, you must obtain from your broker a Proxy issued in your name.

For the Board of Directors

M. WAYNE BOYLSTON

Secretary

Pleasanton, California
April 25, 2003

IMPORTANT: WHETHER OR NOT YOU EXPECT TO ATTEND THE MEETING, PLEASE COMPLETE, DATE AND SIGN THE ENCLOSED PROXY AND MAIL IT PROMPTLY IN THE ENCLOSED POSTAGE PAID ENVELOPE.

Table of Contents

THORATEC CORPORATION

PROXY STATEMENT
FOR ANNUAL MEETING OF SHAREHOLDERS

The Board of Directors of Thoratec Corporation, a California corporation, ("Thoratec" or our "Company"), is furnishing this Proxy Statement to you in connection with our solicitation of Proxies to be used at our Annual Meeting of Shareholders to be held on Friday, May 30, 2003 at 9:00 a.m., Pacific Daylight Time, or at any adjournments or postponements thereof (the "Annual Meeting"), for the purposes set forth in this Proxy Statement and in the accompanying Notice of Annual Meeting of Shareholders. The Annual Meeting will be held at our Company's headquarters at 6035 Stoneridge Drive, Pleasanton, California 94588. The telephone number at that address is (925) 847-8600.

The date of this Proxy Statement is April 25, 2003 and it was mailed on or about April 25, 2003 to all shareholders entitled to vote at the Annual Meeting.

INFORMATION CONCERNING SOLICITATION AND VOTING

Record Date and Shares Outstanding

Shareholders of record at the close of business on April 16, 2003, referred to as the Record Date, are entitled to notice of, and to vote at, the Annual Meeting. As of the Record Date, 55,193,050 shares of our Company's common stock ("Common Stock") were outstanding.

Revocability of Proxies

Any Proxy given pursuant to this solicitation may be revoked by the person giving it at any time before its use by delivering to our Secretary a written notice of revocation or a duly executed Proxy bearing a later date or by attending the Annual Meeting and voting in person. Your presence at the Annual Meeting will not in and of itself revoke your Proxy appointment.

Voting

Every shareholder voting for the election of directors may exercise cumulative voting rights and give one candidate a number of votes equal to the number of directors to be elected multiplied by the number of votes to which the shareholder's shares are entitled or distribute such shareholder's votes on the same principle among as many candidates as the shareholder may select, provided that votes cannot be cast for more than eight candidates. However, no shareholder shall be entitled to cumulate votes unless the candidate's name has been placed in nomination prior to the voting and the shareholder, or any other shareholder, has given notice at the meeting prior to the voting of the intention to cumulate votes. On all other matters, each share is entitled to one vote on each proposal or item that properly comes before the Annual Meeting.

Quorum; Abstentions; Broker Non-Votes

The required quorum for the transaction of business at the Annual Meeting is a majority of the shares of Common Stock outstanding on the Record Date. Shares that are voted FOR, AGAINST or ABSTAIN from a matter are treated as being present at the meeting for purposes of establishing a quorum. These shares are also treated as votes eligible to be cast by the holders of Common Stock present in person or represented by Proxy at the Annual Meeting and entitled to vote on the subject matter, and are referred to as the Votes Cast, with respect to such matter.

While abstentions, which are votes ABSTAINED, will be counted for purposes of determining both the presence or absence of a quorum for the transaction of business and the total number of Votes Cast with respect to a particular matter, broker non-votes with respect to proposals set forth in this Proxy Statement will not be considered Votes Cast and, accordingly, will not affect the determination as to whether the requisite majority of Votes Cast has been obtained with respect to a particular matter.

Table of Contents

Solicitation of Proxies

The cost of soliciting Proxies in connection with this Proxy Statement has been or will be borne by us. In addition to solicitation by mail, we may request that banks, brokers and other custodians, nominees and fiduciaries send Proxy Statements to the beneficial owners of Common Stock and secure their instructions as to consent. We may reimburse such banks, brokers and other custodians, nominees, fiduciaries and other persons representing beneficial owners of Common Stock for their expenses in forwarding solicitation material to such beneficial owners. Some of our directors, officers and other employees may, without additional compensation, solicit Proxies personally, or by telephone, facsimile or e-mail. We have also engaged Morrow & Co., Inc., an outside proxy solicitor, to assist us in soliciting Proxies in conjunction with the Annual Meeting. We estimate the cost of the outside proxy solicitation services will be \$10,000.

Householding of Annual Disclosure Documents

The Securities and Exchange Commission has approved a rule governing the delivery of annual disclosure documents. This rule allows us to send a single set of our Annual Report and Proxy Statement to any household at which two or more Thoratec shareholders reside if we believe that the shareholders are members of the same family. Some banks, brokers and other intermediaries may be participating in this practice of householding proxy statements and annual reports. This rule benefits both us and our shareholders. It reduces the volume of duplicate information received at your house and helps us reduce our expenses. Each shareholder, however, will continue to receive individual Proxy Cards or voting instruction forms.

If your household has previously received a single set of disclosure documents, but you would prefer to receive your own copy this year or in future years, you should contact your bank, broker or other nominee record holder. We can also deliver a separate copy of either our Annual Report or Proxy Statement to any shareholder upon either written request to Thoratec Corporation, 6035 Stoneridge Drive, Pleasanton, California 94588, Attention: Corporate Secretary, or upon oral request by calling (925) 847-8600. Similarly, if you share an address with another Thoratec shareholder and together both of you wish to receive only a single set of our annual disclosure documents, please follow the same instructions.

