

RELIANT ENERGY INC
Form DEFC14A
April 13, 2006

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

SCHEDULE 14A

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

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

Check the appropriate box:

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

RELIANT ENERGY, INC.

(Name of Registrant as Specified In Its Charter)

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

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1) Amount Previously Paid:

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4) Date Filed:

**Proxy Statement
and
Notice of 2006 Annual Meeting of Stockholders**

April 17, 2006

NOTICE OF 2006 ANNUAL MEETING OF STOCKHOLDERS

Dear Stockholder:

You are invited to attend the 2006 Annual Meeting of Stockholders of Reliant Energy, Inc. on Friday, May 19, 2006, beginning at 9:00 a.m., Central Time, at the Doubletree Hotel Allen Center, 400 Dallas Street, Second Floor, Houston, Texas, in Granger Ballroom A.

At the meeting, stockholders will be asked to:

1. Elect three directors to our Board of Directors;
2. Ratify the Audit Committee's selection of KPMG LLP as our independent auditors for fiscal year 2006;
3. Vote on a stockholder proposal requesting that the Board of Directors take action required to eliminate the classified structure of the Board; and
4. Transact such other business that may properly come before the meeting.

Stockholders of record at the close of business on March 22, 2006 are entitled to vote. Each share entitles the holder to one vote. You may vote by (a) casting a ballot at the meeting, (b) completing and returning the enclosed WHITE proxy card or (c) telephone or over the Internet by following the instructions on the enclosed WHITE proxy card. For specific voting information, see "General Information" beginning on page 1 of the enclosed proxy statement.

Even if you plan to attend the meeting, please sign, date and return the enclosed WHITE proxy card or use telephone or Internet voting.

Attendance is limited to stockholders of Reliant Energy, Inc., their proxy holders and our guests. Check-in will begin at 8:15 a.m. Stockholders holding stock in brokerage accounts need to bring a brokerage statement or other evidence of share ownership as of March 22, 2006 in order to be admitted to the meeting. If you need special assistance at the Annual Meeting because of a disability, please contact our Assistant Corporate Secretary, Wendi Bickett, at (713) 497-5636.

Sincerely,

Michael L. Jines
Senior Vice President,
General Counsel and Corporate Secretary

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RELIANT ENERGY, INC.
1000 Main Street
Houston, Texas 77002
(713) 497-3000

PROXY STATEMENT

GENERAL INFORMATION

We are providing these proxy materials to you in connection with the solicitation of proxies by the Board of Directors of Reliant Energy, Inc. for the 2006 Annual Meeting of Stockholders and for any adjournment or postponement of the Annual Meeting. In this proxy statement, we refer to Reliant Energy, Inc. as "we," "our" or "us."

We intend to mail this proxy statement, the notice of annual meeting, the WHITE proxy card and our Annual Report on Form 10-K for the fiscal year ended December 31, 2005 to stockholders starting on or about April 17, 2006.

What is the purpose of the Annual Meeting?

At the Annual Meeting, stockholders will act upon the matters outlined in the notice of meeting on the cover page of this proxy statement, including the election of directors, ratification of our independent auditors and consideration of a stockholder proposal, if properly presented at the meeting.

Who is entitled to vote at the Annual Meeting?

Only stockholders of record at the close of business on March 22, 2006, the record date for the meeting, are entitled to receive notice of and participate in the Annual Meeting. If you were a stockholder of record on that date, you are entitled to vote all of the shares that you held on that date at the meeting, or any postponements or adjournments of the meeting.

If your shares are registered directly in your name, you are the holder of record of these shares and we are sending these proxy materials directly to you. As the holder of record, you have the right to mail your proxy directly to us, to give your voting instructions on the Internet or by telephone or to vote in person at the Annual Meeting.

If you hold your shares in a brokerage account or through a bank or other holder of record, you hold the shares in "street name," and your broker, bank or other holder of record is sending these proxy materials to you. As a holder in street name, you have the right to direct your broker, bank or other holder of record how to vote by following the instructions that accompany your proxy materials. If you desire to vote in person at the Annual Meeting, you must provide a legal proxy from your bank, broker or other holder of record.

If you hold your shares indirectly in the Reliant Energy, Inc. Savings Plan or the Reliant Energy, Inc. Union Savings Plan (collectively, the "Reliant Benefit Plans"), you have the right to direct the trustee of the Reliant Benefit Plans how to vote your shares as described in the voting materials sent to you by the plan trustee.

How many votes do I have?

You have one vote for each share of our common stock you owned as of the record date for the meeting.

How do I vote?

You can vote either in person at the Annual Meeting or by proxy whether or not you attend the meeting. To vote by proxy, you must either:

Sign and date the enclosed WHITE proxy card, and return it in the enclosed postage-paid envelope;

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Vote by telephone by following the instructions on the enclosed WHITE proxy card; or

Vote over the Internet by following the instructions on the enclosed WHITE proxy card.

Can I change my vote?

Yes, you may change your proxy at any time prior to the vote tabulation at the meeting by (a) sending in a new WHITE proxy card with a later date; (b) casting a new vote by telephone or over the Internet; or (c) sending a written notice of revocation to our Assistant Corporate Secretary by mail to Reliant Energy, Inc., P.O. Box 1384, Houston, Texas 77251-1384 or by facsimile at (713) 497-0140. If you want to vote in person at the Annual Meeting, such vote will revoke any previously submitted proxy.

What are the Board's recommendations?

The Board's recommendations are set forth together with the description of each item in this proxy statement. In summary, the Board and, with respect to the ratification of the independent auditors, the Audit Committee, recommends a vote:

FOR election of the nominated slate of directors (see Item 1); and

FOR ratification of the appointment of KPMG LLP as our independent auditors for fiscal year 2006 (see Item 2).

