

MICROTUNE INC
Form DEF 14A
April 27, 2005

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)

Payment of filing fee (Check the appropriate box):

No fee required.

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

(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):

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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 2005 annual meeting of stockholders of Microtune, Inc., which will be held on Wednesday, May 25, 2005 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.

In order for us to have an efficient meeting, please sign, date and return the enclosed proxy card promptly in the accompanying reply envelope. If you are able to attend the annual meeting, you may revoke your proxy and vote in person.

We look forward to seeing you at the 2005 annual meeting of stockholders.

Sincerely,

James A. Fontaine
Chief Executive Officer and President

Plano, Texas

April 27, 2005

YOUR VOTE IS IMPORTANT

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In order to assure 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.

MICROTUNE, INC.

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

TO BE HELD WEDNESDAY, MAY 25, 2005

DEAR STOCKHOLDERS:

The 2005 Microtune annual meeting of stockholders will be held on Wednesday, May 25, 2005 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 April 15, 2005 will be entitled to vote. At our annual meeting we will ask stockholders to act on the following matters:

1. Consider and approve an amendment to each of our Amended and Restated Certificate of Incorporation and Second Amended and Restated Bylaws to declassify our board of directors so that all directors are elected annually;
2. Elect members of the board of directors. As discussed in Proposal No. 2, either three directors or seven directors will be elected, depending on the outcome of Proposal No. 1;
3. Consider and approve our 2000 Director Option Plan, which will be amended and restated to (i) increase the annual option grant to purchase shares of common stock from 7,500 shares to 24,000 shares per year, and (ii) increase the number of shares available for issuance pursuant to the plan from 457,500 shares to 887,500 shares;
4. Ratify the appointment of Ernst & Young LLP as independent auditors for the fiscal year ending December 31, 2005; and
5. 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

April 27, 2005

IMPORTANT: REGARDLESS OF THE NUMBER OF SHARES YOU OWN, PLEASE COMPLETE, DATE AND SIGN THE ENCLOSED PROXY CARD 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.

PROXY STATEMENT

FOR ANNUAL MEETING OF STOCKHOLDERS

GENERAL

The board of directors of Microtune, Inc. is asking for your proxy for use at our 2005 annual meeting of stockholders, and at any adjournment or postponement of our annual meeting. We are holding the annual meeting on Wednesday, May 25, 2005 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 around April 29, 2005.

RECORD DATE AND SHARES OUTSTANDING AND QUORUM

Stockholders of record at the close of business on April 15, 2005, are entitled to notice of, and to vote at our annual meeting. On April 15, 2005, 51,999,758 shares of our common stock were issued and outstanding. For information regarding security ownership by management and more than 5% stockholders, see Security Ownership of Certain Beneficial Owners and Management on page 16. 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 outstanding on the record date are present at our annual meeting, either in person or by proxy. Any shares represented by proxies that are marked to abstain from voting on a proposal will be counted as present in determining whether we have a quorum. If a broker, bank, custodian, nominee or other record holder of our common stock indicates on a proxy that it does not have discretionary authority to vote certain shares on a particular matter, the shares held by that record holder (referred to as broker non-votes) will also be counted as present in determining whether we have a quorum. 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.

REVOCABILITY OF PROXIES

If you submit the enclosed proxy, you may revoke it at any time before the voting takes place at our annual meeting. There are three ways you can revoke your proxy: (1) deliver to the Secretary of Microtune a written notice of revocation; (2) deliver to the Secretary of Microtune a signed proxy with a later date than the proxy you want to revoke; or (3) attend our annual meeting and vote in person. Attending our annual meeting in and of itself will not constitute a revocation of your proxy.

VOTING AND SOLICITATION

Our board of directors is soliciting the proxy included with this proxy statement for use at our annual meeting. You can submit your proxy by mailing it in the envelope provided. If your proxy is properly completed and submitted, and you do not revoke it before our annual meeting, your shares will be voted at our annual meeting according to the instructions indicated on your proxy. If you sign and return your proxy card but do not give any voting instructions, your shares will be voted in favor of Proposal Nos. 1, 3, 4 and 5, and in favor of the election of each of the director nominees listed on the applicable slate of director nominees in Proposal No. 2. As far as we know, no other matters will be presented at our annual meeting. However, if any other matters of business are properly presented, the proxy holders named on the proxy card are authorized to vote the shares represented by proxies according to their judgment. Microtune will pay all expenses of soliciting proxies to be voted at our annual meeting. After the proxies are initially distributed, Microtune and/or its agents may also solicit proxies by mail, telephone or in person.

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We have hired Georgeson Shareholder Communications Inc. to assist us in soliciting proxies. For these services, we anticipate Georgeson's fees will be between \$2,000 and \$5,000. 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.

DEADLINE FOR RECEIPT OF STOCKHOLDER PROPOSALS

Proposals of our stockholders that are intended to be presented by such stockholders at our next annual meeting of stockholders must be received by us at our principal executive offices no later than 120 days prior to the anniversary of the date of this year's mailing, or December 30, 2005, in order to be considered for possible inclusion in the proxy statement and form of proxy card relating to our 2006 annual meeting of stockholders.

If a stockholder intends to submit a proposal at our 2006 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 2006 annual meeting.

BOARD OF DIRECTORS

Our board of directors is currently comprised of seven members, divided into three classes with overlapping three-year terms. As a result, a portion of our board is designed to be elected each year. Steven Craddock, James A. Fontaine and A. Travis White have been designated Class II directors, and their terms expire at our 2005 annual meeting. James H. Clardy and William P. Tai have been designated Class III directors, and their terms expire at our 2006 annual meeting. Walter S. Ciciora and Anthony J. LeVecchio have been designated Class I directors, and their terms expire at our 2007 annual meeting of stockholders.

Any additional directorships resulting from an increase in the number of directors will be distributed among the three classes so that, as nearly as possible, each class will consist of an equal number of directors.

We currently have three vacancies. However, our board of directors has unanimously approved, and is recommending that the stockholders vote in favor of, an amendment to each of our Amended and Restated Certificate of Incorporation and Second Amended and Restated Bylaws to eliminate the classification of our board of directors so that each director would stand for election annually. For more information on the proposed amendments, see Proposal No. 1 on page 7.

In the event the stockholders approve Proposal No. 1, all of the seven current directors will stand for election at our 2005 annual meeting. In the event the stockholders do not approve Proposal No. 1, the board of directors has nominated three of the current directors in Class II for election under the existing Amended and Restated Certificate of Incorporation and Second Amended and Restated Bylaws. For more information on the board nominees, see Proposal No. 2 on page 9.

In connection with the settlement of our consolidated stockholder derivative litigation, we have agreed to establish a procedure for stockholders to nominate two directors for election to our board of directors. A corporate governance consultant selected by lead plaintiffs' counsel, working in conjunction with us, will seek to identify potential directors by contacting stockholders who have 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 will review each of the candidates' qualifications and select the best qualified as the stockholders' nominee. This procedure shall be followed so that the first stockholder director shall be elected to our board of directors pursuant to our Second Amended and Restated Bylaws (or Third Amended and Restated Bylaws, pending approval of Proposal No. 1) within 90 days of our 2005 annual meeting of stockholders, and the second

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stockholder director shall be nominated for consideration by the stockholders at our 2006 annual meeting of stockholders.

BOARD MEETINGS AND COMMITTEES

Five of our board members, Messrs. Ciciora, Clardy, Craddock, LeVecchio and White are independent directors as defined under current listing standards of the Nasdaq National Market.

