

STELLENT INC
Form DEF 14A
June 30, 2006

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of
the Securities Exchange Act of 1934 (Amendment No.)

Filed by the Registrant x

Filed by a Party other than the Registrant o

Check the appropriate box:

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

STELLENT, INC.

(Name of Registrant as Specified In Its Charter)

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

Payment of Filing Fee (Check the appropriate box):

- x No fee required.
- o Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

(1)	Title of each class of securities to which transaction applies:
(2)	Aggregate number of securities to which transaction applies:
(3)	Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):
(4)	Proposed maximum aggregate value of transaction:
(5)	Total fee paid:
- o Fee paid previously with preliminary materials.
- o Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

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

STELLENT, INC.
7500 Flying Cloud Drive, Suite 500
Eden Prairie, Minnesota 55344
(952) 903-2000

June 30, 2006

Dear Shareholder:

You are cordially invited to attend the annual meeting of shareholders of Stellent, Inc. to be held at the offices of the company, 7500 Flying Cloud Drive, Eden Prairie, Minnesota 55344, commencing at 3:30 p.m., central time, on Tuesday, August 1, 2006.

The Secretary's notice of annual meeting and the proxy statement that follow describe the matters to come before the meeting. During the meeting, we will also review the activities of the past year and items of general interest regarding our company.

We hope that you will be able to attend the meeting in person and we look forward to seeing you. Please mark, date and sign the enclosed proxy and return it in the accompanying envelope, or vote the enclosed proxy by telephone or through the Internet in accordance with the voting instructions set forth on the enclosed proxy card, as quickly as possible, even if you plan to attend the meeting. If you later desire to revoke the proxy, you may do so at any time before it is exercised.

Sincerely,

Robert F. Olson
Chairman of the Board,
Chief Executive Officer and President

VOTING METHOD

The accompanying proxy statement describes important issues affecting Stellent, Inc. If you are a shareholder of record, you have the right to vote your shares through the Internet, by telephone or by mail. You may also revoke your proxy any time before the annual meeting. Please help us save time and postage costs by voting through the Internet or by telephone. Each method is generally available 24 hours a day and will ensure that your vote is confirmed and posted immediately. To vote:

1. **BY TELEPHONE**

- a. On a touch-tone telephone, call toll-free 1-800-560-1965, 24 hours a day, seven days a week, until 12 p.m. (noon) central time on July 31, 2006.
- b. You will be prompted to enter information from your proxy card and the last four digits of the U.S. Social Security Number or Tax Identification Number for this account. If you do not have a U.S. Social Security Number or Tax Identification Number, please enter four zeros.
- c. Follow the simple instructions provided.

2. **BY INTERNET**

- a. Go to the web site at www.eproxy.com/stel/, 24 hours a day, seven days a week, until 12 p.m. (noon) central time on July 31, 2006.
- b. You will be prompted to enter information from your proxy card and the last four digits of the U.S. Social Security Number or Tax Identification Number for this account to obtain your records and create an electronic ballot. If you do not have a U.S. Social Security Number or Tax Identification Number, please leave blank.
- c. Follow the simple instructions provided.

3. **BY MAIL (If you vote by telephone or Internet, please do not mail your proxy card.)**

- a. Mark, sign and date your proxy card.
- b. Return it in the enclosed postage-paid envelope or return it to Stellent, Inc., c/o Shareowner Services™, P.O. Box 64873, St. Paul, Minnesota 55164-0873. If you mail your proxy card, please allow sufficient time for it to be delivered by July 31, 2006.

If your shares are held in the name of a bank, broker or other holder of record, you will receive instructions from the holder of record that you must follow in order for your shares to be voted.

Your vote is important. Thank you for voting.

STELLENT, INC.
7500 Flying Cloud Drive, Suite 500
Eden Prairie, Minnesota 55344

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

TO THE SHAREHOLDERS OF STELLENT, INC.:

Please take notice that the annual meeting of shareholders of Stellent, Inc. will be held, pursuant to due call by our board of directors, at the offices of the company, 7500 Flying Cloud Drive, Eden Prairie, Minnesota 55344 at 3:30 p.m., central time, on Tuesday, August 1, 2006, or at any adjournment or adjournments thereof, for the purpose of considering and taking appropriate action with respect to the following:

1. to elect six directors;
2. to ratify the appointment of Grant Thornton LLP as our independent auditors for the fiscal year ending March 31, 2007; and
3. to transact any other business as may properly come before the meeting or any adjournments thereof.