The Board makes no voting recommendation on the stockholder proposal (see Item 3).

If any other matter properly comes before the meeting, Laree E. Perez and Donald J. Breeding (the "Proxy Holders") will vote as recommended by the Board or, if no recommendation is given, in their own discretion.

How many votes must be present to hold the Annual Meeting?

We will have a quorum, and will be able to conduct the business of the Annual Meeting, if the holders of a majority of the shares entitled to vote are represented in person or by proxy at the meeting. As of the record date, 306,106,162 shares of common stock, representing the same number of votes, were outstanding. Thus, the presence of the holders of at least 153,053,081 shares of common stock will be required to establish a quorum. Proxies received but marked as abstentions and broker non-votes will be included in the calculation of the votes considered to be present at the meeting.

A "broker non-vote" occurs when a broker lacks discretionary voting power to vote on a "non-routine" proposal and a beneficial owner fails to give the broker voting instructions on that matter. The rules of the New York Stock Exchange determine whether or not matters presented at the Annual Meeting are routine or non-routine in nature.

What vote is required to approve each item?

Directors are elected by a plurality of the votes cast. The ratification of KPMG LLP's appointment and the approval of the stockholder proposal each require the affirmative vote of a majority of the shares of common stock represented at the Annual Meeting and entitled to vote thereon.

How are my votes counted?

Election of Directors. You may vote "FOR" or "WITHHOLD AUTHORITY" for each director nominee. If you "WITHHOLD AUTHORITY," your votes will be counted for purposes of establishing a quorum but will have no effect on the election of directors.

Ratification of Our Independent Auditors and Adoption of Stockholder Proposal. You may vote "FOR," "AGAINST" or "ABSTAIN" on our proposal to ratify the selection of our independent auditors as well as the adoption of the stockholder proposal. If you "ABSTAIN" on either of these proposals, your votes will be counted for purposes of establishing a quorum, and the abstention will have the same effect as a vote "AGAINST" the proposal. Broker non-votes, if any, will not be counted

as having been voted and will have no effect on the outcome of either of these proposals.

What if I do not mark a voting choice for some of the matters listed on my WHITE proxy card?

If you return a signed WHITE proxy card without indicating your vote, your shares will be voted "FOR" the director nominees listed on the WHITE proxy card, "FOR" the proposal to ratify the selection of our independent auditors and "ABSTAIN" on the stockholder proposal.

Can the shares that I hold in the Reliant Benefit Plans be voted if I do not return my instructions to the plan trustee timely?

If you do not provide voting instructions to the plan trustee for the shares you hold indirectly in the Reliant Benefit Plans by 12:00 a.m., Central Time, on May 17, 2006, then the plan trustee will vote your shares in the same proportion as the shares for which timely instructions were received, unless to do so would be inconsistent with the Employee Retirement Income Security Act.

Could other matters be decided at the Annual Meeting?

We do not know of any other matters that will be considered at the Annual Meeting. If there are any other matters that arise at the meeting, the proxies will be voted at the discretion of the Proxy Holders.

What happens if the Annual Meeting is postponed or adjourned?

If the Annual Meeting is postponed or adjourned, your proxy will still be good and may be voted at the postponed or adjourned meeting. You will still be able to change or revoke your proxy until it is voted.

YOUR VOTE IS IMPORTANT:

If you hold your shares in registered name,
please vote **FOR Proposals 1 and 2** by signing, dating and returning
the enclosed **WHITE** proxy card today in the postage-paid envelope provided.

If you hold your shares through a bank, broker or other custodian, only such custodian
can vote your shares on your behalf. Please contact your custodian promptly
and instruct them to vote your shares **FOR Proposals 1 and 2** on the **WHITE** card.

If you have any questions, or need assistance in voting
your shares, please call our proxy solicitor,
INNISFREE M&A INCORPORATED.

Stockholders call toll-free at 1-877-825-8793
Banks and brokers call collect at 1-212-750-5833.

CORPORATE GOVERNANCE

The following sections summarize information about our corporate governance policies, our Board of Directors and its committees and the director nomination process.

Our Governance Practices

Corporate Governance Guidelines

We are committed to sound corporate governance principles. To evidence this commitment, the Board has adopted Corporate Governance Guidelines, which, along with the charters of the Board committees, our Business Ethics Policy and our Corporate Compliance Program, provide the framework for our corporate governance. A complete copy of the current version of each of these documents is available on our website at <http://www.reliant.com/corporate>. The Board regularly reviews corporate governance developments and modifies these charters, guidelines, policies and programs as appropriate.

Recent Governance Changes

As part of its annual evaluation of governance matters, the Nominating & Governance Committee recommended a number of changes in our governance practices in March 2006, which the Board unanimously approved. The modifications, which are discussed in more detail below under "Stock Ownership Guidelines" and "The Board of Directors," include:

Limiting the number of public company boards on which our directors may serve to four;

Requiring each director to submit a resignation letter upon a change in job; and

Implementing director and executive officer stock ownership guidelines.

Code of Business Conduct

We have adopted a Business Ethics Policy that constitutes a code of conduct and ethics for our directors, officers and employees and satisfies the U.S. Securities and Exchange Commission's ("SEC") definition of a "code of ethics." All of our directors, officers and employees are required to annually certify their compliance with the policy. The policy requires that any exception to or waiver of the policy for an executive officer or director be made only by the Board or an independent Board committee and disclosed on our website. To date, we have neither received any requests for, nor granted, waivers of the policy for any of our executive officers or directors.

Among other things, the policy addresses:

Conflicts of interest;

Corporate opportunities;

Confidentiality;

Fair dealing;

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Protection and use of our assets;

Compliance with laws, rules and regulations (including insider trading laws);

Reporting of any illegal or unethical behavior;

Gifts and entertainment;

Proper conduct in interacting with government agencies and officials; and

Limitations on certain corporate political contributions.