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 2004, our board of directors met nine times and acted a number of times by unanimous written consent. All of the directors except for Mr. Tai attended at least 75% of the aggregate of these board meetings and of the meetings of the committees on which he served. Mr. Tai attended 67% of the board meetings during fiscal 2004.

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** assists the board of directors in fulfilling its responsibilities for oversight of the integrity of Microtune's financial statements, the independent auditors' qualifications and independence and the performance of Microtune's internal audit function and independent auditors. Among other things, the Audit Committee appoints and determines the compensation of Microtune's independent auditors; reviews and evaluates the performance and independence of the independent auditors; reviews the scope and plans for the external and internal audits; reviews and discusses reports from the independent auditors regarding critical accounting policies, alternative treatments of financial information and other matters; reviews significant changes in the selection or application of accounting principles; reviews the internal control report of management, any issues regarding the adequacy of internal controls and any remediation efforts; reviews legal matters that could materially impact Microtune's financial statements; and reviews Microtune's guidelines and policies with respect to risk assessment and risk management.

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 Audit Committee in January 2004. The 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 Audit Committee met seven times during fiscal 2004. In addition, the Audit Committee has adopted policies that limit our ability to retain our independent auditors to perform non-audit services and that limit our ability to hire former employees of our independent auditors. For more information about our Audit Committee, see the Report of the Audit Committee of the Board of Directors on page 25.

The board of directors has determined that Mr. LeVecchio is an audit committee financial expert and all current members of the Audit Committee are independent in accordance with the applicable regulations of the Securities and Exchange Commission and all applicable corporate governance rules of the Nasdaq National Market.

The **Compensation Committee** determines compensation for all of Microtune's executive officers. In addition to addressing executive compensation, the Compensation Committee provides guidance to management on general compensation and organizational development issues and also administers our stock compensation plans. Mr. Clardy and Mr. Ciciora are the current members of the Compensation Committee. Mr. Berry Cash served on the committee until February 27, 2004 when he was replaced by Mr. Clardy. Mr. Clardy was appointed chair of the committee on February 27, 2004. Mr. Ciciora served on the committee throughout fiscal 2004. The Compensation Committee met formally two times during fiscal 2004 and acted a number of times by unanimous written consent. For more information about our Compensation Committee, see the Report of the Compensation Committee of the Board of Directors on page 23.

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The **Nominating and Corporate Governance Committee** identifies and evaluates potential new board members, provides information about potential nominees for the full board of directors to consider, and develops

and recommends to the board of directors any applicable corporate governance guidelines. The Nominating and Corporate Governance Committee is not presently considering any director nominee recommendations from stockholders, however, in accordance with the corporate governance procedures that form a part of the terms of our settlement of the consolidated stockholder derivative litigation, the committee will evaluate the qualifications of stockholder nominated director candidates. Mr. Ciciora and Mr. Clardy are the current members of the Nominating and Corporate Governance Committee. There is currently one vacancy. The Nominating and Corporate Governance Committee did not meet formally during fiscal 2004.

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. The Technical Advisory Committee did not meet formally during fiscal 2004.

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 457,500 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 upon appointment to our board and an annual option grant to purchase 7,500 shares each year on the date of the annual meeting if serving on the board on that date. However, our board has unanimously approved, and is recommending that the stockholders vote in favor of, our 2000 Director Option Plan, which will be amended and restated to (i) increase the annual option grant to purchase shares of common stock from 7,500 shares per year (vesting over two years) to 24,000 shares per year (vesting over three years), and (ii) increase the number of shares available for issuance pursuant to the plan from 457,500 shares to 887,500 shares. If the stockholders approve the proposal to amend and restate our 2000 Director Option Plan, our outside directors serving on the board on the date of our 2005 annual meeting will receive the increased annual option grant of 24,000 shares per year beginning on the date of our 2005 annual meeting. For more information on the 2000 Director Option Plan, see Proposal No. 3 on page 11.

The nonstatutory stock options may be granted at a price not less than the closing price of our common stock on the last trading day before the date of grant. The initial options generally vest over a three-year period commencing on the first anniversary of the date of grant and the subsequent annual option grants vest over the remaining two-year period and expire in ten years. However, should our stockholders approve the amendment to the 2000 Director Option Plan described in Proposal No. 3, subsequent annual option grants of 24,000 shares per year to each director will vest over three 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 the Lead Independent Director receives an additional \$10,000 annually, payable in equal quarterly installments. For each committee meeting in excess of three annually, directors receive an additional \$1,000 per meeting that they attend.

Directors who are also employees do not receive any compensation for their service on our board of directors.

CORPORATE GOVERNANCE

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Committee Charters. Stockholders may access our Code of Ethics and the current charters for the Audit, Compensation and Nominating and Corporate Governance Committees in the Investors Financial Info Corporate Governance section of our website at www.microtune.com. In addition, we have attached the Audit Committee Charter as Appendix 1 to this proxy statement.

Corporate Governance Provisions to be 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 agreed to adopt certain corporate governance provisions within five days after our 2005 annual meeting of stockholders. Some of the more notable provisions are as follows:

We agreed to recommend and present a proposal to the stockholders at our 2005 annual meeting to amend our Amended and Restated Certificate of Incorporation and our Second Amended and Restated Bylaws to declassify our board of directors such that each director will serve a one-year term and stand for election or re-election every year;

In years where the positions of CEO and Chairman of the Board are held by the same person, the board will elect a lead independent director by majority vote of independent directors to work with the CEO/Chairman of the Board to perform a variety of functions related to our corporate governance;

We agreed to adopt a variety of compensation principles for our executive officers and directors, including compensation linked to performance, full board approval of any discretionary bonuses and restrictions on stock sales following the exercise of options;

Our Nominating and Corporate Governance Committee will perform certain functions, including the creation and periodic review and interpretation of our corporate governance policies and the Nominating and Corporate Governance Committee guidelines;

Our board of directors as a whole will evaluate individual members of the board on a periodic basis, and a consideration of the evaluation will be whether each individual director has personally attended at least 50% of board and committee meetings;

We agreed to 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;

Our board will designate a trading compliance officer who will be responsible for developing, with board involvement and approval, a comprehensive insider trading compliance program designed to ensure compliance with the our trading policies;

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

We agreed to establish a corporate ethics officer who will be 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/procedures;

All stockholder proposals that are properly submitted will be evaluated by the Nominating and Corporate Governance Committee; the full board will include a recommendation for or against such stockholder proposals and the reasons for such recommendation in the proxy statement; and

The board will establish a procedure for stockholders to nominate one director, beginning 90 days after the 2005 annual meeting; a corporate governance consultant selected by lead plaintiffs counsel will seek to identify potential directors; the corporate governance consultant will contact each stockholder who has held 1% or more of our common stock for at least nine months, and who has never been an officer or director of Microtune, to solicit the names of candidates for our board of directors; our Nominating and Corporate Governance Committee will review each of the candidates and select the best qualified as the stockholders nominee; the same procedure shall be followed for a second director to be nominated by the stockholders at the 2006 annual meeting.

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

COMMUNICATIONS WITH DIRECTORS

Stockholders may communicate with any and all members of the board by transmitting correspondence by mail or facsimile addressed to one or more directors by name (or to the Chairman, for a communication addressed to the entire board) 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) 673-1876

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 board 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

**AMENDMENT TO AMENDED AND RESTATED CERTIFICATE OF INCORPORATION
AND SECOND AMENDED AND RESTATED BYLAWS
TO DECLASSIFY THE BOARD OF DIRECTORS**

The board of directors has unanimously approved, and is recommending that the stockholders vote in favor of, an amendment to each of our Amended and Restated Certificate of Incorporation and Second Amended and Restated Bylaws to eliminate the classification of our board so that each director would stand for election annually. We refer to these amendments in the proxy statement as the declassification amendments.