Deadline for Receipt of Shareholder Proposals

Proposals of our shareholders which are intended to be presented by such shareholders at our 2004 annual meeting of shareholders must be received by us no later than December 26, 2003 in order to be included in the proxy statement and form of proxy relating to that meeting.

BOARD OF DIRECTORS STRUCTURE AND COMPENSATION

Structure and Committees

J. Donald Hill, M.D. serves as Chairman of our Board of Directors (the Board). The Board held a total of five meetings during our 2002 fiscal year, which ended on December 28, 2002. During Fiscal 2002, all directors attended every meeting of the Board and each meeting of a Committee of the Board on which the director served. The Board has an Audit Committee, a Compensation and Option Committee, and a Nominating and Corporate Governance Committee.

The Audit Committee of our Board reviews our auditing, accounting, financial reporting and internal control functions and selects our independent auditors. This Committee operates under a written charter adopted by our Board. This charter was included as an appendix to our proxy statement for our 2001 annual meeting of shareholders. The Audit Committee is comprised of Messrs. Chase, Cole and Hitchcock, with Mr. Chase serving as Chairman. All of our Audit Committee members are independent from our Company

Table of Contents

based on the National Association of Securities Dealers (the NASD) listing standards. Our Audit Committee met seven times during our 2002 fiscal year. The purpose of our Audit Committee is to:

Monitor the integrity of the financial statements of our Company;

Oversee the independence of our Company's independent auditors; and

Recommend to the Board of Directors the selection of the independent auditors, evaluate the independent auditors and, where appropriate, recommend the replacement of the independent auditors.

In discharging its duties, our Audit Committee, among its other duties:

Meets with management and the independent auditors to review and discuss the annual financial statements and the report of the independent auditors thereon and, to the extent the independent auditors or management brings any such matters to the attention of the Audit Committee, to discuss significant issues encountered in the course of the audit work, if any. Examples of such would include restrictions on the scope of activities, access to required information or the adequacy of internal controls;

Meets quarterly with management and the independent auditors to review and discuss the quarterly financial statements; and

Reviews significant changes to our Company's accounting principles and practices proposed by the independent auditors or management.

Our Compensation and Option Committee met once during our 2002 fiscal year and is comprised of Messrs. Holbrook, Mulvena and Dr. Hill, with Mr. Mulvena serving as Chairman. Our Compensation and Option Committee:

Reviews compensation and benefits for our employees generally and for our senior executives specifically and makes recommendations to the full Board; and

Has authority to grant stock options under our 1997 Stock Option Plan, as amended, to employees and consultants.

Our Nominating and Corporate Governance Committee was established by our Board on November 15, 2002. The Nominating and Corporate Governance Committee is comprised of Dr. Hill and Messrs. Chase and Cole, with Mr. Cole serving as Chairman. The Nominating and Corporate Governance Committee held its first meeting during our 2003 fiscal year. The purpose of the Corporate Governance and Nominating Committee is to:

Identify and approve individuals qualified to serve as members of the Board of the Company;

Select director nominees for the next annual meeting of shareholders;

Develop and recommend to the Board corporate governance guidelines; and

Provide oversight with respect to corporate governance and ethical conduct.

The Nominating and Corporate Governance Committee will also consider nominees for director who are submitted by Thoratec shareholders. Shareholders who wish to submit an individual for consideration as a nominee to the Board should address information regarding such nominee, including such nominee's qualifications, to: 6035 Stoneridge Drive, Pleasanton, California 94588, Attention: Corporate Secretary. Any such nominations should be received no later than the deadline for receipt of shareholder proposals set forth in this Proxy Statement.

Board Compensation

During fiscal 2002, all directors received a \$15,000 annual retainer that was paid quarterly on a calendar basis. They also received \$1,000 for each quarter where there was a Board meeting attended by the director, and \$500 for each quarter where a committee meeting was attended by the committee member. If the

Table of Contents

committee meeting exceeded four hours, the Chairman had the discretion to grant an additional fee. The Chairman of the Board received \$1,000 per quarter in which there was a Board meeting that he attended, and each committee chairman received \$500 per quarter in which there was a committee meeting that he attended. Outside directors are eligible to participate in our 1996 Nonemployee Directors Stock Option Plan (the Directors Option Plan).

A total of 350,000 shares of Common Stock have been authorized for issuance under the Directors Option Plan. This Proxy Statement includes a proposal to increase the number of shares authorized for issuance see Proposal Three below. If approved by the shareholders, the number of shares authorized for issuance under the Directors Option Plan will be increased by 200,000 shares to 550,000 shares. The Directors Option Plan provides for the automatic granting of nonqualified stock options to our directors who are not employees of our Company or any parent or subsidiary of our Company and who have not been an employee of our Company or any parent or subsidiary of our Company in the previous 12 months (the Eligible Outside Directors). Each person who is newly elected or appointed as an Eligible Outside Director will be granted an option to purchase 15,000 shares of Common Stock in quarterly installments on the effective date of such initial election or appointment (the Initial Grant). Each Eligible Outside Director (including the existing outside directors) generally will be granted an option to purchase 7,500 shares of Common Stock in quarterly installments beginning on the date of the first meeting of the Board following the annual meeting of shareholders (the Annual Grant). In any event, both the Initial Grant and the Annual Grant will be made no later than August 31, November 30, February 28 or May 31 of the relevant year. As of March 29, 2003, options to purchase 263,332 shares were outstanding under the Directors Option Plan. We currently have six Eligible Outside Directors who are eligible to participate in the Directors Option Plan. The exercise price of the options in all cases is equal to the fair market value of Common Stock on the grant date. Each option granted pursuant to the Directors Option Plan expires five years after the date of grant or earlier in the event of the termination of the director s service on the Board. Each option granted under the Directors Option Plan is exercisable immediately after the date of grant. The Board may waive any or all the directors fees in any given year and have the exercise price of options granted under the Directors Option Plan reduced by the amount of the fees so waived.