Pursuant to due action of the board of directors, shareholders of record on June 20, 2006, will be entitled to vote at the meeting or any adjournments thereof.

Your proxy is important to ensure a quorum at the meeting. Even if you own only a few shares, and whether or not you expect to be present, you are requested to date, sign and mail the enclosed proxy in the postage-paid envelope that is provided, or vote the enclosed proxy by telephone or through the Internet in accordance with the voting instructions set forth in the enclosed proxy card. The proxy may be revoked by you at any time prior to being exercised, and returning your proxy or voting your proxy by telephone or through the Internet will not affect your right to vote in person if you attend the meeting and revoke the proxy.

By Order of the Board of Directors
STELLENT, INC.

Darin P. McAreavey
*Executive Vice President,
Chief Financial Officer,
Treasurer and Secretary*

Dated: June 30, 2006

**PROXY STATEMENT
OF
STELLENT, INC.
7500 Flying Cloud Drive, Suite 500
Eden Prairie, Minnesota 55344**

**Annual Meeting of Shareholders to be Held
Wednesday, August 1, 2006**

INTRODUCTION

The enclosed proxy is being solicited by our board of directors for use in connection with our annual meeting of shareholders to be held on Tuesday, August 1, 2006 at the offices of the company, 7500 Flying Cloud Drive, Eden Prairie, Minnesota 55344, at 3:30 p.m., central time, and at any adjournments thereof. The mailing of this proxy statement and our board of directors' form of proxy to shareholders will commence on or about June 30, 2006.

The board of directors requests that you vote on the proposals described in this proxy statement. You are invited to attend the meeting, but you do not need to attend the meeting in order to vote your shares. Instead, you may follow the instructions below to vote your shares over the telephone or on the Internet, or you can complete, sign and return the enclosed proxy card.

What is the purpose of the annual meeting?

At the annual meeting we will ask our shareholders to vote on two matters:

1. to elect a board of directors of six directors, to serve until the next annual meeting of shareholders or until their successors have been duly elected and qualified; and
2. to ratify the appointment of Grant Thornton LLP as our independent auditors for the fiscal year ending March 31, 2007;

as well as to transact other business that may properly be brought before the meeting. Following the formal portion of the meeting, our management will report on our performance and answer questions from our shareholders.

Who is entitled to vote at the meeting?

Only shareholders of record at the close of business on June 20, 2006 will be entitled to vote at the meeting or adjournments thereof. At the close of business on the record date, we had 29,585,723 shares of our common stock outstanding and entitled to vote. Every share is entitled to one vote on each matter that comes before the meeting.

Who is entitled to attend the meeting?

Subject to space availability, all shareholders as of the record date, or their duly appointed proxies, may attend the meeting. Since seating is limited, admission to the meeting will be on a first-come, first-served basis. Cameras, recording devices and other electronic devices will not be permitted at the meeting.

Please also note that if you hold your shares in street name (that is, through a broker or other nominee), and you wish to vote your shares at the meeting, instead of by proxy, you will need to bring a copy of a brokerage statement reflecting your stock ownership as of the record date.

What constitutes a quorum?

A majority of the shares outstanding on the record date, present in person or represented by proxy, will constitute a quorum for the transaction of business at the meeting. If a quorum is present, the meeting can proceed. Proxies received but marked as abstentions and broker non-votes will be included in the calculation of the number of shares considered to be present at the meeting for purposes of determining whether there is a quorum.

How do I vote?

Proxies in the accompanying form that are properly signed and duly returned to us, or if you hold your shares through a broker or bank, voted by telephone or through the Internet in accordance with the voting instructions set forth below, and not revoked, will be voted in the manner specified.

To vote by mail:

- Mark your selections on the proxy card.
- Date and sign your name exactly as it appears on your proxy card.
- Mail the proxy card in the enclosed postage-paid envelope.

If you hold your shares through a broker or bank, to vote by Internet:

- Go to the web site at www.eproxy.com/stel, 24 hours a day, seven days a week.
- You will be prompted to enter information from your proxy card and the last four digits of the U.S. Social Security Number or Tax Identification Number for this account to obtain your records and create an electronic ballot. If you do not have a U.S. Social Security Number or Tax Identification Number, please leave blank.
- Complete the electronic ballot and submit your voting instructions.