All directors whose terms would not otherwise expire at our annual meeting have conditionally resigned, subject to approval and effectiveness of this Proposal No. 1. In the event the stockholders approve Proposal No. 1, all of the seven current directors will stand for election at our annual meeting. For such purposes, and in such event, our board has nominated the seven current members of the board for election under our Amended and Restated Certificate of Incorporation and Second Amended and Restated Bylaws, each as amended by the declassification amendments, to serve a one-year term until the 2006 annual meeting of stockholders or until their successors are duly elected and qualified. For more information on the election of directors, see Proposal No. 2 on page 9.

In the event the stockholders do not approve Proposal No. 1, our board has nominated the three current directors in Class II for election under our existing Amended and Restated Certificate of Incorporation and Second Amended and Restated Bylaws, to serve for a three-year term expiring at our 2008 annual meeting of stockholders, or until their successors are duly elected and qualified. For more information on the election of directors, see Proposal No. 2 on page 9.

The declassification amendments were unanimously approved by our entire board, including all directors that qualify as independent under the Nasdaq listing standards.

If approved by the requisite vote of the stockholders described below, our Amended and Restated Certificate of Incorporation will be amended and restated as the Restated Certificate of Incorporation set forth in Exhibit A to this proxy statement, and our Second Amended and Restated Bylaws will be amended and restated as the Third Amended and Restated Bylaws as set forth in Exhibit B to this proxy statement.

Stockholders are urged to carefully read Exhibit A and Exhibit B. If the declassification amendments are approved, we will file the Restated Certificate of Incorporation with the Secretary of State of the State of Delaware promptly after the declassification amendments are approved by the stockholders, upon which filing the declassification amendments will become effective. In such event, at our 2005 annual meeting of stockholders, we will accept the resignations of all directors whose terms would not otherwise expire at the annual meeting and the election of all seven members of the board will be held. The Third Amended and Restated Bylaws will become effective if Proposal No. 1 is approved by the stockholders and the Restated Certificate of Incorporation is filed with the Secretary of State of the State of Delaware.

Background

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Section 1 of Article V of our Amended and Restated Certificate of Incorporation and Sections 3.2, 3.3 and 3.4 of our Second Amended and Restated Bylaws currently provide that our board is divided into three classes. Directors of each class serve staggered three-year terms, with the term of office of one class expiring each year. If the declassification amendments are approved, the classes and staggered three-year terms of directors would be eliminated and all of the directors would be elected annually. Directors elected at our annual meeting and thereafter would be elected to one-year terms.

The declassification amendments will not change any provisions of our Amended and Restated Certificate of Incorporation or Second Amended and Restated Bylaws other than the foregoing provisions.

Reasons for the Declassification Amendments

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 agreed to recommend and present a proposal to the stockholders at our 2005 annual meeting to amend our Amended and Restated Certificate of Incorporation to declassify our board of directors such that each director serves a one-year term and stands for election or re-election every year.

In addition to fulfilling certain of our obligations under the settlement agreement, our board is submitting this proposal to the stockholders in order to promote more frequent election of the directors by the stockholders. The election of directors is the primary means for stockholders to exercise influence over Microtune and its policies. Staggered or classified boards may be viewed as having the effect of reducing the accountability of directors to a company's stockholders and increasingly have been subject to criticism from a corporate governance perspective in recent years.

In approving the declassification amendments, our board determined that the annual elections of directors would be in the best interests of all stockholders since it would give our stockholders more frequent opportunity to evaluate the performance of our directors by allowing them to vote with respect to each director they are entitled to elect annually rather than only once every three years. The declassification of the board compresses the time that it would take to replace a majority of our directors in annual elections from two years to one year. As a result, however, the declassification of the board will limit the effectiveness of our poison pill anti-takeover defensive measures because it will be easier for a hostile party to replace members of our board of directors and redeem our poison pill. Our poison pill or Rights Agreement was designed to protect Microtune from hostile take-over attempts that are not in the best interests of Microtune as they may not maximize the long term value of the company.

After due consideration of the various arguments in favor of and against a staggered board, and taking into account support of the amendment by the independent directors, the full board has concluded that it is in the best interests of our stockholders to declassify the board.

Vote Required

Our Amended and Restated Certificate of Incorporation provides that the affirmative vote of the holders of at least a majority of the shares of our outstanding common stock is required to approve the declassification amendment to our charter. Our Second Amended and Restated Bylaws provide that the affirmative vote of the holders of at least 66²/₃% of the shares of our outstanding common stock is required to approve the declassification amendment to our Second Amended and Restated Bylaws. As a result, the affirmative vote of the holders of at least 66²/₃% of the shares of our outstanding common stock is effectively required to approve Proposal No. 1.

Neither our Amended and Restated Certificate of Incorporation nor our Second Amended and Restated Bylaws will be amended and restated if Proposal No. 1 receives the affirmative vote of less than 66²/₃% of the shares of our outstanding common stock. For purposes of clarification, if the holders of greater than 50%, but less than 66²/₃%, of the shares of our outstanding common stock vote in favor of Proposal No. 1, then neither our Amended and Restated Certificate of Incorporation nor our Second Amended and Restated Bylaws will be amended and restated.

If the declassification amendments are approved by the requisite vote of stockholders, the declassification amendments will become effective upon the filing of the Restated Certificate of Incorporation with the Secretary of State of the State of Delaware. In such event, we will accept the

resignations of each of all directors whose

terms would not otherwise expire at our 2005 annual meeting, resulting in all directors being elected at our annual meeting for a one-year term to expire at the 2006 annual meeting of stockholders.

Proposal No. 1 will be considered before the election of directors at our annual meeting. If Proposal No. 1 is approved, the Restated Certificate of Incorporation will be filed with the Secretary of State of the State of Delaware immediately after such approval. Following such filing and confirmation of effectiveness of the declassification amendments, the election of all seven members of our board will be held at such meeting. If Proposal No. 1 is not approved, the election of only those members of the board whose terms expire at the 2005 annual meeting will be held immediately following the announcement of the defeat of such proposal.

The board of directors unanimously recommends a vote FOR the declassification amendments.

PROPOSAL NO. 2

ELECTION OF DIRECTORS

The board of directors nominees for election of directors in the Regular Election and in the Alternate Election are identified in the tables below. 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.

Regular Election

In the event that Proposal No. 1 is not approved by the stockholders, the following persons will stand for election. Alternatively, if Proposal No. 1 is approved by the stockholders, the following persons will stand for election together with all other directors identified below.

The following table shows Microtune's current Class II directors who are nominees for election. Each nominee, if elected, will serve until our 2008 annual meeting of stockholders and until a qualified successor is elected, unless the nominee resigns or is removed from the board of directors before then.

<u>Name</u>	<u>Age</u>	<u>Principal Occupation</u>	<u>Director Since</u>
Steven Craddock	56	Senior Vice President of New Media Development, Comcast Corp.	2002
James A. Fontaine	47	Chief Executive Officer and President, Microtune, Inc.	2003
A. Travis White	60	Semi-Retired, Independent Consultant	2004

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

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technologies. He also serves as Comcast's representative to CableLab[®], 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 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.

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 Corp., 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. 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.

The board of directors recommends a vote FOR each of the above nominees for election in the Regular Election or if Proposal No. 1 is approved, in the Alternate Election.