For their services on the Board and committees of the Board provided during 2002, Dr. Hill and Messrs. Chase, Cole, Hitchcock, Holbrook, Melas-Kyriazi and Mulvena received compensation of \$25,000, \$23,000, \$21,000, \$21,000, \$21,000, \$19,000, and \$22,500, respectively. Each Eligible Outside Director was granted options to purchase 1,875 shares of Common Stock on February 28, 2002, May 30, 2002, August 19, 2002, and November 14, 2002 with an exercise price of \$15.00 per share, \$9.43 per share, \$5.79 per share and \$9.29 per share, respectively.

PROPOSAL ONE

ELECTION OF DIRECTORS

Nominees

A board of eight directors is to be elected at the Annual Meeting. Unless otherwise instructed, the Proxy holders will vote the Proxies received by them for the eight nominees named below, each of whom is presently serving as one of our directors. As long as Thermo Electron Corporation (Thermo Electron) beneficially owns at least 10% of the voting power of all our voting securities outstanding, we are required to take all necessary action to cause a nominee of Thermo Electron to be elected to Thoratec s Board. Thermo Electron has designated its Chief Financial Officer, Theo Melas-Kyriazi, to serve as its representative and Mr. Melas-Kyriazi has been nominated to serve on our Board. If any nominee is unable or declines to serve as a director at the time of the Annual Meeting, the Proxies will be voted for any nominee who shall be designated by the present Board to fill the vacancy. If additional persons are nominated for election as directors, the Proxy holders intend to vote all Proxies received by them in accordance with cumulative voting to elect as many of the nominees listed below as possible. In such event, the Proxy holders will determine the specific nominees for whom such votes will be cumulated. The term of office for each person elected as a director will continue

Table of Contents

until the next annual meeting of shareholders or until his successor has been elected and qualified. We do not expect that any nominee will be unable or will decline to serve as a director.

The following table provides information concerning our director nominees:

Name of Nominee	Age	Position with our Company	Director Since
J. Donald Hill	66	Director and Chairman of the Board	1976
D. Keith Grossman	43	Director, President and Chief Executive Officer	1996
Howard E. Chase	66	Director	1986
J. Daniel Cole	56	Director	1997
William M. Hitchcock	63	Director	1996
George W. Holbrook, Jr.	71	Director	1995
Theo Melas-Kyriazi	43	Director	2001
Daniel M. Mulvena	54	Director	1997

There are no family relationships among our directors or executive officers.

J. Donald Hill, M.D. has been a director of our Company since our inception. In January 1995, Dr. Hill became Chairman of the Board. Dr. Hill is the director of the Heart Failure, Transplant, Artificial Heart and Circulatory Support Program at California Pacific Medical Center in San Francisco where he has been a practicing cardiovascular surgeon since 1966.

D. Keith Grossman, President, Chief Executive Officer and Director, joined our Company as President and Chief Executive Officer in January 1996. He was elected to the Board in February 1996. Prior to joining us, Mr. Grossman was a Division President of Major Pharmaceuticals, Inc., from June 1992 to September 1995, at which time it was sold. From July 1988 to June 1992, Mr. Grossman served as the Vice President of Sales and Marketing for Calcitek, Inc., a manufacturer of implantable medical devices and a division of Sulzermedica (formerly Intermedics, Inc.). Prior to 1988, Mr. Grossman held various other sales and marketing management positions within the McGaw Laboratories Division of American Hospital Supply Corporation. Mr. Grossman also serves as a member of the board of directors of Acorn Cardiovascular, Incorporated.

Howard E. Chase became a director of our Company in November 1986. He is currently the President and Chief Executive Officer of The Hollandbrook Group, LLC, which provides merger and acquisition consulting services to asset management firms and others. Mr. Chase served as President and Chief Executive Officer of Carret Holdings, Inc. (formerly Matrix Global Investments, Inc.) from June 1999 until December 2001. Mr. Chase served as President and Chief Executive Officer of Trident Rowan Group, Inc. (TRGI) from September 1995 to March 1998 and Chairman of the Board of TRGI from March 1998 to December 1999. From 1984 to August 1995, Mr. Chase was a partner in the law firm of Morrison Cohen Singer & Weinstein, LLP in New York City. He acted as an advisor and as a special counsel to our Company from 1979 to 1995. Mr. Chase serves as a member of the board of directors of Trident Rowan Group, Inc.

J. Daniel Cole became a director of our Company in June 1997. Since March 1997, Mr. Cole has been a general partner of the Spray Venture Fund of Boston. Mr. Cole was President and Chief Operating Officer of SciMed Life Systems Corporation from March 1993 to March 1995, and Senior Vice President and Group President of Boston Scientific Corporation's vascular business from March 1995 to March 1997. He has also held a number of senior executive positions at Baxter Healthcare Corporation, including President of its Edwards Less Invasive Surgery Division and its Critical Care Division. Mr. Cole also serves as a member of the board of directors of numerous private companies.

William M. Hitchcock became a director of our Company in September 1996. Since December 1996, Mr. Hitchcock has served as President and director of Avalon Financial, Inc. From May 1992 to December 1996, Mr. Hitchcock was President of Plains Resources International Inc., a wholly owned subsidiary of Plains

Table of Contents

Resources Inc. Mr. Hitchcock also serves as a member of the board of directors of Plains Resources Inc., Protalex, Inc., Telx Group, Inc. and Luna Imaging, Inc.