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The policy prohibits any executive officer or director from (a) seeking or accepting credit or an extension of credit in the form of a personal loan from us, (b) trading our securities acquired in connection with their service or employment (including long-term incentive awards, annual director awards, etc.) during any pension fund "black-out period" and (c), in the case of executive officers, receiving any tax services from our independent auditors.

Under the terms of the policy, each of our independent directors is required to ensure that he or she does not have any relationships or engage in any activities that would result in the director not being independent. Prior to engaging in any material relationship or activity that could reasonably be expected to affect his or her independence, the director must consult with our General Counsel or, in certain cases, the Board.

The policy also sets forth procedures for employees and other company representatives to report possible violations of laws, regulations or the policy. Reports may be made to an employee's immediate supervisor, our Executive Vice President Public and Regulatory Affairs and Corporate Compliance Officer ("Corporate Compliance Officer"), any member of the Corporate Compliance Office or the Office of Ethics and Compliance or any other senior company official. Reports may also be made anonymously to the Corporate Compliance Officer through a toll-free compliance hotline administered by an independent third party. All reported violations are investigated promptly and, to the extent possible, treated confidentially. It is our policy that there shall be no acts of retaliation, intimidation, threat, coercion or discrimination against any individual for truthfully reporting, furnishing information or assisting or participating in any manner in an investigation, compliance review or other activity related to the administration of the policy.

Corporate Compliance Program

We have a Corporate Compliance Program that implements measures to ensure compliance with the terms of the Business Ethics Policy. The Audit Committee provides oversight of the program. Additionally, we have a Corporate Compliance Officer responsible for implementing and reviewing measures to ensure compliance with and proper functioning of the Business Ethics Policy. Our Corporate Compliance Officer works with the Office of Ethics and Compliance, a group composed of our Chief Executive Officer, Chief Financial Officer, Senior Vice President Risk and Structuring ("Chief Risk Officer"), General Counsel and Corporate Compliance Officer, to monitor compliance with the Business Ethics Policy and confirm that the current policies and controls adequately ensure that our business practices are consistent with the Business Ethics Policy.

Stock Ownership Guidelines

In an effort to better align our directors and executive officers with the interests of our stockholders, in March 2006, the Nominating & Governance Committee recommended, and the Board adopted, stock ownership guidelines for our directors and executive officers. The new guidelines require that all non-management directors own 30,000 shares of our common stock. In addition, the Chairman and Chief Executive Officer must own 120,000 shares, all executive vice presidents that are executive officers must own 60,000 shares and all senior vice presidents that are executive officers must own 30,000 shares. The minimum stock ownership levels must be achieved within five years of the adoption of the guidelines (March 7, 2011) or within five years of first appointment to the Board or election as an executive officer, whichever is later. Any change in the value of our stock (such as a stock split, stock dividend, recapitalization, etc.) will not affect the amount of stock that directors and executive officers must hold. Once achieved, ownership of the guideline amount must be maintained.

The Board of Directors

Board Size; Meetings of the Board

Our Board is currently composed of seven members. Based on the recommendation of the Nominating and Governance Committee, the Board has initiated a process seeking to add two additional independent directors to the Board before the end of 2006. During 2005, the Board met eight times with all directors attending 100% of the meetings.

Meetings of Non-Management Directors and Role of the Lead Director

To facilitate candid discussion by our non-management directors, the agenda for each Board and committee meeting provides for a meeting of non-management directors in executive session. The Chairman of the Nominating & Governance Committee is currently designated the "Lead Director" empowered under our Corporate Governance Guidelines to preside over meetings of non-management directors and assist in the preparation of the agenda for each meeting.

Substantial Majority of Independent Directors

Our Corporate Governance Guidelines require that the Board be composed of a substantial majority of directors who meet the criteria for independence established by the New York Stock Exchange.

Pursuant to our Corporate Governance Guidelines, the Nominating & Governance Committee annually reviews relationships between each director and us and reports the results of its review to the Board, which then determines which directors satisfy the applicable independence standards. Rather than adopting categorical standards, the Board has determined that independence will be assessed on a case-by-case basis, in each case consistent with applicable statutory and regulatory requirements and the listing standards of the New York Stock Exchange.

As a result of this process, the Board determined that Ms. Perez and Messrs. Barnett, Breeding, Caldwell, Miller and Transier are independent directors. In confirming each individual's status as an independent director, the Board considered charitable contributions we make to organizations where certain directors serve as board members as well as certain commercial transactions between us and entities affiliated with certain directors and noted the insignificant amounts associated with these transactions. Mr. Staff, the Chairman of the Board and our Chief Executive Officer, is our only non-independent director.

Director Attendance at Annual Meetings

Although we do not have a formal policy regarding director attendance at annual meetings, all of our directors attended the 2005 Annual Meeting and we expect all will attend the 2006 Annual Meeting.

Director Orientation and Continuing Education

At least annually, in connection with a regularly scheduled Board meeting, the Board offers a seminar to its members on topics relevant to their responsibilities as directors. In addition, we maintain and distribute a current listing of external director education seminar opportunities on behalf of the Nominating & Governance Committee. Each director is encouraged to attend one external seminar per year. New directors participate in a special orientation program. The Nominating & Governance Committee reviews and evaluates the director education and orientation program on an annual basis. In 2005, all of our directors participated in director education programs. A copy of our Guidelines for Director Orientation and Continuing Education is available on our website at <http://www.reliant.com/corporate>.

Limitation on Number of Public Company Board Memberships

To ensure that each director is able to devote sufficient time to performing his or her duties, our Corporate Governance Guidelines prohibit our directors from serving on more than four public company boards. In addition, as part of the annual director evaluation process, the Board and the Nominating & Governance Committee take into account service on other boards as a factor in evaluating director performance and committee assignments. The Audit Committee's Charter prohibits committee members from serving on the audit committee of more than two other public companies.