Alternate Election

The following persons are current Class I and III Directors whose terms do not expire at our 2005 annual meeting and who will not stand for election in the event Proposal No. 1 is not approved by our stockholders. However, in the event that Proposal No. 1 is approved by our stockholders, the following persons will stand for election together with the Class II directors identified above. If Proposal No. 1 is approved, all directors will be elected annually beginning with our 2005 annual meeting and will no longer be designated as Class I, II or III directors.

CLASS I DIRECTORS

The following persons are current Class I Directors whose terms will expire at the 2007 annual meeting of stockholders if Proposal No. 1 is not approved:

<u>Name</u>	<u>Age</u>	<u>Principal Occupation</u>	<u>Director Since</u>
Walter S. Ciciora	62	Independent Consultant	1996
Anthony J. Levecchio	58	President and Owner, The James Group	2003

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.

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 on the boards of directors of DG Systems, Ascendant Solutions and several privately-held companies. Mr. LeVecchio holds a Bachelor of Economics and a M.B.A. in Finance from Rollins College.

CLASS III DIRECTORS

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The following persons are current Class III Directors whose terms will expire at the 2006 annual meeting of stockholders if Proposal No. 1 is not approved:

<u>Name</u>	<u>Age</u>	<u>Principal Occupation</u>	<u>Director Since</u>
James H. Clardy	70	Venture Partner, Austin Ventures	1996
William P. Tai	42	General Partner, Charles River Ventures	1998

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. From October 1997 to January 1998, Mr. Clardy was a private

consultant, and from October 1991 until October 1997, he was President of Crystal Semiconductor, a wholly-owned subsidiary of Cirrus Logic, Inc. Mr. Clardy assumed the role of interim Chief Executive Officer of D2 Audio in August 2004. 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.

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., 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.

**The board of directors recommends a vote FOR each of the
above nominees for election in the Alternate Election if Proposal No. 1 is approved.**

PROPOSAL NO. 3

APPROVAL OF OUR 2000 DIRECTOR OPTION PLAN, WHICH WILL BE AMENDED AND RESTATED TO INCREASE THE ANNUAL OPTION GRANT TO EACH DIRECTOR PURSUANT TO THE PLAN AND INCREASE THE NUMBER OF SHARES AVAILABLE FOR ISSUANCE PURSUANT TO THE PLAN

Our board of directors has adopted, and recommends to the stockholders for approval, our 2000 Director Option Plan, which will be amended and restated as set forth in Exhibit C to this proxy statement (the Amended and Restated 2000 Director Option Plan). Under our 2000 Director Option Plan, outside directors receive an annual option grant to purchase 7,500 shares each year (vesting over two years) on the date of the annual meeting if serving on the board on that date. The Amended and Restated 2000 Director Option Plan increases the annual option grant to purchase shares of common stock from 7,500 shares to 24,000 shares per year (vesting over three years). In addition, the Amended and Restated 2000 Director Option Plan increases the number of shares of common stock that may be issued under the plan by 430,000 shares, from 457,000 shares to 887,500 shares.

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 Amended and Restated 2000 Director Option 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.

The following is a summary of the principal features of the 2000 Director Option Plan. Any Microtune stockholder 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 Director Option Plan

The following summary of the material provisions of the 2000 Director Option Plan reflects the terms and conditions of the 2000 Director Option Plan as currently in effect. Subject to stockholder approval of the Amended and Restated 2000 Director Option Plan, we intend to file a registration statement on Form S-8 under the Securities Act, covering the additional 430,000 shares of common stock issuable under the

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Amended and Restated 2000 Director Option Plan.

General. The 2000 Director Option Plan as adopted by the board of directors and approved by our stockholders became effective as of August 4, 2000 and was amended effective as of April 17, 2002 and February 27, 2004 and, contingent upon stockholder approval, amended and restated effective as of April 13, 2005. The purposes of the 2000 Director Option Plan are to enable us to attract and retain the best available

personnel for service as non-employee directors, to provide additional incentive to non-employee directors to serve as directors, and to encourage their continued service on the board of directors.

Eligibility. Options may be granted under the 2000 Director Option Plan only to non-employee directors.

Administration. All grants of options under the 2000 Director Option Plan are automatic and nondiscretionary. No person will have the authority to select which non-employee directors are granted options or to determine the number of shares to be covered by the options.

Shares Subject to the 2000 Director Option Plan. Pursuant to the 2000 Director Option Plan, the aggregate number of shares of common stock that may be issued under the plan shall not exceed 457,500, as adjusted, in accordance with the caption Adjustment Provisions set forth below. As of December 31, 2004, options for 158,750 shares of common stock were outstanding under the 2000 Director Option Plan.

If any option granted under the 2000 Director 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 2000 Director Option Plan upon the exercise of an option or right may not be returned to the 2000 Director Option 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, the number of securities reserved for issuance under the 2000 Director Option Plan but which have not been granted and the exercise price for such options are proportionately adjusted, subject to any required actions by the stockholders.

Timing of Option Grants and Number of Underlying Shares. Non-employee directors shall receive an option to purchase 15,000 shares of common stock on the date he or she first becomes a non-employee director. As currently in effect, each non-employee director will also receive an option to purchase 7,500 shares on the date of the company's annual stockholders' meeting of each year, provided that he or she is a non-employee director on such date and has been a non-employee director for the preceding six months.

Exercise Price. The per share exercise price of each option granted under the plan shall be 100% of the fair market value per share of common stock on the date of grant. As of April 8, 2005, the market value of Microtune's common stock was \$4.30 per share.

Vesting of Options. The initial 15,000 options granted upon a non-employee director's appointment vests 3 $\frac{1}{3}$ % on each anniversary of their date of grant, provided that the non-employee director continues to serve as a director on such date.

The 7,500 options granted on the date of the company's annual stockholders' meeting of each year vests 50% on each anniversary of their date of grant, provided that the non-employee director continues to serve as a director on such date.

Option Period. Each option granted under the 2000 Director Option Plan shall have a term of ten years.

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

in cash;

by check;

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; or

by a combination of the above.

Termination of Options Upon Termination Due to Disability. Upon the termination of services of a non-employee director by reason of disability (as defined in Section 22(e)(3) of the Internal Revenue Code), such participant's options may be exercised within six months following the date of such termination, but not later than the expiration of the term of the options, to the extent the options are vested on the date of termination.

Termination of Options Upon Termination Due to Death. Upon the termination of services of a non-employee director by reason of death, such participant's options may be exercised by the participant's estate within twelve months following the date of such termination, but not later than the expiration of the term of the options, to the extent the options are vested on the date of termination.

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

Term of Plan. The 2000 Director Option Plan shall continue until August 4, 2010, unless terminated earlier by the board of directors.

Nontransferability. During the lifetime of a participant, any option granted to him or her shall be exercisable only by him or her; provided, however that the participant may transfer, without payment of consideration, the option to any member of the participant's immediate family or to a trust or partnership whose beneficiaries are members of the optionee's immediate family. 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 Compensation Committee in its discretion.

Federal Income Tax Consequences. The option grantee recognizes no income at the time the option is granted. Generally, at exercise, the option grantee recognizes ordinary income in an amount equal to the difference between the option exercise price paid for the shares and the fair market value of the shares on the date of exercise, and we are entitled to a tax deduction in the same amount. Upon disposition of the shares by the stockholder, any gain or loss is treated as capital gain or loss.

Amendment or Discontinuance of the Plan. The board of directors may from time to time alter, amend or suspend the 2000 Director Option Plan, or may at any time terminate the plan. However, the board of directors 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 Nasdaq National Market.

