

VARIAN MEDICAL SYSTEMS INC
Form DEF 14A
December 29, 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:

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| <input type="checkbox"/> | Preliminary Proxy Statement | <input type="checkbox"/> | Confidential, for Use of the Commission Only (as permitted by Rule |
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VARIAN MEDICAL SYSTEMS, INC.

(Name of Registrant as Specified In Its Charter)

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

Payment of Filing Fee (Check the appropriate box):

- No fee required.
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(2) Form, Schedule or Registration Statement No.:

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Varian Medical Systems, Inc.

3100 Hansen Way

Palo Alto, CA 94304

December 29, 2006

Dear Stockholder:

You are cordially invited to attend Varian Medical Systems, Inc.'s 2007 Annual Meeting of Stockholders to be held on Thursday, February 15, 2007 at 4:30 p.m. Pacific Time at the Sheraton Palo Alto Hotel, Justine's Room, 625 El Camino Real, Palo Alto, California 94301.

The Secretary's formal notice of the meeting and the Proxy Statement appear on the following pages and describe the matters to be acted upon at the annual meeting. You also will have the opportunity to hear what has happened in our business in the past year.

We hope that you can join us. However, whether or not you plan to be there, please vote by phone or over the Internet, or sign and return your proxy card in the enclosed envelope as soon as possible so that your vote will be counted.

Sincerely,

Richard M. Levy
Chairman of the Board

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Varian Medical Systems, Inc.

3100 Hansen Way

Palo Alto, CA 94304

December 29, 2006

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

AND PROXY STATEMENT

Varian Medical Systems, Inc. will hold its Annual Meeting of Stockholders on Thursday, February 15, 2007 at 4:30 p.m. Pacific Time at the Sheraton Palo Alto Hotel, Justine s Room, 625 El Camino Real, Palo Alto, California 94301.

At this annual meeting we will ask you to:

elect four directors to serve until the 2010 Annual Meeting of Stockholders;

approve the Varian Medical Systems, Inc. Second Amended and Restated 2005 Omnibus Stock Plan;

approve an amendment to the Varian Medical Systems, Inc. Management Incentive Plan;

ratify the appointment of PricewaterhouseCoopers LLP as our independent registered public accounting firm for fiscal year 2007; and

transact any other business that properly comes before the annual meeting.

The Board of Directors has selected December 18, 2006 as the record date for determining stockholders entitled to vote at the annual meeting. A list of stockholders as of that date will be available for inspection during ordinary business hours at our principal executive offices at 3100 Hansen Way, Palo Alto, California 94304 for ten days before the annual meeting.

This Proxy Statement, a proxy card and our 2006 Annual Report on Form 10-K are being distributed on or about December 29, 2006 to those entitled to vote.

By Order of the Board of Directors,

John W. Kuo
Secretary

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GENERAL INFORMATION

Q: Who is soliciting my proxy?

A: The Board of Directors the Board of Varian Medical Systems, Inc. we, us or the Company is sending you this Proxy Statement in connection with the Board's solicitation of proxies for use at the 2007 Annual Meeting of Stockholders the Annual Meeting. Certain of our directors, officers and employees also may solicit proxies on the Board's behalf by mail, phone, email, fax or in person. We have hired Georgeson Inc., 17 State Street, New York, New York 10004, to assist in soliciting proxies from brokers, bank nominees and other stockholders.

Q: Who is paying for this solicitation?

A: We will pay for the solicitation of proxies. Our directors, officers and employees will not receive additional remuneration. We expect that we will pay Georgeson Inc. not more than \$15,000, plus reasonable out-of-pocket expenses, and also will reimburse banks, brokers, custodians, nominees and fiduciaries for their reasonable charges and expenses to forward our proxy materials to the beneficial owners of our common stock.

Q: What am I voting on?

A: You will be voting on four proposals. Proposal One is for the election of John Seely Brown, R. Andrew Eckert, Mark R. Laret and Kent J. Thiry to the Board. Messrs. Brown, Eckert, Laret and Thiry have been nominated for election for three-year terms ending at the 2010 Annual Meeting of Stockholders.

Proposal Two is for the approval of the Varian Medical Systems, Inc. Second Amended and Restated 2005 Omnibus Stock Plan the Second Amended Stock Plan which amends the Varian Medical Systems, Inc. Amended and Restated 2005 Omnibus Stock Plan the Amended 2005 Omnibus Stock Plan to, among other things, increase the number of shares available for awards under this plan.

Proposal Three is for the approval of an amendment to the Varian Medical Systems, Inc. Management Incentive Plan the Amendment to the MIP which adds additional performance goals that may be utilized under the plan.

Proposal Four is for the ratification of the appointment of PricewaterhouseCoopers LLP as our independent registered public accounting firm for fiscal year 2007.

Q: Who can vote?