If you hold your shares through a broker or bank, to vote by telephone:

- From a touch-tone telephone, call the toll-free number printed on your proxy card or electronic notification, 24 hours a day, seven days a week.
- Enter the control number shown on your proxy card or electronic notification.
- Follow the simple recorded instructions.

If you are a registered shareholder and attend the annual meeting, you may deliver your proxy in person. If you hold your shares in street name, you need to obtain a proxy form from the institution that holds your shares.

May I change my vote after I return my proxy card?

Yes. Even after you have submitted your proxy, you may change your vote at any time before the proxy is exercised by filing with our corporate secretary either a notice of revocation or a duly executed proxy bearing a later date. Alternatively, if you have voted by telephone or through the Internet, you may change your vote by calling the toll-free number again and following the instructions, or by accessing the web site and following the instructions. The powers of the proxy holders will be suspended if you attend the meeting in person and so request, although attendance at the meeting will not by itself revoke a previously granted proxy.

What is the recommendation of the board of directors on voting my shares?

Our board of directors recommends a vote *for* the election of the six nominated directors to constitute the board of directors and *for* the ratification of Grant Thornton LLP as our independent auditors. If any other matters come up for a vote at the meeting, the proxy holders will vote in line with the recommendations of the board of directors or, if there is no recommendation, at their own discretion.

What vote is required to approve each item?

Election of Directors. Directors are elected by a plurality of the voting power of the shares of common stock entitled to vote and present in person or represented by proxy at the meeting. For this purpose, a properly executed proxy marked **WITHHELD** with respect to the election of director nominees will be counted for purposes of determining whether there is a quorum, but will have no effect on the outcome of the vote on the election of directors.

Other Items. For all other items that properly come before the meeting, the affirmative vote of a majority of the outstanding shares of common stock entitled to vote and present in person or represented by proxy at the meeting is required for approval. A properly executed proxy marked **ABSTAIN** with respect to any such matter will be counted for purposes of determining whether there is a quorum and will be considered present in person or by proxy and entitled to vote.

What is the effect of abstentions and broker non-votes?

If shareholders indicate on their proxy that they wish to abstain from voting on a particular proposal, including brokers holding their customers shares of record who cause abstentions to be recorded, these shares are considered present and entitled to vote at the meeting. These shares will count toward determining whether or not a quorum is present. However, these shares will not be considered cast with respect to the proposal for which they abstain from voting and will not be taken into account in determining the outcome of any of those proposals. Accordingly, an abstention will have the effect of a **NO** vote.

If a shareholder does not give a broker holding the shareholder's shares instructions as to how to vote the shares, the broker has authority under New York Stock Exchange rules to vote those shares for or against **routine** matters, such as the election of directors and the ratification of Grant Thornton LLP as our independent auditors. Brokers cannot vote on their customers' behalf on **non-routine** proposals. These rules apply to us notwithstanding the fact that shares of our common stock are traded on The Nasdaq National Market. If a broker votes shares that are unvoted by its customers for or against a **routine** proposal, these shares are counted for the purpose of establishing a quorum and also will be counted for the purpose of determining the outcome of the **routine** proposals on which they are cast. Shares held by a broker on behalf of a shareholder will not be considered cast with respect to any **non-routine** proposals and will not be taken into account in determining the outcome of any **non-routine** proposals.

May the meeting be adjourned?

If a quorum is not present to transact business at the meeting or if we do not receive sufficient votes in favor of the proposals by the date of the meeting, the persons named as proxies may propose one or more adjournments of the meeting to permit solicitation of proxies. Any adjournment would require the affirmative vote of a majority of the shares present in person or represented by proxy at the meeting.

Who pays the expenses incurred in connection with the solicitation of proxies?

We will pay the cost of soliciting proxies in the accompanying form. In addition to solicitation by the use of the mail, certain directors, officers and regular employees may solicit proxies by telephone, the Internet, email or personal interview, and may request brokerage firms and custodians, nominees and other record holders to forward soliciting materials to the beneficial owners of our shares. We will reimburse them for their reasonable out-of-pocket expenses in forwarding these materials.

How may I obtain additional copies of the annual report?

Our annual report for our fiscal year ended March 31, 2006, known as fiscal 2006, including financial statements, is enclosed. The annual report is also available online at www.stellent.com. For additional printed copies, which are available without charge, please contact our corporate secretary by mail at Stellent, Inc., c/o Corporate Secretary, 7500 Flying Cloud Drive, Suite 500, Eden Prairie, Minnesota 55344.