Outstanding Options. The number of shares acquirable pursuant to stock options that will be awarded under the 2000 Director Option Plan is not currently determinable. As of December 31, 2004, options to purchase an aggregate of 290,000 shares were available for grant under the plan. As of December 31, 2004, options to purchase 158,750 shares of common stock were outstanding under the 2000 Director Option Plan. Pursuant

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to the 2000 Director Option Plan, options to purchase 12,500 shares originally granted under the plan expired during 2004.

Proposal to Increase Annual Option Grant to Directors and Increase the Number of Shares Available for Issuance

Pursuant to its committee charter, the Compensation Committee conducted a review of the compensation currently provided to the board members. As a result of its review, the Compensation Committee cited the following factors necessitating an increase in annual board of directors compensation:

new corporate governance requirements that increase the responsibilities of directors;

the need to ensure that Microtune is competitive and can continue to attract and retain directors of the highest quality; and

market studies of similarly-situated businesses indicate that Microtune should increase its board of directors compensation package.

In August 2004, the Compensation Committee presented a proposal to the board of directors recommending, among other things, that it increase the annual option grant to directors. Under the 2000 Director Option Plan, outside directors currently receive an annual option grant to purchase 7,500 shares each year (vesting over two years) on the date of the annual meeting if serving on the board of directors on that date. The board of directors has adopted, subject to stockholder approval, a proposal that the 2000 Director Option Plan be amended and restated to increase the annual option grant to purchase shares of common stock from 7,500 shares (vesting over two years) to 24,000 shares per year (vesting over three years). If the stockholders approve the proposal to amend and restate our 2000 Director Option Plan, our outside directors serving on the board on the date of our 2005 annual meeting will receive the increased annual option grant of 24,000 shares per year beginning on the date of our 2005 annual meeting.

Hypothetically speaking, if the stockholders approved the board's proposal to increase the annual option grant to directors and did not concurrently approve an increase in the total number of shares available for issuance pursuant to the plan, there would be an insufficient number of shares available for issuance pursuant to the plan during the next twelve months. As a result, the board has adopted, subject to stockholder approval, a proposal that the plan be amended and restated to increase the aggregate number of shares of common stock that may be issued under the plan by 430,000 shares from 457,500 shares to 887,500 shares, thereby assuring that sufficient shares are available for future grants.

For purposes of clarification, the stockholders are being asked to vote on a single proposal to approve the Amended and Restated 2000 Director Option Plan as set forth in Exhibit C to this proxy statement. Stockholders may vote for or against, or abstain from voting for or against, the proposed Amended and Restated 2000 Director Option Plan, and in doing so effectively vote for or against, or abstain from voting for or against an increase in both the annual option grant to directors and the number of shares available for issuance pursuant to the plan. As a result, stockholders may not concurrently vote for an increase in the annual option grant and vote against an increase in the number of shares available for issuance pursuant to the plan, or vice versa.

If the board's proposal is approved by stockholders, the 2000 Director Option Plan of Microtune will be amended and restated effective April 13, 2005.

**The board of directors recommends a vote FOR approval of the
proposed Amended and Restated 2000 Director Option Plan.**

PROPOSAL NO. 4

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, 2005, 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

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, 2004 and 2003.

	<u>2004</u>	<u>2003</u>
Audit fees (1)	\$ 810,000	\$ 1,330,000
Audit-related fees (2)	1,600	1,500
Tax fees and all other fees (3)	69,000	145,000
	<u> </u>	<u> </u>
Total fees	<u>\$ 880,600</u>	<u>\$ 1,476,500</u>

Ernst & Young LLP did not render professional services relating to financial information systems design and implementation for the years ended December 31, 2003 and 2004.

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

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 25.

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 2004 were approved in accordance with these procedures.

The board of directors and, more specifically, the Audit Committee recommend a vote FOR ratification of the selection of Ernst & Young LLP as our independent auditors for fiscal year 2005.

OTHER INFORMATION

EXECUTIVE OFFICERS

The following table sets forth certain information with respect to the executive officers of Microtune as of April 25, 2005:

<u>Name</u>	<u>Age</u>	<u>Position</u>
James A. Fontaine	47	Chief Executive Officer and President
Rob-Roy J. Graham	52	Chief Development Officer, Vice President and Secretary
Albert H. Taddiken	41	Chief Operating Officer
Robert S. Kirk	44	Vice President of Worldwide Sales
Justin M. Chapman	31	Vice President of Accounting
Phillip D. Peterson	35	General Counsel
Barry F. Koch	39	Managing Director, Microtune GmbH & Co. KG

Biographical information concerning Mr. Fontaine is set forth under Election of Directors on page 9.

Rob-Roy J. Graham was named Chief Development Officer and Vice President in November 2004 and Secretary in March 2004. Mr. Graham served as Chief Financial Officer for Microtune from August 2003 until November 2004. Previously, Mr. Graham was Chief Financial Officer for Intervoice, Inc. from August 1994 to July 2003 and Controller for Intervoice, Inc. from August 1992 to August 1994. Mr. Graham holds a B.A. from DePauw University and a M.B.A. from Tulane 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.

Justin M. Chapman was named Vice President of Accounting and principal financial and accounting officer in November 2004. He has held several related positions at Microtune from August 2001, directing the domestic and international accounting functions and performing financial planning and analysis. Previously, Mr. Chapman was the Manager of Financial Planning at IP Communications, Inc. from June 2000 to July 2001. Mr. Chapman began his career at Ernst & Young LLP. Mr. Chapman is a Certified Public Accountant and holds a B.B.A. from the University of Oklahoma.

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 from April 1999 to March 2000 and Fulbright & Jaworski L.L.P. from November 1997 to February 1999. Mr. Peterson holds a J.D. from the University of Texas School of Law and a B.A. from Trinity University.

Barry F. Koch was named Managing Director of Microtune GmbH & Co. KG, a 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. Mr. Koch had been with Temic Telefunken Hochfrequenztechnik GmbH 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. Prior to that, Mr. Koch served as Vice President and General Manager of Microtune's Automotive Business Unit from December 2001 until January 2004, and as Vice President of Systems Engineering from May 2001 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.

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

Equity Compensation Plan Information

Information regarding stock-based compensation awards outstanding and available for future grants as of December 31, 2004, segregated between stock-based compensation plans approved by stockholders and stock-based compensation plans not approved by stockholders, is presented in the table below:

<u>Plan Category</u>	<u>Number of Shares to be Issued Upon Exercise of Outstanding Awards</u>	<u>Weighted-Average Exercise Price of Outstanding Awards</u>	<u>Number of Shares Available for Future Grants</u>
Plans approved by stockholders	6,722,909	\$ 2.94	6,651,214
Assumed plans of acquired companies	3,953	0.18	
Total	6,726,862	\$ 2.94	6,651,214

Share Ownership of Directors and Officers

The following table shows shares of our common stock that we believe are owned as of March 1, 2005 by:

1. Each stockholder owning 5% or more of our common stock;
2. Our Chief Executive Officer and our other four most highly compensated executive officers for fiscal 2004;
3. Each director; and
4. All current directors and executive officers as a group.

We have included any options held by each stockholder that are exercisable within 60 days of March 1, 2005 (i.e., May 1, 2005). We calculated the Percent of Class based on 51,989,757 shares of our common stock outstanding on March 1, 2005.