A: Only those people who owned our common stock at the close of business on December 18, 2006, the record date for the Annual Meeting, may vote. Each share of common stock outstanding on that date is entitled to one vote on all matters to come before the meeting, except that cumulative voting will apply in the election of directors. Under the cumulative voting method of election, the stockholder computes the number of votes available to the stockholder by multiplying the number of shares the stockholder owned on the record date by the number of directors to be elected, and may cast the votes all for a single nominee or may distribute them in any manner among the nominees.

Q: How do I vote and how do I revoke my proxy?

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- A: You may vote your shares either in person or by proxy. To vote by proxy, please vote your shares over the Internet or telephone by following the instructions indicated on the enclosed proxy card or mark, date, sign and mail the enclosed proxy card in the postage-prepaid envelope. Giving a proxy will not affect your right to vote your shares if you attend the Annual Meeting and want to vote in person by voting in person you automatically revoke your proxy. You also may revoke your proxy at any time before the voting by giving our Secretary written notice of your revocation, by submitting a later-dated proxy card or by voting again using the telephone or Internet (your latest telephone or Internet proxy is the one that will be counted).

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If you vote by proxy, the individuals named as proxyholders will vote your shares as you instruct, including with respect to cumulative voting for directors. If you vote your shares over the telephone, you must select a voting option (For, Against, or Withhold (for directors) or Abstain (for Proposals Two, Three and Four)) in order for your proxy to be counted. If you validly vote your shares over the Internet or sign and return your proxy card but do not provide any voting instructions, the individuals named as proxyholders will vote your shares **FOR** the election of the nominees for director, **FOR** the approval of the Second Amended Stock Plan, **FOR** the approval of the Amendment to the MIP and **FOR** the ratification of the appointment of PricewaterhouseCoopers LLP as our independent registered public accounting firm for fiscal year 2007. With respect to the election of directors, the proxyholders will have full discretion and authority to vote cumulatively and to allocate votes among any or all of the nominees for director in any order they determine.

Q: What is the deadline for submitting a proxy?

A: In order to be counted, proxies submitted by telephone or the Internet must be received by 11:59 p.m. Pacific Time on February 14, 2007.

Q: Can I receive materials for future annual meetings online?

A: Yes, and we encourage you to do so. In an effort to ensure that you receive materials quickly and efficiently, help reduce our printing and postage costs and reduce paper mailed to your home, we offer you the convenience of viewing materials related to our annual meetings online. With your consent, we will stop sending you future paper copies of these documents. If you are a holder of record, you may elect to receive future communications over the Internet by logging in to www.computershare.com/expressvote and entering your email address before you vote if you are voting by Internet or any time at www.computershare.com/us/ecomms. If you are a beneficial holder, please check with your broker about how to receive future materials electronically.

Your election to view these documents over the Internet will remain in effect until you elect otherwise. If you choose to view future proxy statements and annual reports over the Internet, before the next annual meeting you will receive an email with instructions on how to view those materials and vote.

Q: What constitutes a quorum?

A: On the record date, we had 128,868,954 shares of common stock, \$1.00 par value, outstanding. Voting can take place at the Annual Meeting only if stockholders owning a majority of the issued and outstanding stock entitled to vote at the Annual Meeting are present in person or represented by proxy. We include the shares of persons who abstain in determining those present and entitled to vote. We also include shares held by brokers in street or nominee name when the broker has discretionary authority to vote on at least one matter.

Q: What vote is needed?

A: For Proposal One, the election of directors, the four nominees receiving the highest number of votes of the shares present in person or represented by proxy at the Annual Meeting and entitled to vote on the election of directors shall be elected as directors. As a result, if you withhold your authority to vote for any nominee, your vote will not affect the outcome of the election. Broker non-votes votes that brokers do not have the discretion to cast because they have not received instructions from the beneficial holders also will not affect the outcome of the election.

For Proposal Two, the approval of the Second Amended Stock Plan, an affirmative vote of the majority of shares present in person or represented by proxy at the Annual Meeting and entitled to vote on Proposal Two is required in order to approve the Second Amended Stock Plan. An abstention on Proposal Two will be included in the total number of shares entitled to vote and, therefore, will have the effect of a vote against the proposal. Broker non-votes in respect of this proposal will not affect the outcome of the proposal.

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For Proposal Three, the approval of the Amendment to the MIP, an affirmative vote of the majority of shares present in person or represented by proxy at the Annual Meeting and entitled to vote on Proposal Three is required in order to approve the Amendment to the MIP. An abstention on Proposal Three will be included in the total number of shares entitled to vote and, therefore, will have the effect of a vote against the proposal.

Broker non-votes in respect of this proposal will not affect the outcome of the proposal.