No member of the Board currently serves on the boards of more than three public companies.

Change in Professional or Personal Circumstances

The Nominating & Governance Committee evaluates material changes in the personal or professional status of a director that could be expected to diminish the director's ability to effectively function as a member of the Board. In addition, as part of the annual director evaluation process, the Board considers changes in professional status and health, family, business or personal issues that may bear on effectiveness of board service. In 2006, the Board, based upon the recommendation of the Nominating & Governance Committee, implemented a new policy requiring the mandatory submission of a resignation letter by directors for a change in job, which the Board will decide whether to accept.

Board and Individual Director Evaluation Process

The Board conducts an annual self-evaluation to determine whether it and its committees are functioning effectively. Input from all directors is proactively solicited. The evaluation focuses on the Board's contribution to us and on areas that the Board or management believes can be improved. Additionally, in the first quarter of each year, the Chairman of the Board and the Lead Director meet privately with each director for an individual director evaluation. The Lead Director confirms to the Board, at its next regularly scheduled meeting, the completion of the individual director evaluation process and, subject to confidentiality of the process, presents to the Board any appropriate conclusions or recommendations for action.

Succession Planning for the Chief Executive Officer

The Compensation Committee annually reports to the Board of Directors on succession planning and works with the Board to evaluate potential successors to our Chief Executive Officer. As part of this process, the Compensation Committee solicits views from the non-management members of the Board. We have also adopted policies regarding succession in the event of an emergency or the unexpected resignation, retirement or incapacity of our Chief Executive Officer.

Committees of the Board of Directors

Committee Composition and Meetings

The following table lists our three Board committees, the directors who currently serve on them and the number of committee meetings held in 2005. All of our directors attended at least 90% of the meetings of the Board committees on which they served in 2005.

| Committee | Members | Number of Meetings in 2005 |
|-----------------------------------|---|-------------------------------|
| Audit Committee | Laree E. Perez (Chairman) Donald J. Breeding William L. Transier | 14 |
| Compensation Committee | William L. Transier (Chairman) E. William Barnett Steven L. Miller | 6 |
| Nominating & Governance Committee | E. William Barnett (Chairman) Donald J. Breeding Kirbyjon H. Caldwell Steven L. Miller Laree E. Perez | 4 |

Summary of Committee Responsibilities

Audit Committee

The purpose of the Audit Committee, as reflected in its charter, is to oversee:

The quality and integrity of our financial statements;

Our compliance with legal and regulatory requirements;

Our independent auditors' qualifications, independence and performance;

Our compliance program and the activities managed by the Corporate Compliance and Chief Risk Officers; and

The performance of our internal audit function.

In addition, the Audit Committee annually reviews our environmental policies and initiatives and our disclosures regarding deficiencies in the design or operation of internal controls.

A copy of the Audit Committee's charter is included as an appendix to this proxy statement.

The Board has determined that each member of the Audit Committee is independent under the SEC's rules and regulations, the listing standards of the New York Stock Exchange and our Corporate Governance Guidelines. The Board has determined that Ms. Perez and Mr. Transier are qualified as audit committee financial experts under the SEC's rules and regulations. In addition, the Board has determined that each member of the Audit Committee has the requisite accounting and related financial management expertise under the listing standards of the New York Stock Exchange. None of the members of the Audit Committee serves on the audit committee of more than two public companies.

Nominating & Governance Committee

The purposes of the Nominating & Governance Committee, as reflected in its charter, are to:

Assist the Board by identifying individuals qualified to become Board members and recommend to the Board director nominees for election at the annual meetings of stockholders or for appointments to fill vacancies;

Recommend to the Board director nominees for each Board committee and advise the Board on the appropriate composition of the Board and its committees;

Advise the Board about and recommend to the Board appropriate corporate governance practices and assist the Board in implementing those practices; and

Implement the annual performance review process for the Board and its committees.

In addition, the Nominating & Governance Committee reviews relationships between each director and us and reports the results of its review to the Board with appropriate recommendations, if any, for final action.

The Board has determined that each member of the Nominating & Governance Committee is independent under the listing standards of the New York Stock Exchange and our Corporate Governance Guidelines.

Compensation Committee

The purposes of the Compensation Committee, as reflected in its charter, are to:

Review, evaluate and approve our agreements, plans, policies and programs to compensate our officers and directors;

Oversee our plans, policies and programs to compensate our employees;

Produce a report on executive compensation each year for inclusion in our proxy statement for the Annual Meeting;

Evaluate the performance of our Chief Executive Officer and executive management; and

Determine the compensation for our Chief Executive Officer and such other members of our executive management as the Compensation Committee deems appropriate.

The Board has determined that each member of the Compensation Committee is independent under the listing standards of the New York Stock Exchange and our Corporate Governance Guidelines.

Director Nominations

Director Qualifications and Nomination Process

The Nominating & Governance Committee considers prospective nominees for Board membership suggested by Board members, management and stockholders. The Committee may also retain a third-party executive search firm to assist it in identifying prospective

nominees.

Once the Nominating & Governance Committee has identified a prospective nominee, it makes an initial determination as to whether to conduct a full evaluation of the candidate. The initial determination is based on information provided to the Committee with the recommendation of the candidate, the Committee's knowledge of the candidate and possible inquiries to the person making the recommendation or others. The preliminary determination is based primarily on the need for additional board members to fill vacancies or expand the size of the Board and the likelihood that the candidate

can satisfy the evaluation factors described below. The Committee also considers the diversity of, and the optimal enhancement of the current mix of talent and experience on, the Board and other factors as it deems relevant, including the current composition of the Board, the balance of management and independent directors and the need for expertise in particular areas.