George W. Holbrook, Jr. became a director of our Company in June 1995. Since 1984 Mr. Holbrook has been the Managing Partner of Bradley Resources Company, a private investment partnership. Mr. Holbrook is a trustee of Merrill Lynch Funds for Institutions and a director of G&G Technologies, Inc. and Radius Medical Technologies, Inc.

Theo Melas-Kyriazi became a director of our Company in February 2001. Since January 1999, he has been the Chief Financial Officer of Thermo Electron. He joined Thermo Electron in 1986 as Assistant Treasurer and served as Treasurer from 1988 to 1994. He was named President and Chief Executive Officer of ThermoSpectra Corporation, a subsidiary of Thermo Electron, in 1994, a position he held until becoming Vice President of Corporate Strategy of Thermo Electron in 1998.

Daniel M. Mulvena became a director of our Company in May 1997. Mr. Mulvena is the founder and owner of Commodore Associates, a consulting company. Mr. Mulvena was Group Vice President Cardiac/ Cardiology and a member of the operating committee for Boston Scientific Corporation from February 1992 to May 1995. Prior to that, he was the President and Chief Executive Officer and Chairman of Lithox Systems, Inc. Prior to that, Mr. Mulvena held a number of executive positions, including President of the Implants Division and President of the Cardiosurgery Division, at C.R. Bard, Inc. Mr. Mulvena also serves as a Chairman of the Board of directors of Magna-Lab Inc. and Cambridge Heart, Inc. and is a member of the board of directors of Zoll Medical Corporation.

Required Vote; Recommendation of the Board

The eight nominees receiving the highest number of affirmative votes of the shares present or represented and entitled to vote shall be elected as directors. Votes withheld from any director are counted for purposes of determining the presence or absence of a quorum for the transaction of business, but have no further legal effect under California law.

**THE BOARD UNANIMOUSLY RECOMMENDS A VOTE FOR ELECTION TO THE BOARD
OF EACH OF THE NOMINEES PROPOSED ABOVE.**

PROPOSAL TWO

**AMENDMENT TO THE AMENDED AND RESTATED 1997 STOCK OPTION PLAN TO
INCREASE THE NUMBER OF SHARES RESERVED FOR ISSUANCE THEREUNDER**

Background

Thoratec adopted the 1997 Stock Option Plan in March 1997 and amended and restated the plan in February 1999, November 1999, October 2000, February 2001 and November 2001 (the 1997 Plan). The 1997 Plan provides for the granting of options, restricted stock awards and stock bonuses to officers, directors, selected employees and consultants. The exercise price of all stock options granted under the 1997 Plan must be at least 100% of the fair market value of the Common Stock of the Company on the grant date. Shareholder approval is required for the repricing of any stock options granted under the 1997 Plan. The 1997 Plan is currently administered by the Compensation and Option Committee of the Board which is composed solely of independent directors. Thoratec issues shares of its Common Stock upon exercise of each such stock option, the grant of each such restricted stock award and the satisfaction of criteria set forth in each such stock bonus. As of April 16, 2003, the last sale reported of such stock as listed on The Nasdaq National Stock Market was \$11.60 per share.

Table of Contents

At a Board meeting in February 2003, the Board made three distinct amendments to the 1997 Plan in accordance with good corporate governance practices to continue to align employee incentives with shareholder interests. Those amendments provide for the following requirements:

(1) The total number of shares that may be granted under the 1997 Plan in the form of restricted stock and bonus awards is limited to five percent of the aggregate number of shares authorized under the 1997 Plan;

(2) The 1997 Plan is required to be administered by the independent members of the Board or a Board committee composed solely of independent directors; and

(3) A minimum vesting or lapse period of three years is required for all stock option grants and restricted stock awards. Grants made to a new hire and grants for years-in-service awards that are made to long-term employees on each fifth-year service anniversary are exempted from the three year minimum vesting provision.

These three amendments do not require shareholder approval and have already been incorporated into the 1997 Plan.

Increase in Number of Shares Authorized for Issuance

In April 2003 the Board also adopted, subject to shareholder approval, an amendment to the 1997 Plan increasing the aggregate number of shares reserved for issuance by 4,500,000 shares to a total of 13,700,000. The Board believes that increasing the number of shares authorized for issuance under the 1997 Plan is necessary to permit the Company to remain competitive in the industry and to continue to attract and retain qualified employees by providing them with appropriate equity incentives.

Description of the 1997 Plan

The purpose of the 1997 Plan is to attract, retain and motivate officers, key employees, consultants and directors of the Company by giving them the opportunity to acquire stock ownership in the Company. The 1997 Plan provides for the granting to employees of the Company (including officers and employee directors) of incentive stock options (ISOs) within the meaning of Section 422 of the Internal Revenue Code of 1986, as amended (the Code) and for the grant of nonqualified stock options (NQOs) to employees, consultants and selected directors of the Company. To the extent an optionee would have the right in any calendar year to exercise for the first time ISOs for shares having an aggregate fair market value (under all plans of the Company and determined for each share as of the grant date) in excess of \$100,000, any such excess options shall be automatically converted to NQOs. In addition, the 1997 Plan also provides for grants of restricted stock awards and stock bonuses to employees, consultants and selected directors.