For Proposal Four, the ratification of the appointment of PricewaterhouseCoopers LLP as our independent registered public accounting firm, an affirmative vote of the majority of shares present in person or represented by proxy at the Annual Meeting and entitled to vote on Proposal Four is required in order to ratify the appointment of PricewaterhouseCoopers LLP. An abstention on Proposal Four will be included in the total number of shares entitled to vote on Proposal Four and, therefore, will have the effect of a vote against the proposal. Broker non-votes in respect of this proposal will not affect the outcome of the proposal.

Q: What happens if a director receives a plurality, but not a majority, of votes cast at the Annual Meeting?

A: In an uncontested election, if a nominee for director who is an incumbent director is elected by a plurality of the votes cast but does not receive the vote of at least the majority of the votes cast (*i.e.*, the number of shares voted for a director's election does not exceed 50% of the total number of votes cast with respect to that director's election, including votes to withhold authority), the director is obliged to offer his or her resignation to the Board. Following submission of the offer of resignation, the Board, after considering relevant factors, including the recommendation of the Nominating and Corporate Governance Committee, will decide whether or not to accept the offer of resignation. If a director's offer of resignation is not accepted by the Board, the director will continue to serve until his or her successor is duly elected, or his or her earlier resignation or removal. If a director's offer of resignation is accepted by the Board, then the Board, in its sole discretion, may fill any resulting vacancy or decrease the size of the Board pursuant to the provisions of our By-Laws.

Q: Can I vote on other matters?

A: You are entitled to vote on any other matters that are properly brought before the Annual Meeting. Our By-Laws limit the business conducted at any annual meeting to (1) business in the notice of the annual meeting, (2) business directed by the Board and (3) business brought by a stockholder of record entitled to vote at the meeting so long as the stockholder has notified our Secretary in writing (at our Palo Alto, California headquarters) not less than 60 days nor more than 90 days before the anniversary of the mailing of the proxy statement for the prior year's annual meeting, which for the 2008 Annual Meeting of Stockholders will be no earlier than September 30, 2007 and no later than October 30, 2007. The notice must briefly describe the business to be brought and the reasons; give the name, address and number of shares owned by the stockholder of record and any beneficial holder for which the proposal is made; and identify any material interest the stockholder of record or any beneficial owner has in the business.

We do not expect any matters other than those listed in this Proxy Statement to come before the Annual Meeting. If any other matter is presented, your proxy gives the individuals named as proxyholders the authority to vote your shares to the extent authorized by Rule 14a-4(c) under the Securities Exchange Act of 1934 the Exchange Act (which includes matters that the proxyholders did not know were to be presented at least 60 days before the anniversary of the mailing of last year's proxy statement).

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Q: When must stockholder proposals be submitted to be included in the proxy statement for the 2008 Annual Meeting?

A: To have your stockholder proposal be considered for presentation in the proxy statement and proxy card for our 2008 Annual Meeting of Stockholders, rather than just voted upon at the meeting without inclusion in the proxy statement and proxy card, a stockholder must submit to our Secretary (at our Palo Alto, California headquarters) a written proposal no later than August 31, 2007.

Q: How do I nominate someone to be a director?

A: A stockholder may nominate one or more persons for election as one of our directors at an annual meeting of stockholders by notifying our Secretary in writing (at our Palo Alto, California headquarters) not less than 60 days nor more than 90 days before the anniversary of the mailing of the proxy statement for the prior year's annual meeting, which for the 2008 Annual Meeting of Stockholders will be no earlier than September 30, 2007 and no later than October 30, 2007. The notice must include the full name, age, business and residence addresses, principal occupation or employment of the potential candidate, the number of shares of our common stock the nominee beneficially owns, any other information about the nominee that must be disclosed in proxy solicitations under Rule 14(a) of the Exchange Act and the nominee's written consent to the nomination and to serve, if elected.

Q: How does the Board select nominees for the Board?

A: The Nominating and Corporate Governance Committee of the Board will consider potential candidates for directors submitted by stockholders, in addition to those suggested by other Board members and members of our management, and does not evaluate candidates differently based upon the source of the nominee. The Nominating and Corporate Governance Committee considers and evaluates each properly submitted potential candidate for director in an effort to achieve a balance of knowledge, experience and capability on the Board, as well as to ensure that the composition of the Board at all times adheres to the independence requirements applicable to New York Stock Exchange listed companies and other regulatory requirements applicable to us. A stockholder may recommend potential candidates for director by notifying our Secretary in writing (at our Palo Alto, California headquarters).

Q: Are there any minimum qualifications required for a director nominee?

A: As set forth in its charter and in our Corporate Governance Guidelines, the Nominating and Corporate Governance Committee's criteria for selecting director nominees include: knowledge, skills and experience in business, finance, administration and relevant technical disciplines; business management experience; international business experience and experience in industries beyond healthcare; knowledge about our industry and technology or other areas of knowledge useful to our business and product lines; gender and racial diversity; and other attributes that the Nominating and Corporate Governance Committee determines will contribute to our success and achievement of our business and social goals. The Nominating and Corporate Governance Committee will also consider the candidate's ability to serve the long-term interests of our stockholders and availability to devote time to our affairs. Please refer to our Corporate Governance Guidelines for additional details on our policy, process and membership criteria.