The Committee then evaluates the candidate against the standards and qualifications set out in its charter and our Corporate Governance Guidelines, including the candidate's experience, independence, knowledge, commitment to our core values, skills, expertise, independence of mind, integrity, service on the boards of other public companies, openness, ability to work as part of a team, willingness to commit the required time and familiarity with our business. Following an evaluation and interviews, the Committee makes a recommendation to the full Board regarding the candidate. After considering the recommendation, the full Board determines whether or not to extend an offer to the candidate for Board membership.

The Committee did not retain, and we did not pay a fee to, any third party to assist in the process of identifying or evaluating prospective director nominees for election at the Annual Meeting, nor did we receive any director nominees put forward by a stockholder or group of stockholders who beneficially own more than 5% of our common stock. We have, however, received a letter from a stockholder purporting to nominate three director candidates. See "Stockholder Director Nominations" for more information.

Submission of Stockholder Nominations to the Board

A stockholder who wishes to recommend a prospective nominee for the Board should notify us at Reliant Energy, Inc., P.O. Box 1384, Houston, Texas 77251-1384. The notice should be addressed to the attention of the Corporate Secretary or the Chairman of the Nominating & Governance Committee in care of the Corporate Secretary. The notice should include whatever supporting material the stockholder considers appropriate. The Nominating & Governance Committee will also consider whether to nominate any person nominated by a stockholder pursuant to the provisions of our bylaws relating to stockholder nominations as described in "Additional Information Stockholder Proposals" below.

Stockholder Communications to the Board

Stockholders and other parties interested in communicating directly with the Chairman of the Nominating & Governance Committee (who is currently designated as the Lead Director), the non-management directors as a group or the Board may do so by writing in care of the Corporate Secretary at P.O. Box 1384, Houston, Texas 77251-1384. Instructions on how to communicate with the Board are also available on our website at <http://www.reliant.com/corporate>.

Additionally, under the terms of our Business Ethics Policy, anyone desiring to raise a complaint or concern regarding accounting issues or other compliance matters directly with the Audit Committee has the ability to do so by contacting EthicsPoint, Inc. at the following address, toll free number or secure facsimile:

Reliant Energy Ethics & Compliance Helpline
c/o EthicsPoint, Inc.
P.O. Box 230369
Portland, OR 97281-0369
Toll Free Number: (866) 693-8442
Facsimile: (971) 249-0344

Such complaints and concerns will be forwarded directly to the Chairman of the Audit Committee.

The Nominating & Governance Committee has approved a process for handling letters or other communications received by us and addressed to non-management members of the Board. Under this process, our Corporate Secretary reviews all correspondence that, in his opinion, deals with the functions of the Board or otherwise requires their attention. The Corporate Secretary has the discretion not to forward unsolicited marketing materials, mass mailings, unsolicited publications, surveys and questionnaires, resumes and other forms of job inquiries and requests for business contacts or referrals. In addition, the Corporate Secretary may, in his discretion, handle any director communication that is an ordinary course of business matter, including routine questions, complaints, comments and related communications that can appropriately be handled by management. However, directors may at any time request copies of all correspondence that is addressed to members of the Board. Concerns relating to accounting, internal controls or auditing matters are immediately brought to the attention of our internal audit department or Corporate Compliance Officer and handled in accordance with procedures established by the Audit Committee.

ITEMS TO BE VOTED ON BY STOCKHOLDERS

Item 1: Election of Directors

Our Board of Directors is currently divided into three classes serving staggered terms. A proposal to declassify the Board has been submitted and may impact our classified board structure in the future. Our Chairman and Chief Executive Officer, Joel V. Staff, together with Kirbyjon H. Caldwell and Steven L. Miller are designated as our Class I directors. The term of office for our Class I directors expires at our 2006 Annual Meeting. The term of office for our Class II directors, Laree E. Perez and William L. Transier, expires at our 2007 Annual Meeting. The term of office for our Class III directors, E. William Barnett and Donald J. Breeding, expires at our 2008 Annual Meeting. Following election to the Board, each class of directors will serve for a term of three years and until their successors are elected and qualified.

Based on recommendations from the Nominating & Governance Committee, the Board has nominated its current Class I directors, Messrs. Staff, Caldwell and Miller, for election to the Board as Class I directors with their term of office expiring at our 2009 Annual Meeting. We have no reason to believe that Messrs. Staff, Caldwell or Miller will be unavailable for election; however, if any nominee becomes unavailable for election, the Board can name a substitute nominee and proxies will be voted for the substitute nominee pursuant to discretionary authority, unless withheld.

THE BOARD RECOMMENDS A VOTE *FOR* THE CLASS I DIRECTOR NOMINEES.

We describe the principal occupations and other information about the Board nominees and the incumbent Board members below.

Class I Directors Term Expiring 2009

Joel V. Staff, Age 62

Director since October 2002

Mr. Staff was appointed to the Board in October 2002 and elected as a director at the 2003 Annual Meeting of Stockholders. He has served as our Chairman and Chief Executive Officer since April 2003. He was Executive Chairman of National-Oilwell, Inc. (now National Oilwell Varco, Inc.), an international oil and gas services and equipment company, from May 2001 to May 2002 and Chairman, President and Chief Executive Officer from July 1993 to May 2001. He also serves on the Board of Directors of ENSCO International Incorporated and is a member of its Nominating, Governance and Compensation Committee.

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Kirbyjon H. Caldwell, Age 52

Director since August 2003

Pastor Caldwell was appointed to the Board in August 2003 based on the recommendation of our non-management directors. He has served as Senior Pastor of Windsor Village United Methodist Church since June 1982. He also serves on the Board of Directors of Continental Airlines and is a member of its Human Resources Committee and its Corporate Governance Committee.