What is the deadline for submitting a shareholder proposal for the 2007 annual meeting?

We must receive shareholder proposals intended to be presented at the 2007 annual meeting of shareholders that are requested to be included in the proxy statement for that meeting at our principal executive office no later than March 9, 2007. We must receive any other shareholder proposals intended to be presented at the 2007 annual meeting of shareholders at our principal executive office no later than May 3, 2007. The inclusion of any shareholder proposals in such proxy materials will be subject to the requirements of the proxy rules adopted under the Securities Exchange Act of 1934, including Rule 14a-8. Written copies of all shareholder proposals should be sent to our principal executive offices at Stellent, Inc., c/o Corporate Secretary, 7500 Flying Cloud Drive, Suite 500, Eden Prairie, Minnesota 55344.

PROPOSAL NO. 1**ELECTION OF DIRECTORS****Directors and Director Nominees**

Six directors are to be elected at the meeting, each director to hold office until the next annual meeting of shareholders, or until his successor is elected and qualified. All of the nominees named below are current directors of our company. Mr. Binch originally was recommended for nomination as a director by one of our non-management directors. Each nominee has indicated a willingness to serve as a director for the ensuing year. Proxies solicited by the board will, unless otherwise directed, be voted to elect the six nominees named below to constitute the entire board, but in case any nominee is not a candidate at the meeting for any reason, the proxies named in the enclosed proxy form may vote for a substitute nominee in their discretion.

The following table sets forth certain information regarding each director nominee. The nominating committee proposed each of these nominees to the board for election:

Name	Age	Position	Director Since
Robert F. Olson	50	Chairman of the Board of Directors, President and Chief Executive Officer	1990
William B. Binch	66	Director	2006
Kenneth H. Holec	51	Director	1998
Alan B. Menkes	47	Director	2004
Philip E. Soran	50	Director	2003
Raymond A. Tucker	61	Director	2001

Robert F. Olson founded our business and has served as our Chief Executive Officer from October 2000 to July 2001, and as our President and Chief Executive Officer from 1990 to October 2000 and since April 2003. From 1987 to 1990, he served as the General Manager of the Greatway Communications Division of Anderberg-Lund Printing Company, an electronic publishing sales and service organization. Prior to that time, Mr. Olson held management and marketing positions in several electronic publishing service organizations.

William B. Binch is a professional independent director. Mr. Binch currently serves as the lead director of SPSS Inc., a predictive analytics technology company and as a director of Callidus Software Inc., a leading provider of enterprise incentive management software systems; MedeFinance Inc., an application service provider of financial and analytical resources to the healthcare industry; and Saama Technologies, Inc., a consulting and system integration firm specializing in business intelligence and analytics. From 2003 to 2004, Mr. Binch served as the Chief Executive Officer and President of SeeCommerce, a business performance management software company. Prior to joining SeeCommerce in 1999, Mr. Binch served as Senior Vice President of Worldwide Operations for Hyperion Solutions Corporation, an enterprise software and services company, and as a senior executive at Business Objects S.A. and Prism, Inc., both of which are business intelligence and data warehousing companies. Mr. Binch also previously served for five years at Oracle Corporation, ultimately as Vice President of Strategic Accounts.

Kenneth H. Holec has served as Chairman of the Board of Talent Networks LLC, a talent sourcing exchange, since October 2004 and of Revation Systems, Inc., a secure messaging technology provider, since March 2006. Mr. Holec served as a Managing Principle of Triple Tree from September 2003 to

March 2005. He served as the interim President and Chief Executive Officer of PeopleClick, Inc., a provider of enterprise-class workforce management solutions to manage employees, from January 2002 through April 2003. Mr. Holec served as President and Chief Executive Officer of ShowCase Corporation, a supplier of data warehousing systems, from November 1993 to February 2001. From 1985 to 1993, he served as President and Chief Executive Officer of Lawson Associates, Inc., a developer of financial and human resource management software products. Mr. Holec is also a director of SPSS Inc.

Alan B. Menkes, has served as the Managing Partner of Empeiria Capital, a private equity investing firm since March 2002. From December 1998 through March 2002, he was a partner of Thomas Weisel Partners, a merchant banking firm, serving as Co-Director of Private Equity and a member of Thomas Weisel's Executive Committee. Previously, Mr. Menkes was a partner with Hicks, Muse, Tate & Furst, where he was employed from 1992 to 1998.