Name of Beneficial Owner	Number of Shares	Percentage of Shares Beneficially Owned
Institutional Venture Partners VII (1)	2,778,668	5.3%
Simon J. Michael (2)	2,600,400	5.0%
Douglas J. Bartek (3)	3,030,674	5.8%
Franklin Resources, Inc. (4)	4,151,000	8.0%
Walter S. Ciciora (5)	137,083	*
James H. Clardy (6)	99,083	*
Steven Craddock (7)	17,000	*
James A. Fontaine (8)	392,742	*
Rob-Roy J. Graham (9)	140,832	*
Robert S. Kirk (10)	82,838	*
Barry F. Koch (11)	118,143	*
Anthony J. LeVecchio (12)	16,083	*
Albert H. Taddiken (13)	422,420	*
William P. Tai (14)	2,710,917	5.2%
A. Travis White (15)	7,833	*
All directors and current executive officers as a group (13 Persons)	4,194,748	8.1%

* 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 Rd, Building 2, Suite 290, Menlo Park, CA 94025.
- (2) Based upon an Amendment No. 1 to Schedule 13G filed with the Securities and Exchange Commission on February 1, 2005 by Simon J. Michael and Balch Hill Capital, LLC, 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 500,400 shares and shared voting power and shared dispositive power with respect to 2,100,000 shares; and
 - (ii) Balch Hill Capital, LLC has shared voting power and shared dispositive power with respect to 2,100,000 shares.
- (3) Based upon a Schedule 13G filed with the Securities and Exchange Commission on February 8, 2005 by Douglas J. Bartek whose address is P.O. Box 294, Frisco, TX 75034. The 13G states that 3,030,674 shares of common stock outstanding are held of record by limited partnerships for which Mr. Bartek serves as a general partner.

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- (4) Based upon Schedule 13G filed with the Securities and Exchange Commission on February 14, 2005 by Franklin Resources, Inc., 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 and sole dispositive power with respect to 2,924,500 shares and no shared voting or dispositive power; and
 - (v) Fiduciary Trust Company International has sole voting power and sole dispositive power with respect to 1,226,500 shares and no shared voting or dispositive power.
- (5) Mr. Ciciora has sole voting power and sole dispositive power with respect to 80,000 shares and shared voting power and shared dispositive power with respect to 38,000 shares. Also includes 19,083 shares for options which are immediately exercisable or become exercisable within 60 days.
 - (6) Includes 25,000 shares of common stock held by trusts, of which Mr. Clardy acts as co-trustee, for the benefit of Mr. Clardy's children, none of whom are dependents of Mr. Clardy. Mr. Clardy has sole voting power and sole dispositive power with respect to 55,000 shares and shared voting power and shared dispositive power with respect to 25,000 shares. Also includes 19,083 shares for options which are immediately exercisable or become exercisable within 60 days.
 - (7) Includes 17,000 shares for options which are immediately exercisable or become exercisable within 60 days.
 - (8) Includes 22,000 shares of common stock outstanding held by JSCJ Ventures, Ltd., of which Mr. Fontaine is the general partner. Mr. Fontaine has sole voting power and sole dispositive power with respect to 73,830 shares and shared voting power and shared dispositive power with respect to 22,000 shares. Also includes 296,912 shares for options which are immediately exercisable or become exercisable within 60 days.
 - (9) Includes 137,223 shares for options which are immediately exercisable or become exercisable within 60 days.
 - (10) Includes 82,838 shares for options which are immediately exercisable or become exercisable within 60 days.
 - (11) Includes 116,194 shares for options which are immediately exercisable or become exercisable within 60 days.
 - (12) Mr. LeVecchio has sole voting power and sole dispositive power with respect to 13,250 shares. Also includes 2,833 shares for options which are immediately exercisable or become exercisable within 60 days.
 - (13) Includes 147,162 shares held by Taddiken Investments, Ltd. of which Mr. Taddiken is the general partner. Also includes 275,258 shares for options which are immediately exercisable or become exercisable within 60 days.
 - (14) Includes 55,117 shares held by Institutional Venture Management VII and 2,597,061 shares held by Institutional Venture Partners VII. Mr. Tai is a general partner of each of these partnerships, shares voting and dispositive power with respect to the shares held by each of these entities and disclaims beneficial ownership of the shares held by these entities, except to the extent of his pecuniary interest. Mr. Tai has sole voting power and sole dispositive power with respect to 39,656 shares. Also includes 19,083 shares for options which are immediately exercisable or become exercisable within 60 days.
 - (15) Includes 7,833 shares for options which are immediately exercisable or become exercisable within 60 days.

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Securities Exchange Act of 1934 requires holders of more than 10% of our common stock to file with the U.S. Securities Exchange Commission reports regarding their ownership and changes in ownership of our stock. We believe that during fiscal 2004 our officers, directors and 10% stockholders complied with all Section 16(a) filing requirements, with the exception of Mr. Fontaine's inadvertent omission of 5,830 shares of common stock from a Form 4 filed with the Securities and Exchange Commission on August 13, 2004. Mr. Fontaine filed an Amendment to this Form 4 on February 23, 2005 to correct this inadvertent error. In making these statements, we have relied upon examination of the copies of Forms 3, 4 and 5 provided to us and the written representations of our directors and officers.

EXECUTIVE COMPENSATION

The following table shows compensation earned during fiscal 2004, 2003 and 2002 by Microtune's Chief Executive Officer and Microtune's other four most highly compensated executive officers for fiscal 2004. These people are called the Named Officers. The information in the table includes salaries, bonuses, performance sharing, and stock options and restricted stock awards and other miscellaneous compensation. Microtune has not granted stock appreciation rights and has no long-term compensation benefits other than stock options. For information about employment contracts and change-of-control arrangements between Microtune and the Named Officers, see the discussion immediately following this table.

SUMMARY COMPENSATION TABLE

The information in the table includes salaries, bonuses, and stock options and restricted stock awards and other miscellaneous compensation. We have not granted stock appreciation rights and have no long-term compensation benefits other than stock options. For information about employment contracts and change-of-control arrangements between us and the Named Officers, see the discussion immediately following this table.

Name and Principal Position	Year	Annual Compensation		Long-Term Compensation Awards	All Other Compensation
		Salary(\$)	Bonus(\$)	Options(#)	
James A. Fontaine Chief Executive Officer and President	2004	250,000	120,000	93,831	536(1)
	2003	114,793		800,000	
	2002	80,035			
Albert H. Taddiken Chief Operating Officer	2004	204,632	80,000	100,495	280(1)
	2003	156,261		300,241	
	2002	127,096		10,500	
Rob-Roy J. Graham Chief Development Officer, Vice President and Secretary	2004	225,000	70,000	73,446	
	2003	79,327	25,000	300,000	
	2002				
Robert S. Kirk Vice President, Worldwide Sales	2004	152,016	52,200	80,516	61,326(2)
	2003	119,095		174,490	
	2002				
Barry F. Koch (4) Managing Director, Microtune GmbH & Co. KG	2004	160,632	25,673	41,337	14,503(5)
	2003	134,783		262,671	
	2002	109,433		12,000	

- (1) These amounts consist solely of reimbursement for life insurance premiums paid by Microtune.
- (2) \$61,228 of this amount is attributable to sales commissions; \$98 of this amount consists of reimbursement for life insurance premiums paid by Microtune.
- (3) \$16,875 of this amount is attributable to sales commissions; \$47,395 of this amount consists of moving expenses paid by Microtune; \$6,000 of this amount consists of an automobile allowance paid by Microtune.
- (4) Mr. Koch is compensated in Euros; the salary and bonus amounts herein for the years 2004, 2003 and 2002 reflect the conversion from Euros to U.S. dollars using the average exchange rate in effect for each of 2004, 2003 and 2002, respectively.