Q: How may I communicate with the Board of Directors?

A: Stockholders may communicate directly with the Board, the Board's lead non-employee director or another director or group of directors through the Board's lead director by sending an e-mail to lead.director@varian.com. Messages intended for another specific director will be forwarded to that director.

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PROPOSAL ONE

ELECTION OF DIRECTORS

Our Board is divided into three classes serving staggered three-year terms. At the Annual Meeting, you and the other stockholders will elect four individuals to serve as directors for three-year terms that expire at the 2010 Annual Meeting. Three of the four nominees, John Seely Brown, R. Andrew Eckert and Kent J. Thiry, are now members of the Board. The fourth nominee, Mark R. Laret, was presented for nomination by one of our independent directors and our Chairman, recommended for nomination by the Nominating and Corporate Governance Committee and nominated by the Board in November 2006 to fill the director position held by Dr. Samuel Hellman, who will retire from the Board at the Annual Meeting after surpassing the Board's maximum age to stand for election as a director.

The individuals named as proxyholders will vote your proxy for the election of the four nominees unless you direct them to withhold your votes. If any nominee becomes unable to serve as a director before the Annual Meeting (or decides not to serve), the individuals named as proxyholders may vote for a substitute.

Below are the names and ages of these nominees and the other continuing directors, the years they became directors (if applicable), their principal occupations or employment for at least the past five years and directorships they hold in other public companies.

Nominees for Election for a Three-Year Term Ending with the 2010 Annual Meeting

John Seely Brown	Age 66, a director since 1998. Retired; former Vice President of Xerox Corporation (a document technology company) from 1986 to 2002 and Chief Scientist from 1992 to 2002. Director of the Xerox Palo Alto Research Center from 1990 to 2000. Also a director of Corning Incorporated (a diversified technology company), Polycom, Inc. (a provider of video, voice, data and web conferencing solutions) and Amazon.com, Inc. (an on-line retailer).
R. Andrew Eckert	Age 45, a director since 2004. Chief Executive Officer and President of Eclipsys Corporation (a healthcare information management software provider) since October 2005. From 2004 to 2005, Chief Executive Officer of SumTotal Systems, Inc. (an enterprise software provider). From 2002 to 2004, Chief Executive Officer of Docent Inc. (an enterprise software provider). Previously, Chairman and Chief Executive Officer of ADAC Laboratories (a medical imaging company) from 1997 to 2000. Also a director of Connetics Corporation (a specialty pharmaceutical company).
Mark R. Laret	Age 52. Chief Executive Officer of University of California, San Francisco Medical Center since April 2000. Chief Executive Officer of University of California, Irvine Medical Center from 1995 to March 2000.
Kent J. Thiry	Age 50, a director since 2005. Chairman and Chief Executive Officer of DaVita Inc. (a provider of dialysis services) since October 1999. From June 1997 until October 1999, Chairman and Chief Executive Officer of Vivra Holdings, Inc. (a company formed to operate the non-dialysis business of Vivra, Incorporated).

Directors Continuing in Office Until the 2008 Annual Meeting

Susan L. Bostrom	Age 46, a director since 2004. Senior Vice President at Cisco Systems, Inc. (a networking equipment provider) since February 2000. Took on responsibility for Worldwide Government Affairs in October 2002 and became Chief Marketing Officer in January 2006. From 1998 to February 2000, Vice President of the Internet Business Solutions Group at Cisco Systems, Inc.
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Richard M. Levy	Age 68, a director since 1999. Our Chairman of the Board since February 2003 and Chief Executive Officer from April 1999 to February 2006. Our President from April 1999 to August 2005. Previously, our Executive Vice President responsible for our medical systems business from 1990 to April 1999. Also a director of Pharmacyclics, Inc. (a pharmaceutical company).
Allen S. Lichter, M.D.	Age 60, a director since 2003. Executive Vice-President and Chief Executive Officer of the American Society of Clinical Oncology since October 2006. From 1999 to July 2006, Dean of the University of Michigan Medical School, after first serving as interim Dean starting in 1998 while concurrently maintaining his position as chair of the Department of Radiation Oncology. In July 2006, Dr. Lichter announced his intention to resign from the Board in order to devote full attention to his duties at the American Society of Clinical Oncology. He will remain on the Board until a successor director is appointed or until his offer of resignation is sooner tendered and accepted by the Board.