The 1997 Plan is administered by the Board or a committee thereof (the Administrator). The Board has authorized its Compensation and Option Committee composed solely of independent directors to be the Administrator of the 1997 Plan. The Administrator determines the type and terms of equity incentive awards granted under the 1997 Plan, including the number of shares covered, exercise or purchase price, term, conditions for exercise of options, restrictions placed on restricted stock awards and the performance goals or other conditions for the award of stock bonuses.

Stock Options. The exercise price of all stock options granted under the 1997 Plan must be at least 100% of the fair market value of the Common Stock of the Company on the grant date. The term of any stock options granted under the 1997 Plan may not exceed ten years from the date of grant. With respect to any participant who owns stock possessing more than 10% of the voting power of all classes of stock of the Company, the exercise price of any stock option granted shall be at least 110% of the fair market value of the Common Stock on the grant date and the term of any ISO may not exceed five years from the date of grant. Payment of the exercise price may be in cash, or, at the discretion of the Administrator, (a) in Common Stock already owned by the optionee equal in value to the amount of the exercise price, (b) pursuant to a cashless exercise/sale through a broker, or (c) a combination thereof.

Table of Contents

No option may be transferred by the optionee other than by will or the laws of descent and distribution or to a trust established for estate planning purposes by the optionee, provided that, with respect to ISOs, such a transfer does not result in a disqualifying disposition under the Code. All options are exercisable on or after each vesting date in accordance with the terms set forth in the option agreement. All stock option grants other than grants to new hires and in-service awards to continuing employees on each fifth-year anniversary of service must have a vesting schedule of at least three years.

In the event of the proposed dissolution or liquidation of the Company, the Administrator shall notify each optionee at least 30 days prior to such proposed action. To the extent not previously exercised, all options shall terminate immediately prior to the consummation of such proposed action. In the event of a merger or consolidation of the Company with or into another corporation or entity in which the Company does not survive, or in the event of a sale of all or substantially all of the assets of the Company in which the shareholders of the Company receive securities of the acquiring entity or an affiliate thereof, all options shall be assumed or equivalent options shall be substituted by the successor corporation (or other entity) or a parent or subsidiary of such successor corporation (or other entity). In the event that such successor does not agree to assume the options or to substitute equivalent options therefore, unless the Administrator shall determine otherwise, the options shall expire upon such event.

Restricted Stock Awards. The purchase price of all restricted stock awards granted under the 1997 Plan must be at least 85% of the fair market value of the Common Stock of the Company on the grant date or at the time the purchase is consummated except that with respect to any participant who owns stock possessing more than 10% of the voting power of all classes of stock of the Company, the exercise price of any stock option granted shall be at least 100% of the fair market value of the Common Stock on the grant date or the date on which the purchase is consummated. The Administrator determines the restrictions to which the restricted stock award is subject and the period of time over which such restrictions shall lapse. Such restrictions may include, but are not limited to, restrictions on transfer and a right of repurchase in favor of the Company upon termination of service to the Company. Any such right of repurchase shall lapse at the rate of at least 20% per year. Such right of repurchase shall be at the original purchase price of the restricted stock award. The restrictions on all restricted stock awards other than grants to new hires and in-service awards to continuing employees on each fifth-year anniversary of service must lapse over a period of at least three years.

The terms of the restricted stock award shall be set forth in a restricted stock purchase agreement delivered to the participant. If the participant does not execute and deliver the restricted stock purchase agreement along with full payment for the shares to the Company within thirty days of its delivery to the participant, the restricted stock award shall terminate, unless otherwise determined by the Administrator. Payment of the purchase price may be in cash, Common Stock already owned by the participant equal in value to the amount of the exercise price, or, at the discretion of the Administrator, pursuant to a cashless exercise/sale through a broker, or a combination thereof. No more than five percent (5%) of the aggregate number of shares authorized for issuance under the 1997 Plan may be granted in the form of restricted stock and stock bonus awards.

Stock Bonus Awards. A stock bonus is an award of shares (which may consist of restricted stock) for services rendered to the Company or any parent or subsidiary of the Company. A stock bonus may be awarded for past services already rendered to the Company, or any parent or subsidiary of the Company, or upon satisfaction of such performance goals as determined in advance by the Administrator. Stock bonuses may be based upon the achievement of the Company, parent or subsidiary and/or individual performance factors or upon such other criteria as the Committee may determine; provided, however, that performance-based bonuses shall be restricted to individuals earning at least \$60,000 per year and of adequate sophistication and sufficiently empowered to achieve the performance goals.

If the stock bonus is being earned upon the satisfaction of performance goals, then the Administrator shall determine: (a) the nature, length and starting date of any period during which performance is to be measured; (b) the performance goals and criteria to be used to measure the performance, if any; (c) the number of shares that may be awarded to the participant; and (d) the extent to which such stock bonuses have been earned. The Administrator may adjust the performance goals applicable to the stock bonuses to take into

Table of Contents

account changes in law and accounting or tax rules and to make such adjustments as the Administrator deems necessary or appropriate to reflect the impact of extraordinary or unusual items, events or circumstances to avoid windfalls or hardships. No more than five percent (5%) of the aggregate number of shares authorized for issuance under the 1997 Plan may be granted in the form of restricted stock and stock bonus awards.

Amendments. The Board may at any time amend, alter, suspend or discontinue the 1997 Plan or any stock option. Without the consent of an optionee, no amendment, alteration, suspension or discontinuance may adversely affect outstanding options except to conform the 1997 Plan and ISOs granted under this Plan to the requirements of U.S. federal or other tax laws relating to incentive stock options. No amendment, alteration, suspension or discontinuance shall require shareholder approval unless (a) shareholder approval is required to preserve incentive stock option treatment for U.S. federal income tax purposes, (b) for so long as the Company has a class of equity securities registered under Section 12 of the Securities Exchange Act of 1934, shareholder approval is required to meet the exceptions provided by Rule 16b-3, or any successor rule thereto, or (c) the Board otherwise concludes that shareholder approval is advisable.