(5) These amounts consist solely of an automobile allowance paid by Microtune.

CHANGE OF CONTROL ARRANGEMENTS/EMPLOYMENT AGREEMENTS

Shares of our common stock subject to options granted under our Amended and Restated 1996 Stock Option Plan and 2000 Stock Plan generally vest over five years, with 20% of the shares vesting after one year and the remaining shares vesting in monthly installments over the following 48 months. The option agreements for some of the key employees provide for variations in the standard vesting and for accelerated vesting of a portion of the employee's unvested option shares if the employee is terminated without cause by the surviving corporation following a change of control. If such acceleration is provided, change of control is defined in the employee's option or employment agreement, but typically is defined to mean the sale of all or substantially all of our assets, or the acquisition of us by another entity by means of consolidation or merger pursuant to which our stockholders immediately prior to such transaction shall hold less than 50% of the voting power of the surviving corporation.

Change of Control Agreements

On August 26, 2003, we entered into our standard form of Change of Control Agreement with each of Messrs. Fontaine, Taddiken, Graham and Kirk. We entered into our standard form of Change of Control Agreement with Justin M. Chapman and Phillip D. Peterson on November 29, 2004, and January 20, 2005, respectively.

Under this agreement, if any of the foregoing executives' employment is terminated within six months following a change of control, they are entitled to a lump sum equal to their respective base annual compensation plus the highest bonus paid to them in the three years immediately prior to the change of control. In addition, all unvested stock options, stock appreciation rights and restricted stock awards will immediately vest equal to the number of shares that would have vested over the twelve month period following their termination.

If their employment is terminated after six months but within twelve months following a change of control, they are entitled to a lump sum equal to 50% of their respective base annual compensation plus 50% of the highest bonus paid to them in the three years immediately prior to the change of control. In addition, all unvested stock options, stock appreciation rights and restricted stock awards will immediately vest equal to the number of shares that would have vested over the six month period following their termination.

Employment Agreements

We do not currently enter into employment agreements with our executive officers who are all employed on an at will basis. If this practice negatively impacts our ability to attract and retain executive officers in the future, we may modify this policy.

CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

We have not been a party to any transaction that involved more than \$60,000 between us and an executive officer, director or 5% stockholder or any of their immediate family members since the beginning of fiscal 2004 or that involved indebtedness to or payments from us during fiscal 2004 other than as described under the caption Executive Compensation and the transactions described below. The discussion does not address compensation paid in connection with employment or board of directors service.

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We believe that all transactions between us and our officers, directors, principal stockholders and other affiliates have been and will be on terms no less favorable to us than could be obtained from unaffiliated third parties.

OPTION GRANTS IN FISCAL 2004

The following table shows information about stock option grants to the Named Officers during fiscal 2004. These options are included in the Summary Compensation Table above. The options have an exercise price equal to the closing price on the date of the grant. Securities and Exchange Commission rules require us to show hypothetical gains that the Named Officers would have for these options at the end of their 10 year term. We calculated these gains assuming annual compound stock price appreciation of 5% and 10% from the date the option was originally granted to the end of the option term. The 5% and 10% assumed annual compound rates of stock price appreciation are provided as required by Securities and Exchange Commission rules. They are not our estimate or projection of future stock prices.

Actual gains, if any, on stock option exercises are dependent on the future performance of our common stock, overall market conditions and the option holders' continued employment through the vesting period. This table does not take into account any actual appreciation in the price of the common stock from the date of grant to the present.

Name	Individual Grants				Potential Realizable Value at Assumed Annual Rates of Stock Price Appreciation for Option Term(\$)		
	Number of Securities Underlying Options Granted	% of Total Options Granted to Employees in Fiscal 2004	Exercise Price (\$/Sh)	Expiration Date	5%	10%	
James A. Fontaine	(1)	27,163	1.17%	3.20	6/3/2014	54,665	138,531
	(2)	66,668	2.86%	4.47	8/18/2014	187,414	474,945
Albert H. Taddiken	(3)	21,731	0.93%	3.20	6/3/2014	43,733	110,828
	(4)	40,220	1.73%	4.47	8/18/2014	113,065	286,528
	(5)	38,544	1.65%	4.47	8/18/2014	108,353	274,589
Rob-Roy J. Graham	(6)	24,446	1.05%	3.20	6/3/2014	49,197	124,674
	(7)	24,000	1.03%	4.47	8/18/2014	67,468	170,977
	(8)	25,000	1.07%	4.47	8/18/2014	70,279	178,101
Robert S. Kirk	(9)	520	0.02%	3.20	6/3/2014	1,046	2,652
	(10)	15,996	0.69%	3.20	6/3/2014	32,191	81,579
	(11)	373	0.02%	4.47	8/18/2014	1,049	2,657
	(12)	23,627	1.01%	4.47	8/18/2014	66,419	168,319
	(13)	40,000	1.72%	4.47	8/18/2014	112,446	284,961
Barry F. Koch	(14)	16,337	0.70%	3.20	6/3/2014	32,878	83,318
	(15)	25,000	1.07%	4.47	8/18/2014	70,279	178,101

- (1) 13,581 options vested on December 1, 2004; 13,582 options vest on June 1, 2005.
- (2) These options vest monthly from August 1, 2007 through December 1, 2007.
- (3) 10,865 options vested on December 1, 2004; 10,866 options vest on June 1, 2005.
- (4) These options vest monthly from July 1, 2007 through December 1, 2007.
- (5) These options vest according to the following schedule:
 - (i) 1,752 options vest on January 1, 2006;
 - (ii) 19,272 options vest monthly from December 1, 2005 through December 1, 2006;
 - (iii) 1,752 options vest on January 1, 2007; and
 - (iv) 15,768 options vest monthly from December 1, 2005 through October 1, 2007.
- (6) 12,223 options vested on December 1, 2004; 12,223 options vest on June 1, 2005.
- (7) These options vest monthly from December 1, 2005 through December 1, 2007.
- (8) These options vest monthly from August 1, 2007 through December 1, 2007.
- (9) These options vest on June 1, 2005.

- (10) 8,258 options vested on December 1, 2004; 7,738 options vest on June 1, 2005.
- (11) These options vest on January 1, 2006.
- (12) 627 options vest on January 1, 2006; 1,000 options vest on February 1, 2006; 22,000 options vest monthly from December 1, 2005 through December 1, 2007.
- (13) 1,000 options vested on September 1, 2004; 39,000 options vest monthly from August 1, 2004 through December 1, 2007.
- (14) 8,168 options vested on December 1, 2004; 8,169 options vest on June 1, 2005.
- (15) These options vest monthly from July 1, 2007 through December 1, 2007.

Option Exercises and Fiscal Year-End Values

The following table shows information about the value realized on option exercises for each of the Named Officers during fiscal 2004, and the value of their unexercised options at the end of fiscal 2004. Value realized, is based on the closing fair market value of our common stock as quoted on the Nasdaq National Market on the date of exercise, less the per share exercise price, multiplied by the number of shares issued. Value at fiscal year end is measured as the difference between the exercise price and fair market value on December 31, 2004, which was \$6.11 as quoted on the Nasdaq National Market.