Directors Continuing in Office Until the 2009 Annual Meeting

Timothy E. Guertin	Age 57, a director since 2005. Our Chief Executive Officer since February 2006 and President since August 2005. Our Chief Operating Officer from October 2004 to February 2006. Our Corporate Executive Vice President from October 2002 to August 2005 and President of our Oncology Systems business unit from 1992 to January 2005. Our Corporate Vice President from 1992 to 2002.
David W. Martin, Jr., M.D.	Age 65, a director since 1994. Chairman and Chief Executive Officer of AvidBiotics, Inc. (a biotechnology company) since 2004. Previously, Chairman and Chief Executive Officer of GangaGen, Inc. (a biotechnology company) from 2003 to 2004. From 1997 to 2003, President and Chief Executive Officer of Eos Biotechnology, Inc. (a biotechnology company). Also a director of Cubist Pharmaceuticals, Inc. (a biopharmaceutical company).
Ruediger Naumann-Etienne	Age 60, a director since 2003. Owner and Managing Director of Intertec Group (an investment company specializing in the medical technology field) since 1989. Also, Chairman of the Board of Directors of Cardiac Science Corporation (formerly Quinton Cardiology Systems, a medical equipment company) since 2006, having previously been Vice-Chairman from 2005 to 2006 and Chairman from 2000 to 2005. From 1993 to 1999, Chairman of the Board of Directors of OEC Medical Systems (a provider of interoperative imaging solutions, acquired by General Electric Corporation). Also a director of BioRad Laboratories, Inc. (a provider of research and clinical diagnostic products).

Corporate Governance; the Board and Committees of the Board; and Board and Committee Meetings

We are committed to strong corporate governance, and have adopted policies and practices that comply with or exceed the New York Stock Exchange listing requirements and the Exchange Act. These policies and practices include:

The Board has adopted clear corporate governance policies articulated in our Corporate Governance Guidelines, which includes basic director duties and responsibilities.

A majority of the Board members are independent of the Company and our management.

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All members of our key Board committees – the Audit Committee, the Compensation and Management Development Committee and the Nominating and Corporate Governance Committee – are independent.

The Board has appointed a lead non-employee director who presides at all meetings of non-management or independent directors. Dr. Martin has served in this capacity of lead director since August 2004.

The Board has adopted a policy under which an incumbent director in an uncontested election who is elected by a plurality but does not receive the majority of the votes cast will offer his or her resignation to the Board.

The Board has also adopted a Code of Business Ethics applicable to all of our employees, including the executive officers.

We have hotlines for employees to report ethics and financial matters, including accounting, internal controls and audit concerns, and the Audit Committee has established procedures for anonymous submission of these matters.

The Board conducts an annual self-assessment on its effectiveness and the effectiveness of each of its committees.

Directors are expected to attend all stockholder meetings, and all directors attended our 2006 Annual Meeting of Stockholders.

The Board has a policy that the maximum age of any person standing for election as a director is 69 years of age.

The Board encourages director continuing education through a mix of in-house and third-party presentations and programs, including programs that are certified by Institutional Shareholder Services. The Nominating and Corporate Governance Committee is charged with tracking director continuing education. We pay or reimburse directors for expenses associated with attending these continuing education events.

The annual cycle of agenda items for Board meetings reflects Board requests and changing business and legal issues. The Board receives regularly scheduled presentations from our finance department and major business units and operations. The Board's annual agenda includes, among other items, our long-term strategic plans, periodic reports on progress against long-term strategic plans, emerging and disruptive technologies, potential acquisition or investment targets, capital projects and evaluation of the Chief Executive Officer and management succession.

Notwithstanding the authority granted to the Stock Grant Committee discussed below, the Board expects that substantially all, if not all, of the future equity awards granted to our executive officers and other employees will be made by the Compensation and Management Committee at regularly scheduled meetings.

The Board met four times in fiscal year 2006, with one meeting recessed and continued at a later date. Each of these Board meetings included executive sessions of the independent directors (who are also non-management directors). The Board has determined that Ms. Bostrom, Mr. Brown, Mr. Eckert, Dr. Hellman, Dr. Lichter, Dr. Martin, Mr. Naumann-Etienne, Mr. Thiry and Mr. Laret, our nominee for director, are independent for purposes of the New York Stock Exchange listing requirements and under our Corporate Governance Guidelines. Mr. Levy, our Chairman of the Board, and Mr. Guertin, our President and Chief Executive Officer, are employees and therefore not independent. The Board considered transactions and relationships, both direct and indirect, between each director and nominee (and his or her immediate family) and the Company and its subsidiaries and affirmatively determined that none of Ms. Bostrom, Mr. Brown, Mr. Eckert, Dr. Hellman, Dr. Lichter, Dr. Martin, Mr. Naumann-Etienne, Mr. Thiry and Mr. Laret, our nominee for director, has any material relationship, either direct or indirect, with us other than as a director and/or stockholder.