In addition, the exercise price of any stock option previously granted under the 1997 Plan may not be reduced, either directly by reducing the exercise price or indirectly by regranting or replacing options with a lower exercise price, unless shareholder approval of such reduction is obtained prior to such reduction.

U.S. FEDERAL INCOME TAX CONSEQUENCES OF OPTIONS

AWARDED UNDER THE 1997 PLAN

The following is a general summary of the typical U.S. federal income tax consequences of the issuance and exercise of options under the 1997 Plan. It does not describe state or other tax consequences of the issuance and exercise of options or of grants of restricted stock or stock bonuses.

Incentive Stock Options. The grant of an ISO has no U.S. federal income tax effect on the optionee. Upon exercise the optionee does not recognize income for regular tax purposes. However, the excess of the fair market value of the stock subject to an option over the exercise price of such option (the option spread) is includible in the optionee's alternative minimum taxable income for purposes of the alternative minimum tax. If the optionee does not dispose of the stock acquired upon exercise of an ISO until more than two years after the option grant date and more than one year after exercise of the option, any gain upon sale of the shares will be a long-term capital gain. If shares are sold or otherwise disposed of before both of these periods have expired (a disqualifying disposition), the option spread at the time of exercise of the option (but not more than the amount of the gain on the sale or other disposition) is ordinary income in the year of such sale or other disposition. If gain on a disqualifying disposition exceeds the amount treated as ordinary income, the excess is taxable as capital gain (which will be long-term capital gain if the shares have been held more than one year after the date of exercise of the option). The Company is not entitled to a U.S. federal income tax deduction in connection with ISOs, except to the extent that the optionee has taxable ordinary income on a disqualifying disposition.

Nonstatutory Stock Options. The grant of an NQO has no U.S. federal income tax effect on the optionee. Upon the exercise of an NQO, the optionee has taxable ordinary income (and the Company is entitled to a corresponding deduction) equal to the option spread on the date of exercise. Upon the disposition of stock acquired upon exercise of an NQO, the optionee recognizes either long-term or short-term capital gain or loss, depending on how long such stock was held.

In the case of both ISOs and NQOs, special U.S. federal income tax rules apply if the Company's Common Stock is used to pay all or part of the option price. Special rules may also apply when a transferable option is transferred.

Table of Contents**1997 Plan Benefits**

The following table shows the number of shares of Common Stock issuable upon exercise of options granted to the named individuals and groups under the 1997 Plan during the fiscal year ended December 28, 2002.

Name and Position	Number of Shares(1)
D. Keith Grossman, Chief Executive Officer, President and Director	0
M. Wayne Boylston, Senior Vice President, Chief Financial Officer and Secretary	70,000
Jeffrey Nelson, President Cardiovascular Division	175,000
Lawrence Cohen, President International Technidyne Corporation	75,000
Executive Group	320,000
Non-Executive Director Group	0
Non-Executive Officer Employee Group	2,460,200

(1) All options granted at fair market value as of the date of grant.

Proposed Amendment

At the Annual Meeting, the Company's shareholders will be asked to approve an amendment to the 1997 Plan to increase by 4,500,000 the number of shares reserved for issuance under the 1997 Plan.

Required Vote; Recommendation of the Board

The affirmative vote of the holders of a majority of the shares represented and entitled to vote at the meeting will be required to approve the Amendment to the 1997 Plan. Abstentions will be counted toward the tabulation of votes cast on this proposal and will have the same effect as negative votes on this matter. Broker non-votes are counted towards a quorum, but are not counted for any purposes in determining whether this matter has been approved.

THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS**A VOTE FOR THIS PROPOSAL****PROPOSAL THREE****AMENDMENT TO THE AMENDED AND RESTATED****1996 NONEMPLOYEE DIRECTORS STOCK OPTION PLAN TO INCREASE
THE NUMBER OF SHARES RESERVED FOR ISSUANCE THEREUNDER****Background**

The Company adopted the 1996 Nonemployee Director Stock Option Plan in February 1996 and amended and restated the plan in November 1996, May 1997 and May 1999 (the "Directors Option Plan"). The Directors Option Plan provides for the granting of options to nonemployee directors as a component of compensation for their Board service. Thoratec issues shares of its Common Stock upon exercise of each such stock option.

At a Board meeting in February 2003, the Board further amended the Directors Option Plan in accordance with good corporate governance practices to continue to align director incentives with shareholder interests. That amendment provides for the following requirement:

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The Directors Option Plan is required to be administered by the independent members of the Board or a Board committee composed solely of independent directors.

This amendment did not require shareholder approval and has already been incorporated into the Directors Option Plan.

Table of Contents

Increase in Number of Shares Authorized for Issuance

In April 2003 the Board adopted, subject to shareholder approval, an amendment to the Directors Option Plan increasing the aggregate number of shares reserved for issuance by 200,000 shares to a total of 550,000. The Board believes that increasing the number of shares authorized for issuance under the Directors Option Plan is necessary to permit the Company to attract and retain qualified nonemployee directors by providing them with appropriate equity incentives similar to those of comparable enterprises. In addition, the Board believes that it is important to align the interests of directors with those of the shareholders and accordingly, that a significant portion of directors' compensation should be paid in stock options. In determining the amount and composition of the compensation of Thoratec's directors, the compensation of directors of other comparable enterprises, both with respect to size and industry is considered.