Name	Shares Acquired on Exercise (#)	Value Realized on Exercise (\$)	Number of Shares Underlying Unexercised Options at Fiscal Year-End (#)		Value of Unexercised In-the-Money Options at Fiscal Year-End (\$)	
			Exercisable	Unexercisable	Exercisable	Unexercisable
			James A. Fontaine	50,000	68,950	230,247
Albert H. Taddiken			255,256	347,980	1,154,709	1,139,240
Rob-Roy J. Graham			112,223	261,223	376,569	797,929
Robert S. Kirk			65,501	189,505	228,678	564,156
Barry F. Koch	33,014	109,383	96,193	189,468	336,832	613,291

REPORT OF THE COMPENSATION COMMITTEE OF THE BOARD OF DIRECTORS

We, James H. Clardy and Walter S. Ciciora, are the current members of the Compensation Committee. We are non-employee directors and meet the independence standards of the Nasdaq National Market and Securities and Exchange Commission.

The Compensation Committee sets, reviews and administers Microtune's compensation programs. Our role is to establish and recommend salaries and other compensation paid to the Chief Executive Officer and the other executive officers and to administer Microtune's stock and benefit plans. For executive officers, we approve all stock option grants, base salaries and any cash bonus payments. In addition we review all stock option grants to employees.

Compensation Philosophy

Our primary goals are to attract and retain qualified executives, motivate and reward our executive officers responsible for achieving our strategic objectives and maximize shareholder value. We review and consider the compensation of all levels of employees within Microtune to provide an appropriate context for executive compensation decisions. We also review executive compensation at certain peer companies to ensure that our compensation levels are competitive. At this time, the principal means of compensation are base salaries and long-term incentives.

Our executive compensation program includes incentive compensation related to and contingent upon Microtune's performance. The incentive plans pursuant to which such awards are made have been approved by our stockholders and are designed to comply with the requirements of federal tax laws on deductibility.

Base Salary

The base salaries of executive officers, including the Chief Executive Officer, are initially determined by evaluating the responsibilities of the position held and the experience and performance of the individual, with reference to the competitive marketplace for executive talent, including a comparison to base salaries for comparable positions in technology companies of reasonably similar size. We review executive salaries annually and recommend to the board of directors salary adjustments as appropriate to reflect changes in the market conditions and individual performance and responsibility.

Bonus

Microtune does not currently have an executive officer bonus program. Bonuses, if any, are awarded to executive officers based on the individual performance of the executive. In June 2004, we recommended, and the board approved, the award of discretionary cash bonuses to certain of our executive officers in recognition of their efforts to achieve the successful settlement of our intellectual property litigation and other legacy issues confronting Microtune.

Stock Options

Long-term incentive awards are an important and significant element of the total compensation package for Microtune executives. Under the Microtune 2000 Stock Plan, stock options to purchase Microtune common stock may be granted to executive officers and employees. Upon joining Microtune, the number of shares of Microtune common stock underlying an option grant and any subsequent grants are based in part on the competitive environment of the technology industry, while also maintaining an overall sense of fairness in the compensation distributed to our employees. In granting stock-based awards, we consider the long-term compensation paid for similar executive positions by peer companies, the number of unvested equity-based awards held by the executive officer and the executive officer's performance. We believe stock option grants are an effective method

of incenting executives to take a longer-term view of Microtune's performance and to ensure that the executives' interests and the stockholders' interests are aligned.

Chief Executive Officer Compensation

The Compensation Committee followed the same philosophy and principles described above in determining compensation for Mr. Fontaine, President and Chief Executive Officer of Microtune.

Mr. Fontaine received an annual base salary of \$250,000 in 2004. We believe that the annual salary for Mr. Fontaine is comparable to the median salary of chief executive officers in comparable technology companies. In addition to his annual base salary, we awarded Mr. Fontaine a \$120,000 bonus based on his successful guidance of the company through the intellectual property litigation settlement negotiations and final settlement, securing a \$22.5 million settlement payment from Broadcom Corporation. Mr. Fontaine also received stock option grants to purchase 93,831 shares of Microtune's common stock.

We believe that Mr. Fontaine's compensation is appropriate given the significant legal challenges facing the company in 2004 and the efforts required of him to guide Microtune through their resolution. Factors considered by the Compensation Committee in maintaining Mr. Fontaine's total compensation included the following: under Mr. Fontaine's leadership in 2004, Microtune's common stock was relisted on the Nasdaq National Market; Microtune settled all of its outstanding intellectual property litigation with Broadcom Corporation on terms favorable to the company; and finally, Microtune settled the consolidated securities class action litigation and consolidated derivative litigation on terms that had an insignificant financial impact on the company.

Other

Other elements of executive compensation include medical and life insurance benefits and the ability to defer compensation pursuant to a 401(k) plan. Microtune did not match contributions in the 401(k) Plan in fiscal 2004. No other special plans or benefits are offered to our executive officers which are not generally made available to all other employees. We have considered the potential impact of Section 162(m) of the Internal Revenue Code of 1986, as amended, and the regulations thereunder. Section 162(m) disallows a tax deduction for any publicly held corporation for individual compensation exceeding \$1 million in any taxable year for any of the executive officers, unless such compensation is performance-based. Since the cash compensation of each of the executive officers is below \$1 million, we believe that any options granted under the 2000 Stock Plan will meet the requirements of being performance-based. Further, we believe that Section 162(m) will not reduce any tax deduction available to Microtune for the tax year ended December 31, 2004.

Compensation Committee Members

James H. Clardy

Walter S. Ciciora

REPORT OF THE AUDIT COMMITTEE OF THE BOARD OF DIRECTORS

We, Anthony J. LeVecchio, Steven Craddock and A. Travis White, are the current members of the Audit Committee and each of us is a non-employee director. The board of directors has determined that Mr. LeVecchio is an audit committee financial expert and all current members of the Audit Committee are independent in accordance with the applicable regulations of the Securities and Exchange Commission and all applicable corporate governance rules of the Nasdaq National Market. We assist the board of directors in its oversight of Microtune's financial accounting, reporting and controls. We operate under a written charter that both the board of directors and we have approved. We also evaluate the performance and independence of Microtune's independent auditors.

Management is responsible for the preparation, presentation and integrity of Microtune's financial statements, including setting the accounting and financial reporting principles and establishing the internal controls and procedures designed to assure compliance with accounting standards and applicable laws and regulations. Our independent auditors are responsible for performing an independent audit of the consolidated financial statements in accordance with generally accepted auditing standards and issuing a report on the consolidated financial statements. We oversee these processes. As part of that oversight, we require that the independent auditors report directly to the Audit Committee.

We have the authority to conduct investigations into any matters that we deem appropriate, and we may retain, at Microtune's expense, special legal, accounting or other consultants or experts of our choosing that we deem necessary in performing our oversight function.

We reviewed and discussed the audited financial statements for the fiscal year ended December 31, 2004 with management and the independent auditors. We also discussed with the independent auditors the matters required to be discussed by Statement on Auditing Standards 61, Communication with Audit Committees, as amended. We received the written disclosures and the letter from the independent auditors required by Independence Standards board of directors Standard No. 1, Independence Discussions with Audit Committees. We discussed with Ernst & Young LLP that firm's independence and considered whether the provision of non-audit services by the independent auditors was compatible with maintaining the auditors' independence and pre-approve any non-audit services on a case-by-case basis. Based on the reports, discussions and review described in this report, and subject to the limitations on our role and responsibilities, we recommended to the board of directors that the audited financial statements be included in Microtune's Annual Report on Form 10-K for fiscal 2004, and the board of directors approved such inclusion. The board of directors and we also recommended the selection of Ernst & Young LLP as independent auditors for fiscal 2005.

Each member of the Audit Committee is an independent director as defined under the rules of the National Association of Securities Dealers, Inc. regarding audit committees. No member of the Audit Committee is associated with entities that hold in the aggregate more than five percent (5%) of the outstandi