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Dr. Hellman is employed as the A. N. Pritzker Distinguished Service Professor in the Department of Radiation and Cellular Oncology at the University of Chicago. We sell our products and services to the

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University of Chicago in the ordinary course of business. In fiscal years 2006, 2005 and 2004, the University of Chicago paid us approximately \$2.4 million, \$396,000 and \$505,000, respectively, for products and services. In addition, in fiscal years 2006, 2005 and 2004, we paid to the University of Chicago as sponsored research, donations and matching gifts approximately \$63,000, \$136,000 and \$100, respectively. The University of Chicago's revenues were approximately \$2.2 billion, \$2.1 billion and \$1.9 billion in 2006, 2005 and 2004, respectively. Based on its understanding of these transactions and Dr. Hellman's role at the University of Chicago, the Board has determined that Dr. Hellman does not have a direct or indirect material interest in any of these transactions or otherwise have any relationship that is inconsistent with a determination that he is independent, and is therefore independent for purposes of the New York Stock Exchange listing requirements and under our Corporate Governance Guidelines.

Until July 2006, Dr. Lichter was employed as the Dean of the University of Michigan Medical School. We sell our products and services and pay certain fees to the University of Michigan in the ordinary course of business. In fiscal years 2006, 2005 and 2004, the University of Michigan paid us approximately \$2.1 million, \$1.1 million and \$454,000, respectively, for products and services and we paid the University of Michigan fees primarily related to royalties, sponsored research, donations and matching gifts of approximately \$2.8 million, \$1.5 million and \$1.8 million. The University of Michigan's revenues were approximately \$5.3 billion, \$5.1 billion and \$4.7 billion in 2006, 2005 and 2004, respectively. Based on its understanding of these transactions and Dr. Lichter's roles at the University of Michigan, the Board has determined that Dr. Lichter does not have a direct or indirect material interest in any of these transactions or otherwise have any relationship that is inconsistent with a determination that he is independent, and is independent for purposes of the New York Stock Exchange listing requirements and under our Corporate Governance Guidelines.

Additionally, Ms. Bostrom, Mr. Levy and Dr. Lichter each serve as an outside director or on the scientific advisory committee of organizations that are customers of ours. The Board has determined that these relationships are immaterial and are not inconsistent with a determination that the director is independent for purposes of the New York Stock Exchange listing requirements and under our Corporate Governance Guidelines.

We have five standing committees of the Board: the Audit Committee, the Compensation and Management Development Committee, the Nominating and Corporate Governance Committee, the Executive Committee and the Stock Grant Committee. Each of these committees, except for the Stock Grant Committee, has a written charter approved by the Board that clearly establish the committee's roles and responsibilities. A copy of the charters for the Audit Committee, the Compensation and Management Development Committee and the Nominating and Corporate Governance Committee, as well as our Corporate Governance Guidelines and Code of Business Ethics, can be found at the Corporate Governance link on the Investor Relations page under About Varian on our website at www.varian.com and are available in printed hardcopy format upon written request to our Secretary at our Palo Alto, California headquarters.

Audit Committee

The Audit Committee performs the following principal functions:

Oversees our accounting and financial reporting process and audits of financial statements.

Assists the Board in oversight and monitoring of (i) the integrity of our financial statements, (ii) our compliance with legal and regulatory requirements, (iii) the independent registered public accounting firm's qualifications and independence and (iv) the performance of our internal audit function and of the independent registered public accounting firm.

Reports to the Board the results of its monitoring and recommendations.

Provides to the Board any additional information and materials as the committee may determine is necessary to make the Board aware of significant financial matters requiring the Board's attention.

The members of the Audit Committee are Mr. Naumann-Etienne (Chairman), Mr. Eckert, Dr. Martin and Mr. Thiry. The Audit Committee met seven times in fiscal year 2006, with one meeting recessed and continued at

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a later date. Each member of the Audit Committee meets the additional requirements regarding independence for Audit Committee members under the New York Stock Exchange listing requirements. The Board has determined that Mr. Naumann-Etienne is an audit committee financial expert as defined in Item 401(h) of Regulation S-K of the Exchange Act based upon his experience as the chief financial officer and principal accounting officer of Disonics, Inc. between 1984 and 1987 and as group controller for Texas Instruments between 1982 and 1984, and his formal education represented by his doctorate degree in international finance from the University of Michigan. The Board has also determined that Mr. Eckert, Dr. Martin and Mr. Thiry are financially literate based upon each of their experiences as chief executive officer of their respective organizations and their familiarity with financial statements.

Compensation and Management Development Committee

The Compensation and Management Development Committee the Compensation Committee performs the following principal functions:

Discharges the Board's responsibilities relating to compensation of our executive officers.

Evaluates our compensation plans, policies and programs for executive officers and recommends the establishment of policies dealing with various compensation and employee benefit plans.

Administers our stock and cash incentive plans.

Provides advice on management development matters that have major implications for the growth, development and depth of our management team, including reviewing succession plans.