Steven L. Miller, Age 60

Director since August 2003

Mr. Miller was appointed to the Board in August 2003 based on the recommendation of our non-management directors. He has served as Chairman and President of SLM Discovery Ventures, Inc., a company pursuing commercial ventures in support of volunteerism, social outreach and higher education academic achievement, since September 2002. From January 2003 to September 2004, Mr. Miller served as Chairman of CEO Initiative-Diversity Best Practices, and from February 2003 to December 2004, he served as Chairman of Momentum Bio Ventures, Inc., a venture capital/management services company focusing on biotechnology and life sciences. From July 1999 to September 2002, Mr. Miller served as Chairman, President and Chief Executive Officer of Shell Oil Company, a Houston-based affiliate of the Royal Dutch/Shell Group of Companies, an international petroleum company.

Incumbent Class II Directors Term Expiring 2007

Laree E. Perez, Age 52

Director since April 2002

Ms. Perez has served as an independent financial consultant with The Medallion Company, LLC, an investment advisory/consultation and professional money management company, since September 2002. From February 1996 to September 2002, she served as Vice President of Loomis, Sayles & Company, L.P., an investment advisory/consultation and professional money management firm. Ms. Perez also serves on the Board of Directors of Martin Marietta Materials, Inc. and is a member of its Audit Committee and its Ethics, Environment, Safety and Health Committee.

William L. Transier, Age 51

Director since December 2002

Mr. Transier has served as Co-Chief Executive Officer of Endeavour International Corporation, an international oil and gas exploration and production company focused on the North Sea, since February 2004. From March 1999 to April 2003, he served as Executive Vice President and Chief Financial Officer of Ocean Energy, Inc., an independent oil and gas exploration and production company that merged with Devon Energy Corporation. Mr. Transier serves on the Board of Directors of Endeavour International Corporation. He also serves on the Board of Directors of Helix Energy Solutions Group, Inc. and is the Chairman of its Compensation Committee and a member of its Audit Committee.

Incumbent Class III Director Nominees Term Expiring 2008

E. William Barnett, Age 73

Director since October 2002

Mr. Barnett is a member of the Board of Directors of Enterprise Products GP, LLC, the general partner of Enterprise Products Partners L.P., and is a member of its Audit and Conflicts Committee and Chairman of its Governance Committee. Mr. Barnett was managing partner of the law firm Baker Botts LLP from January 1984 to December 1997.

Donald J. Breeding, Age 71

Director since October 2002

Mr. Breeding has been President and Chief Executive Officer of Airline Management, LLC, an aviation and airline consulting company, since 1997. Mr. Breeding also serves on the Board of Directors of Pinnacle Airlines Corp. and is Chairman of its Nominating and Corporate Governance Committee and a member of its Compensation Committee.

Item 2: Ratification of Appointment of Independent Auditors

The Audit Committee annually reviews the qualifications, performance and independence of our independent auditors in accordance with regulatory requirements and guidelines and evaluates whether to change our independent auditors. Based on this review, in March 2006, the Audit Committee decided to appoint KPMG LLP as our independent auditors to conduct our audit for 2006 and to dismiss our previous auditors, Deloitte & Touche LLP. For further information, see "Change in Independent Auditors" below.

Although stockholder approval is not required for the appointment of KPMG LLP, the Board and the Audit Committee have determined that it is desirable as a good corporate governance practice. Ratification requires the affirmative vote of a majority of the shares entitled to vote on, and voted for or against, the matter, represented in person or by proxy at the Annual Meeting. If our stockholders do not ratify the appointment, the Audit Committee may reconsider the appointment. However, even if the appointment is ratified, the Audit Committee, in its discretion, may select different independent auditors if it subsequently determines that such a change would be in the best interest of us and our stockholders.

THE BOARD RECOMMENDS A VOTE FOR THE RATIFICATION OF THE APPOINTMENT OF KPMG LLP AS INDEPENDENT AUDITORS.

Item 3: Stockholder Proposal Elimination of Classified Board of Directors

We have been notified that Mr. Harold J. Mathis, Jr., whose address is P.O. Box 1209, Richmond, Texas 77406-1209 and who is a holder of 2,523 shares of our common stock intends to present the following proposal for consideration at the Annual Meeting:

RESOLVED: That the stockholders of Reliant Energy, Inc., assembled in annual meeting in person or by proxy, hereby request that the Board of Directors take the needed steps to provide that at future elections of directors new directors be elected annually and not by classes, as is now provided, and that on expiration of present terms of directors their subsequent elections shall also be on an annual basis."

REASONS

At the last annual meeting of Reliant Energy, Inc. a majority vote of 120,077,845 shares or 65.61% of the Yes/NO vote approved this proposal to elect all directors annually.

Reliant chose to hold this meeting in Pittsburgh, Pa. and refused to issue a press release stating results from the meeting.

The Council of Institutional Investors "Council Policies" state at:

www.cii.org/policies/shareholder_meetings.htm

"Corporations should make shareholders' expense and convenience primary criteria when selecting the time and location of shareholder meetings."

www.cii.org/policies/boardofdirectors.htm

"Boards should take actions recommended in shareholder proposals that receive a majority of

votes cast for and against. If shareholder approval is required for the action, the board should submit the proposal to a binding vote at the next shareholder meeting."

"All directors should be elected annually (no classified boards.)"

www.cii.org/policies/shareownervoting.htm
"Supermajority votes should not be required."

It is the strong belief of this proponent, Harold J. Mathis, Jr., P. O. Box 1209, Richmond, Texas 77406, who is the owner of 2,523 shares, that classification of the Board of Directors is not in the best interest of Reliant Energy, Inc. and its shareholders. This proponent also believes that it makes a Board less accountable to shareholders when all directors do not stand for election each year; the piecemeal election insulating directors and senior management from the impact of poor performance.