Description of the Directors Option Plan

The purpose of the Directors Option Plan is to attract, retain and incentivize nonemployee directors of the Company by giving them the opportunity to acquire stock ownership in the Company. The Directors Option Plan provides for the granting to nonemployee directors of the Company (directors who are not employees of Thoratec or any of its subsidiaries and who have not been employees for the twelve months preceding the option grant date) of nonqualified stock options (NQOs), which are stock options that do not qualify as incentive stock options within the meaning of Section 422 of the Internal Revenue Code of 1986, as amended (the Code). Nonemployee directors of Thoratec are the only persons eligible to participate in the Directors Option Plan.

The Directors Option Plan provides for the automatic granting of NQOs to nonemployee directors. Each person who is newly elected or appointed as a nonemployee director is granted an option to purchase 15,000 shares of Common Stock in quarterly installments on the effective date of such initial election or appointment (the Initial Grant). Each nonemployee director (including the existing nonemployee directors) is granted an option to purchase 7,500 shares of Common Stock in quarterly installments beginning on the date of the first meeting of the Board following the annual meeting of shareholders (the Annual Grant). Both the Initial Grant and the Annual Grant are made no later than August 31, November 30, February 28 or May 31 of the relevant year. Thoratec currently has six nonemployee directors who are eligible to participate in the Directors Option Plan. The exercise price of the options in all cases is equal to the fair market value of Thoratec Common Stock on the grant date. Each option granted pursuant to the Directors Option Plan expires five years after the date of grant or earlier in the event of the termination of the director's service on the Board. Each option granted under the Directors Option Plan is exercisable immediately after the date of grant. The Board may waive any or all of the directors' fees in any given year and have the exercise price of options granted under the Directors Option Plan reduced by the amount of the fees so waived.

Unless otherwise provided by the Administrator, optionees may only exercise stock options granted under the Director Option Plan twice in any calendar year. Payment of the exercise price may be in cash, pursuant to a cashless exercise/sale through a broker, or, at the discretion of the Administrator, through the delivery of Common Stock already owned by the optionee equal in value to the amount of the exercise price, provided such method of payment is employed no more than once every six months, or through any other consideration and method of payment to the extent permitted under the California Corporations Code and other applicable law. At the discretion of the Administrator, the Company shall have a right of repurchase at the option exercise price with respect to shares purchased upon exercise of options. Such right of repurchase shall expire at the rate determined by the Administrator.

Stock options granted under the Director Option Plan are not assignable or otherwise transferable except by will or the laws of descent and distribution, or pursuant to a qualified domestic relations order as defined by the Code. During the life of an optionee, an option is exercisable only by the optionee.

In connection with an acquisition of the Company affected by a merger, consolidation, sale of all or substantially all of the Company's assets, acquisition of shares, or any like occurrence in which the Company is involved, the Company's right of repurchase discussed above shall lapse with respect to twice the number of shares then subject to such right of repurchase. The Administrator shall have the authority, in its sole

Table of Contents

discretion, to determine the time prior to consummation of such transaction when such right of repurchase shall so lapse.

Amendments. The Board may amend the Directors Option Plan at any time. Without the consent of an optionee, no amendment may adversely affect outstanding options. No amendment shall require shareholder approval unless: shareholder approval is required to meet the exemptions provided by Rule 16b-3, or any successor rule thereto or the Board otherwise concludes that shareholder approval is advisable.

U.S. FEDERAL INCOME TAX CONSEQUENCES OF OPTIONS AWARDED**UNDER THE DIRECTORS OPTION PLAN**

The following is a general summary of the typical U.S. federal income tax consequences of the issuance and exercise of options under the Directors Option Plan. It does not describe state or other tax consequences of the issuance and exercise of options.

The grant of an NQO has no U.S. federal income tax effect on the optionee. Upon the exercise of an NQO, the optionee has taxable ordinary income (and the Company is entitled to a corresponding deduction) equal to the option spread on the date of exercise. Upon the disposition of stock acquired upon exercise of an NQO, the optionee recognizes either long-term or short-term capital gain or loss, depending on how long such stock was held.

Special U.S. federal income tax rules apply if the Company's Common Stock used to pay all or part of the option price. Special rules may also apply when an option is transferred.

Directors Option Plan Benefits

The following table shows the number of shares of Common Stock issuable upon exercise of options granted to the named groups under the Directors Option Plan during the fiscal year ended December 28, 2002.

Name and Position	Number of Shares(1)
J. Donald Hill, Chairman and Director	7,500
Howard E. Chase, Director	7,500
J. Daniel Cole, Director	7,500
William M. Hitchcock, Director	7,500
George W. Holbrook, Jr, Director	7,500
Daniel M. Mulvena, Director	7,500
Executive Group(2)	0
Non-Executive Director Group	45,000
Non-Executive Officer Employee Group(2)	0

(1) All options granted at fair market value as of the date of grant.

(2) Not eligible to receive grants under the Director Stock Option Plan.

Proposed Amendment

At the Annual Meeting, the Company's shareholders will be asked to approve an amendment to the Directors Option Plan to increase by 200,000 the number of shares reserved for issuance under the Directors Option Plan.

Required Vote; Recommendation of the Board

The affirmative vote of the holders of a majority of the shares represented and entitled to vote at the meeting will be required to approve the Amendment to the Directors Option Plan. Abstentions will be counted toward the tabulation of votes cast on this proposal and will have the same effect as negative votes on this

Table of Contents

matter. Broker non-votes are counted towards a quorum, but are not counted for any purpose in determining whether this matter has been approved.

THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS**A VOTE FOR THIS PROPOSAL****SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT**

The following table sets forth certain information regarding the beneficial ownership of our Common Stock as of March 29, 2003 by:

Each of our directors;

Each Named Executive Officer, as defined in the Executive Compensation section below;

All individuals who served as directors or executive officers at fiscal year end as a group; and

Each person who is known by us to own beneficially more than 5% of our Common Stock.

Name and Address(1)	Number of Shares Beneficially Owned(2)	Percent of Shares Beneficially Owned(2)
Thermo Electron Corporation(3) 81 Wyman Street, P.O. Box 9046 Waltham, MA 02454-9046	7,685,544	13.9%
Peter R. Kellogg c/o Spear, Leeds & Kellogg 120 Broadway New York, NY 10271	3,580,600	6.5%
J. Donald Hill(4)	1,069,920	1.9%
D. Keith Grossman(5)	847,833	1.5%
William M. Hitchcock(6)	430,748	*
George W. Holbrook, Jr.(7)	382,424	*
Bradley Resources Company(7) P.O. Box 470 Southport, CT 06490	166,666	*
James R. McGoogan(7) P.O. Box 470 Southport, CT 06490	166,666	*
M. Wayne Boylston(8)	142,500	*
Howard E. Chase(9)	83,485	*
Lawrence Cohen(10)	61,750	*
J. Daniel Cole(11)	52,500	*
Daniel M. Mulvena(12)	52,500	*
Jeffrey Nelson(13)	25,000	*
Theo Melas-Kyriazi(14) 81 Wyman Street, P.O. Box 9046 Waltham, MA 02454-9046	19,660	*
Directors and Executive Officers as a Group (11 persons)(15)	3,168,320	5.6%

* Less than 1%

(1) Unless otherwise indicated, the address of the persons set forth above is the address of our Company appearing elsewhere in this Proxy Statement.

Table of Contents

- (2) Applicable percentage ownership for each shareholder is based on 55,168,077 shares of Common Stock outstanding as of March 29, 2003, together with applicable options for such shareholder. Beneficial ownership is determined in accordance with the rules of the Securities and Exchange Commission, and includes voting and investment power with respect to the shares. Beneficial ownership also includes shares of Common Stock subject to options and warrants exercisable or convertible within 60 days of March 29, 2003. Shares of Common Stock subject to outstanding options are deemed outstanding for computing the percentage of ownership of the person holding such options, but are not deemed outstanding for computing the percentage ownership of any other person. Except pursuant to applicable community property laws or as indicated in the footnotes to this table, to our knowledge, each shareholder identified in the table possesses sole voting and investment power with respect to all shares of Common Stock shown as beneficially owned by such shareholder.
- (3) Includes 19,872 shares of Common Stock subject to options to acquire such shares granted by Thermo Electron pursuant to its director and employee stock option plans and 2,731,779 shares subject to a Shareholder Agreement between our Company and Thermo Electron. The Shareholder Agreement was entered into in connection with our merger with Thermo Cardiosystems Inc. (ThermoCardiosystems) and obligates Thermo Electron to cause such shares to be voted in the manner directed by our management at any meeting of our shareholders and with respect to any consent of our shareholders.
- (4) Includes 117,500 shares of Common Stock issuable upon exercise of options exercisable within 60 days of March 29, 2003.
- (5) Includes 539,325 shares of Common Stock issuable upon exercise of options exercisable within 60 days of March 29, 2003.
- (6) Includes 50,833 shares of Common Stock issuable upon exercise of options exercisable within 60 days of March 29, 2003.
- (7) Bradley Resources Company is an investment partnership, which owns 166,666 shares of Common Stock. George W. Holbrook, Jr., a director of our Company, is a general partner of Bradley Resources Company and is deemed to share beneficial ownership of such shares with Mr. James R. McGoogan, a general partner of Bradley Resources Company. Includes 50,833 shares of Common Stock issuable upon exercise of options, by Mr. Holbrook, within 60 days of March 29, 2003.
- (8) Includes 92,500 shares of Common Stock issuable upon exercise of options exercisable within 60 days of March 29, 2003.
- (9) Includes 78,333 shares of Common Stock issuable upon exercise of options exercisable within 60 days of March 29, 2003.
- (10) Includes 61,250 shares of Common Stock issuable upon exercise of options exercisable within 60 days of March 29, 2003.
- (11) Includes 52,500 shares of Common Stock issuable upon exercise of options exercisable within 60 days of March 29, 2003.
- (12) Includes 52,500 shares of Common Stock issuable upon exercise of options exercisable within 60 days of March 29, 2003.
- (13) Includes 25,000 shares of Common Stock issuable upon exercise of options exercisable within 60 days of March 29, 2003.
- (14) Includes 16,700 shares of Common Stock issuable upon exercise of options exercisable within 60 days of March 29, 2003.
- (15) Includes 1,137,274 shares of Common Stock issuable upon exercise of options exercisable within 60 days of March 29, 2003.

Table of Contents

**SECURITIES AUTHORIZED FOR ISSUANCE UNDER
EQUITY COMPENSATION PLANS**

The following table provides information as of December 28, 2002 regarding securities authorized for issuance under the Company's equity compensation plans. The equity compensation plans of the Company include the 1984 Incentive Stock Option Plan, the 1993 Stock Option Plan, the 1996 Stock Option Plan, the 1996 Nonemployee Directors Stock Option Plan, the 1997 Stock Option Plan, and the 2002 Employee Stock Purchase Plan (the ESPP). All of these equity compensation plans were approved by the Company's shareholders.