Effective as of November 18, 2006, the members of the Compensation Committee are Mr. Eckert (Chairman), Ms. Bostrom and Dr. Martin. Before that, the members of the Compensation Committee were Dr. Hellman (Chairman), Ms. Bostrom and Mr. Eckert. The Compensation Committee met four times in fiscal year 2006, with one meeting recessed and continued at a later date. In addition to being independent, each member of the Compensation Committee is and was a non-employee director for purposes of the Exchange Act and is and was an outside director for purposes of Section 162(m) of the Internal Revenue Code of 1986, as amended the Internal Revenue Code.

Nominating and Corporate Governance Committee

The Nominating and Corporate Governance Committee performs the following principal functions:

Develops and recommends to the Board corporate governance principles.

Identifies and recommends to the Board potential nominees to the Board, including stockholder suggestions.

Recommends to the Board the director nominees for committee assignments.

Oversees the annual evaluation of the Board's performance.

Effective as of November 18, 2006, the members of the Nominating and Corporate Governance Committee are Mr. Thiry (Chairman), Mr. Brown and Dr. Lichter. Before that, the members of the Nominating and Corporate Governance Committee were Dr. Martin (Chairman), Mr. Brown and Dr. Lichter. The Nominating and Corporate Governance Committee met four times in fiscal year 2006.

Executive Committee

The Executive Committee performs the following principal functions:

Acts on matters when a meeting of the full Board is impracticable.

Has all the powers of the Board except those powers reserved by law to the full Board.

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Effective as of November 18, 2006, the members of the Executive Committee are Mr. Levy (Chairman), Mr. Naumann-Etienne and Dr. Martin. Before that, the members of the Executive Committee were Mr. Levy (Chairman), Dr. Hellman and Dr. Martin. The Executive Committee did not meet or act by written consent in fiscal year 2006.

Stock Grant Committee

The Stock Grant Committee may perform the following principal functions:

Grant to our non-officers and administer stock options, restricted stock and other awards, subject to certain limitations. Effective as of November 18, 2006, the members of the Stock Grant Committee are Mr. Levy (Chairman) and Mr. Naumann-Etienne. Before that, the members of the Stock Grant Committee were Mr. Levy (Chairman) and Dr. Martin. The Stock Grant Committee did not meet in fiscal year 2006, but conducted all of its business by unanimous written consent.

Compensation Committee Interlocks and Insider Participation

None of our executive officers currently serves, or in the past has served, as a member of the board of directors or compensation committee of any entity that has one or more executive officers serving on the Board or the Compensation Committee.

Recommendation of the Board

THE BOARD RECOMMENDS THAT YOU VOTE FOR EACH OF THE ABOVE NOMINEES.

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PROPOSAL TWO

APPROVAL OF THE VARIAN MEDICAL SYSTEMS, INC.

SECOND AMENDED AND RESTATED 2005 OMNIBUS STOCK PLAN

We are asking you and the other stockholders to approve an amendment and restatement of the Varian Medical Systems, Inc. Amended and Restated 2005 Omnibus Stock Plan the Amended 2005 Omnibus Stock Plan. The plan that is the subject of this Proposal is the second amendment and restatement of the Varian Medical Systems, Inc. 2005 Omnibus Stock Plan the 2005 Omnibus Stock Plan and it will be known as the Varian Medical Systems, Inc. Second Amended and Restated 2005 Omnibus Stock Plan the Second Amended Stock Plan.

The Amended 2005 Omnibus Stock Plan was approved by the Board at its November 17, 2005 meeting (which was recessed and continued on December 7, 2005) and became effective upon the approval by stockholders at the Annual Meeting of Stockholders held on February 16, 2006.

The Board reviewed the Amended 2005 Omnibus Stock Plan and determined among other things that, subject to stockholder approval, the maximum number of shares of our common stock available for issuance should be increased and that the maximum term for Awards (as defined below) should be shortened. The modifications to the Amended 2005 Omnibus Stock Plan, to be approved by you and the other stockholders, relate primarily to the maximum number of shares available for issuance, how shares are counted with respect to this share limit and the maximum term for Awards. Finally, additional performance goals were added to the existing performance goals. The Second Amended Stock Plan was approved by the Board at its November 17, 2006 meeting and will be effective upon an affirmative vote of a majority of the shares present in person or represented by proxy at the Annual Meeting. If the Second Amended Stock Plan is not approved, the Amended 2005 Omnibus Stock Plan will continue in its current form.

The closing price of our common stock on December 18, 2006 was \$48.60.

Description of the Second Amended Stock Plan

The following paragraphs provide a summary of the principal features of the Second Amended Stock Plan, as approved by the Board, and its operation. The Second Amended Stock Plan is set forth in its entirety as Appendix A to this Proxy Statement, and the following summary is qualified in its entirety by reference to Appendix A.

Purpose

The Second Amended Stock Plan is intended to promote our success by providing a vehicle under which a variety of stock-based incentive and other awards can be granted to employees, consultants and non-employee directors in consideration for the services that they provide to us.