Arthur Levitt, former chairman of the SEC has said: "In my view it's best for the investor if the entire board is elected once a year. Without annual election of each director shareholders have far less control over who represents them."
"Take on the Street" by Arthur Levitt

It appears that classified boards are rapidly becoming a thing of the past as more companies demonstrate a greater commitment to the principles of corporate democracy, adhering to policies that maximize accountability to shareholders. *The majority of all S&P 500 companies now elect their entire board annually.*

Mathis proposals on this and similar issues have preceded successful board sponsored recommendations at Freeport-McMoRan, McMoRan Exploration, First Energy, Honeywell, and Baker Hughes, Inc.

Why should Reliant Energy, Inc. shareholders continue the piecemeal approach of waiting three years to complete their evaluation of the entire Board?

REGISTER YOUR VIEWS ON THE TOTAL BOARD'S PERFORMANCE EACH YEAR.

Protect your investment through better corporate governance and board accountability. Vote YES to evaluate director performance each year.

PLEASE MARK YOUR PROXY IN FAVOR OF THIS PROPOSAL.

Beware! At Reliant Energy, Inc., abstentions will have the same effect as a vote against this proposal.

THE BOARD IS NOT OPPOSING THIS PROPOSAL AND MAKES NO VOTING RECOMMENDATION TO STOCKHOLDERS.

Our Board of Directors has considered the stockholder's proposal relating to the annual election of directors, and has determined not to oppose the proposal and to make no voting recommendation on the proposal to stockholders. The Board recognizes that board classification remains controversial and believes that there are valid arguments in favor of, and in opposition to, classified boards. After careful consideration, and upon the recommendation of the Nominating & Governance Committee, the Board has determined that it wants to use this proposal as an opportunity for stockholders to express their views on this subject without being influenced by any recommendation the Board might make.

Supporters of classified boards often contend, among other things, that a classified board can promote stability and continuity of leadership and enhance a board's ability to respond to certain types of takeover bids by making it more difficult for an unsolicited bidder to gain control of a company. Opponents of classified boards often advance arguments such as those contained in the stockholder's supporting statement.

Approval of this proposal requires the affirmative vote of a majority of the shares present at the annual meeting and entitled to vote. The proposal, which is advisory in nature, would constitute a recommendation to the Board if approved by stockholders and would not in itself effectuate the changes contemplated by the proposal. Further action by the stockholders would be required to amend the company's Certificate of Incorporation. Under the Certificate of Incorporation, a sixty-six and two-thirds percent (66²/₃%) vote of the outstanding shares would be required for approval. In addition, under Delaware law, amendments to the Certificate of Incorporation require a recommendation from the Board prior to submission to the stockholders. The Board will abide by the vote of stockholders on this declassification proposal. If stockholders approve the proposal at this year's annual meeting, the Board will present for a vote of stockholders at next year's annual meeting an amendment to the Certificate of Incorporation that, if approved, would eliminate the classified board.

If stockholders return a validly executed proxy solicited by the Board, the shares represented by the proxy will be voted on this proposal in the manner specified by the stockholder. If stockholders do not specify the manner in which their shares represented by a validly executed proxy solicited by the Board are to be voted on this proposal, such shares will be counted as abstentions. Under Delaware law, abstentions will have the same effect as a vote against the proposal.

The Board is not opposing this proposal and makes no voting recommendation to stockholders.

STOCK OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

Directors and Executive Officers

The following table shows the number of shares of our common stock beneficially owned as of April 3, 2006 by each director nominee, each incumbent director, the executive officers named in the "Summary Compensation Table" and all directors and current executive officers as a group.

| Name of Beneficial Owner | Amount and Nature of Beneficial Ownership (1)(2)(3)* |
|--|--|
| E. William Barnett | 71,759 |
| Donald J. Breeding | 41,529 |
| Kirbyjon H. Caldwell | 19,333 |
| Mark M. Jacobs | 966,023 |
| Michael L. Jines | 158,786 |
| Brian Landrum | 231,449 |
| Jerry J. Langdon | 32,300 |
| Steven L. Miller | 41,166 |
| Laree E. Perez | 24,198 |
| James B. Robb ⁽⁴⁾ | 28,696 |
| Joel V. Staff | 1,597,944 |
| William L. Transier | 63,931 |
| All directors and current executive officers as a group (14 individuals) | 3,446,716 ⁽⁵⁾ |

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Unless otherwise indicated, the number of shares beneficially owned represents less than 1% of our outstanding common stock as of April 3, 2006.

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- (1) Includes the number of shares that the directors or executive officers had a right to acquire as of or within 60 days after April 3, 2006 as follows: Mr. Barnett 54,967; Mr. Breeding 33,847; Pastor Caldwell 19,333; Mr. Jacobs 530,667; Mr. Jines 145,809; Mr. Landrum 146,087; Mr. Langdon 32,300; Mr. Miller 21,410; Ms. Perez 21,833; Mr. Robb 26,800; Mr. Staff 984,898; Mr. Transier 51,847; and all directors and current executive officers as a group 2,176,964.
- (2) Includes shares allocated to executive officers under the Reliant Energy, Inc. Savings Plan ("Savings Plan") and the Reliant Energy, Inc. Employee Stock Purchase Plan ("ESPP") as follows: Mr. Jacobs 13,242; Mr. Jines 2,294; Mr. Landrum 14,197; Mr. Langdon 0; Mr. Robb 1,896; Mr. Staff 9,202; and all current executive officers as a group 65,568.
- (3) Includes shares of restricted stock over which the following directors have voting power but no investment power until the restrictions lapse: Mr. Barnett 1,380; Mr. Breeding 459; Mr. Miller 3,953; and Mr. Transier 2,489.
- (4) Beneficial ownership is reported as of November 23, 2005, the date Mr. Robb resigned as an officer. For additional information, see " Employment Agreements Resignation of Mr. Robb."
- (5) The number of shares beneficially owned by all directors and current executive officers as a group represents approximately 1.13% of our outstanding common stock as of April 3, 2006.