Philip E. Soran has served as the President and Chief Executive Officer of Compellent Technologies, Inc., a network storage company since March 2002. From July 1995 through August 2001, Mr. Soran served as President and Chief Executive Officer of XIOTech Corporation, a provider of network storage solutions. XIOTech Corporation was acquired by Seagate Technology in January 2000, at which time it became a wholly-owned subsidiary of Seagate.

Raymond A. Tucker served as Senior Vice President and Chief Financial Officer for H.B. Fuller Company, a manufacturer of adhesives, sealants, and coatings, from June 1999 through his retirement in June 2003. Mr. Tucker was previously employed with Bayer Corporation, a global provider of a wide range of products including pharmaceuticals, diagnostics, health care products, agricultural products and chemicals, serving as its Senior Vice President of Inorganic Chemicals NAFTA from 1997 to 1999; its Vice President of Finance and Administration for the Industrial Chemicals Division from 1992 to 1997; its Business Director of Enamels and Ceramics from 1989 to 1991; its Business Manager of Inorganic Chemicals from 1987 to 1988 and its Controller and Manager of Administration for the Industrial Chemicals Division from 1978 to 1986.

None of the above nominees is related to any other nominee or to any executive officer of our company.

Board of Directors Meetings and Attendance

Our board of directors held five meetings during fiscal 2006 and acted by written consent in lieu of a meeting on eight occasions. During fiscal 2006, each director attended at least 75% of the meetings of our board of directors and of the board committees on which the director serves.

Committees of Our Board of Directors

The board has an audit committee, established in accordance with Section 3(a)(58)(A) of the Securities Exchange Act of 1934, a compensation committee and a corporate governance and nominating committee. Following is a description of the functions performed by these committees.

Audit Committee

In accordance with its charter, our audit committee consists of at least three independent non-employee directors. The audit committee currently consists of Messrs. Tucker, as chairman, Binch and Soran. The board of directors has determined that all members of the audit committee are independent as that term is defined in the applicable listing standards of The Nasdaq Stock Market. In addition, the board of directors has determined that Mr. Tucker has the financial experience required by the applicable Nasdaq listing standards and is an audit committee financial expert as defined by applicable regulations of the Securities and Exchange Commission. The audit committee oversees our financial reporting process

by, among other things, reviewing our accounting and auditing principles and procedures with a view toward providing for adequate internal controls and reliable financial records, reviewing and reassessing the audit committee charter annually, recommending and taking action to oversee the independence of the independent auditors, selecting and appointing the independent auditors and approving all fees of, as well as the provision of any non-audit services by, our independent auditors. The audit committee met seven times during fiscal 2006. The responsibilities of the audit committee are set forth in the audit committee charter, adopted by the board in August 2000, and amended and restated most recently on June 2, 2004. A copy of the audit committee charter was included as an exhibit to the proxy statement for our 2004 annual meeting of shareholders as is available on our website at www.stellent.com.

Compensation Committee

We also maintain a compensation committee to provide recommendations concerning salaries, stock options and incentive compensation for our executive officers and employees. The compensation committee administers all of our equity incentive plans and our employee stock purchase plan. The members of the compensation committee are Messrs. Holec, as chairman, Menkes and Soran. The compensation committee met seven times and took action, by written action in lieu of a meeting, twice during fiscal 2006. A copy of the compensation committee charter is available on our website at www.stellent.com.

Corporate Governance and Nominating Committee

In accordance with its charter, the corporate governance and nominating committee monitors and recommends to the board corporate governance principles and business conduct guidelines, including overseeing the process for selecting director candidates, recommending to the board director nominees and reviewing and recommending as necessary, changes in the size and composition of the board and its committees. The charter of the corporate governance and nominating committee is available on our website at www.stellent.com. The corporate governance and nominating committee members are Messrs. Menkes, as chairman, Binch, Holec, Soran and Tucker. The corporate governance and nominating committee met four times during fiscal 2006.

Director Independence

Our board of directors has determined that all of its members except Mr. Olson are independent, as that term is used in Section 10A of the Securities Exchange Act of 1934, and as that term is defined in Rule 4200(a)(15) of the National Association of Securities Dealers regulations.