General

The Amended 2005 Omnibus Stock Plan provides for, and the Second Amended Stock Plan will continue to provide for, the granting of stock options, Stock Appreciation Rights SARs Restricted Stock, Restricted Stock Units, Performance Units, Performance Shares and Deferred Stock Units collectively, Awards to eligible Second Amended Stock Plan participants. If this proposal is adopted, the number of shares of our common stock reserved for Awards under the Second Amended Stock Plan will increase from a maximum of 4,000,000 shares to a maximum of 6,650,000 shares an increase of 2,650,000 shares. The Second Amended Stock Plan further provides that this maximum number of shares may be increased by (i) such number of shares as may be granted in substitution of other options in connection with a transaction described in Section 424(a) of the Internal Revenue Code (e.g., the acquisition of property or stock from an unrelated corporation), (ii) such number of shares authorized for issuance, but not issued, under the plans replaced by the 2005 Omnibus Stock Plan (namely, the Varian Medical Systems, Inc. Omnibus Stock Plan and the Varian Medical Systems, Inc. 2000 Stock Plan) the Prior Plans (as of February 17, 2005, 3,145,673 shares) and (iii) such number of shares

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subject to any awards granted under the Prior Plans that terminate, expire or lapse for any reason (155,232 shares from February 17, 2005 to September 29, 2006).

For purposes of determining the number of shares available for grant under the Second Amended Stock Plan against the maximum number authorized above, Awards of stock options and SARs will count as one share for every one share issued, and any shares issued under Awards other than stock options or SARs, including Deferred Stock Units, will count as two and one-half shares for every one share issued. As of September 29, 2006, the number of shares available for grant under the Amended 2005 Omnibus Stock Plan was 3,815,883 shares.

Although under the applicable listing requirements of the New York Stock Exchange, stock options and SARs granted under the Amended 2005 Omnibus Stock Plan can not be re-priced (except for proportional adjustments associated with stock dividends, mergers, consolidations, split-ups, share combinations or other change in our corporate structure affecting the shares of common stock), because re-pricing is not expressly provided for under the terms of the Amended 2005 Omnibus Stock Plan, the Second Amended Stock Plan expressly prohibits the re-pricing of stock options and SARs. Furthermore, the Second Amended Stock Plan does not permit the granting of discounted stock options or SARs, or the re-loading of stock options, which is the automatic grant of a new stock option upon exercise of an existing stock option. In addition, the Second Amended Stock Plan does not contain an evergreen provision, pursuant to which the share pool would be automatically increased each year based on a specified formula.

Administration of the Second Amended Stock Plan

The Compensation Committee will administer the Second Amended Stock Plan. The members of the Compensation Committee must qualify as non-employee directors under Rule 16b-3 under the Exchange Act, as independent directors under Section 303A.02 of the New York Stock Exchange listing requirements and as outside directors under Section 162(m) of the Internal Revenue Code (for purposes of qualifying the Second Amended Stock Plan as performance-based compensation under Section 162(m)).

Subject to the terms of the Second Amended Stock Plan and except as described below with respect to stock options and Deferred Stock Units granted to non-employee directors, the Compensation Committee has the sole discretion to determine the employees and consultants who shall be granted Awards, the size and types of these Awards, and the terms and conditions of these Awards. The Compensation Committee may delegate to one or more officers or directors appointed by the Compensation Committee its authority to grant and administer Awards, but only the Compensation Committee can make Awards to employees who are subject to Section 16 of the Exchange Act.

Eligibility to Receive Awards

Employees and consultants of the Company and its affiliates are eligible to be selected to receive one or more Awards. We cannot determine the actual number of individuals who will receive Awards under the Second Amended Stock Plan because eligibility for participation in the Second Amended Stock Plan is in the discretion of the Compensation Committee. The Second Amended Stock Plan also provides for the grant of non-qualified stock options and Deferred Stock Units to our non-employee directors. The Board will determine and administer options and Deferred Stock Units granted to non-employee directors.

Stock Options

The Compensation Committee may grant non-qualified stock options, incentive stock options (which are entitled to favorable tax treatment), or a combination thereof. Incentive stock options may only be granted to employees of the Company or its subsidiaries. The Compensation Committee will determine the number of shares covered by each option, but during any fiscal year, no participant may be granted options for more than 4,000,000 shares.

The Compensation Committee sets the price of the shares of our common stock subject to each stock option, which cannot be less than 100% of the fair market value on the date of grant of the shares covered by the option. In addition, the exercise price of an incentive stock option must be at least 110% of fair market value on the grant

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date if the participant owns stock possessing more than 10% of the total combined voting power of all classes of stock of the Company or any of its subsidiaries. Nevertheless, substitute options may be granted at less than fair market value to employees or consultants who receive options in connection with a corporate reorganization. Also, the aggregate fair market value of the shares (determined on the grant date) covered by incentive stock options that first become exercisable by any participant during a