Principal Stockholders

The following table sets forth information about persons whom we know to be the beneficial owners of more than 5% of our issued and outstanding common stock based solely on our review of the Schedule 13G or Schedule 13D Statement of Beneficial Ownership filed by such person with the SEC as of the date of such filing:

| Name and Address of Beneficial Owner | Amount and Nature of Beneficial Ownership | Percent of Class |
|--|--|---------------------|
| Donald Smith & Co., Inc. 152 West 57 th Street New York, New York 10019 | 18,414,800 | 6.04% |
| Glenview Capital Management, LLC Glenview Capital GP, LLC Glenview Capital Master Fund, Ltd. Lawrence M. Robbins 399 Park Avenue New York, New York 10022 | 28,805,529 | 9.50% |
| Orbis Investment Management Limited Orbis Asset Management Limited 34 Bermudiana Road Hamilton, HM 11, Bermuda | 16,934,390 | 5.56% |

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), requires our directors and officers to file initial reports of ownership and reports of changes in ownership of our common stock with the SEC. During 2005, all of our officers and directors complied with the reporting requirements of Section 16(a) of the Exchange Act.

STOCK PRICE PERFORMANCE GRAPH

Our common stock trades on the New York Stock Exchange under the symbol "RRI." The following line graph compares the yearly percentage change in our cumulative total stockholder return on common stock with a general market index (Standard & Poor's 500 Stock Index) and a group of our peer companies comprised of Calpine Corporation., Constellation Energy Group, Inc., Dominion Resources, Inc., Dynegy Inc., Exelon Corporation, Mirant Corporation, NRG Energy, Inc., Sempra Energy and TXU Corp.

**COMPARISON OF FIVE-YEAR CUMULATIVE TOTAL RETURN⁽¹⁾⁽²⁾
AMONG RELIANT ENERGY, INC., THE S&P 500 INDEX AND THE PEER GROUP
FROM MAY 1, 2001 THROUGH DECEMBER 31, 2005**

(1) Assumes that \$100 was invested in our common stock and each index on May 1, 2001, the date of our initial public offering.

(2) Historical stock price performance is not necessarily indicative of future price performance.

| Year-End Data | 2001 | 2002 | 2003 | 2004 | 2005 |
|----------------------|-------------|-------------|-------------|-------------|-------------|
| Reliant Energy, Inc. | \$ 55.03 | \$ 10.67 | \$ 24.53 | \$ 45.50 | \$ 34.40 |
| S&P 500 Index | \$ 91.52 | \$ 71.29 | \$ 91.74 | \$ 101.72 | \$ 106.72 |
| Peer Group | \$ 64.56 | \$ 43.22 | \$ 56.53 | \$ 79.66 | \$ 100.75 |

COMPENSATION OF DIRECTORS

Annual Compensation

Each non-employee director receives an annual retainer of \$45,000 and a fee of \$2,000 for each Board and committee meeting attended. Directors who serve on committees, other than the Audit Committee, also receive a \$5,000 committee retainer for each committee on which he or she serves. Directors who serve on the Audit Committee receive a \$10,000 committee retainer. In 2005, directors were permitted to choose to receive their retainers and meeting fees in one or a combination of the following forms:

Cash.

Common Stock. A director who chooses this form will receive his/her compensation in stock following the end of each quarter. In addition, a director electing common stock will receive a 25% premium payable in restricted stock which vests and is transferable at the end of the director's current term.

Restricted Stock Units. A director who chooses this form will receive his/her compensation plus a 25% premium in restricted stock units. The units attributable to the director's retainers and fees are vested at the earlier of the director's termination of service (voluntary or otherwise) as a Board member or the end of the current term. The premium units vest at the end of the director's current term (and will be forfeited if the director's service terminates before the end of the current term).

In November 2005, the Board revised the choices available to directors for payment of their retainers and meeting fees. Beginning in 2006, the option to choose restricted stock units as a form of payment for fees and retainers is no longer available, but directors may still choose either cash or common stock with the 25% premium in restricted stock as described above.

Equity Compensation Grants

Each non-employee director receives equity grants upon their initial election to the Board as well as annual grants. In November 2005, the Board approved a change to these grants.

Prior to the change, each non-employee director, upon his or her initial election to the Board, received 5,000 shares of restricted stock units that are subject to forfeiture until the end of the director's current term, with the underlying shares delivered when the director terminates his or her service on the Board. Beginning in 2006, each newly elected director will receive 5,000 shares of restricted stock, which are subject to forfeiture until the end of the director's current term.

In 2005, each non-employee director received an annual grant of 2,500 shares of restricted stock units, which vest at the end of his or her current term, and 5,000 stock options, which vest in one-third increments over the following three years. The exercise price of the options is equal to the fair market value of the underlying stock (determined as of the date of grant, June 7, 2005). As recommended by the independent compensation consulting firm retained by the Compensation Committee, stock option grants were eliminated beginning in 2006. Each director will now receive an annual grant of 6,000 shares of restricted stock in place of the combined grant of restricted stock units and stock options under the former program.

COMPENSATION OF EXECUTIVE OFFICERS

Executive Compensation Tables

The following tables set forth the cash and non-cash compensation earned by or awarded to our Chief Executive Officer, each of our four next most highly compensated executive officers who were serving as executive officers at December 31, 2005 and one former executive officer who resigned in November 2005. These persons are referred to collectively as the "named executive officers."

Summary Compensation Table

**Annual
Compensation**