Director Qualifications and Director Nominee Selection Policy

The corporate governance and nominating committee is responsible for recommending nominees for election to the board of directors. The corporate governance and nominating committee is responsible for reviewing with the board, on an annual basis, the requisite skills and characteristics of individual board members, as well as the composition of the board as a whole, in the context of our needs. The corporate governance and nominating committee reviews all nominees for director and recommends to the board those nominees whose attributes it believes would be most beneficial to us. This assessment will include such issues as experience, integrity, competence, diversity, age, skills and dedication in the context of the needs of the board.

The corporate governance and nominating committee has established a policy that it will consider persons recommended by shareholders in selecting nominees for election to the board. Shareholders who wish to suggest qualified candidates should write to: Stellent, Inc., 7500 Flying Cloud Drive, Suite 500, Eden Prairie, Minnesota 55344, Attention: Corporate Governance and Nominating Committee, c/o

Corporate Secretary. All recommendations should state in detail the qualifications of such persons for consideration by the corporate governance and nominating committee and should be accompanied by an indication of the person's willingness to serve. If a shareholder wishes to nominate a director other than a person nominated by or on behalf of the board of directors, he or she must comply with certain procedures set out in our bylaws.

Compensation Committee Interlocks and Insider Participation

No executive officer serves as a member of the board of directors or compensation committee of any entity that has any of its executive officers serving as a member of our board of directors or compensation committee.

Certain Transactions

In fiscal 2006, we obtained certain insurance policies through Apollo Insurance Agency (Apollo), for which Apollo received approximately \$73,000 in commissions. John Delinsky, a principal of Apollo, is the brother-in-law of Robert F. Olson.

Director Compensation

Effective April 1, 2006, the board established a director compensation policy under which each member of the board who is not an employee of our company will receive on an annual basis \$40,000 in cash and the grant of 3,800 deferred share units. All deferred share units vest on the earlier of April 1, 2011, or upon a change of control of our company. The chair of the audit committee will receive an additional \$16,000 in cash annually and each chair of each other committee will receive an additional \$8,000 in cash annually.

Attendance at Annual Meeting

All directors are encouraged to attend the annual meeting of shareholders. All directors at the time of the 2005 annual meeting of shareholders attended that meeting.

Procedures for Contacting the Board of Directors

Security holders may communicate with any director in writing by mail addressed to our headquarters to the attention of the director by name, title or to any board member generally. Except for suspicious mail, mail received by us addressed to the attention of a director by name or title will be forwarded, unopened, to that director.

Suspicious mail received by us that is addressed to the attention of a director may be segregated by us and investigated by us or appropriate private or government agencies. Suspicious mail that eventually is determined to be benign and that is addressed to the attention of a director by name or title will be forwarded to that director.

Mail received by us addressed to the attention of any board member generally, without specifying a director by name or title, will be forwarded by us unopened to the Chairman of the Board.

Our board of directors unanimously recommends that you vote FOR the election of each of the six nominees listed above to constitute our board of directors.

PROPOSAL 2 RATIFICATION OF THE INDEPENDENT AUDITORS

Grant Thornton LLP has been our independent auditors since February 1998. Upon recommendation by our audit committee, our board of directors has selected Grant Thornton LLP to serve as our independent auditors for fiscal 2007, subject to ratification by our shareholders. While it is not required to do so, our board of directors is submitting the selection of that firm for ratification in order to ascertain the view of our shareholders. If the selection is not ratified, the board of directors will reconsider its selection. Proxies solicited by our board of directors will, unless otherwise directed, be voted to ratify the appointment of Grant Thornton LLP as our independent auditors for fiscal 2007.

A representative of Grant Thornton LLP will be present at the meeting and will be afforded an opportunity to make a statement if the representative so desires and will be available to respond to appropriate questions during the meeting.

Fees Billed by Grant Thornton LLP

In addition to reimbursement for certain out-of-pocket expenses, the following table presents the aggregate fees billed for professional services by Grant Thornton LLP in fiscal 2006 and 2005 for these various services:

Description of Fees	Fiscal 2006		Fiscal 2005	
	Amount		Amount	
Audit Fees	\$	238,000	\$	273,000
Audit-Related Fees		543,000		623,000
Total Audit and Audit-Related Fees		781,000		896,000
Tax Fees:				
Tax Compliance Fees		31,000		78,000
Tax Consultation and Advice Fees		18,000		127,000
Total Tax Fees		49,000		205,000
All Other Fees		84,000		