

Employee Stock Options

Our stock option plans are part of a broad-based, long-term retention program that is intended to attract and retain talented employees and directors and align stockholder and employee interests.

The 2006 Long-Term Incentive Plan (2006 Plan) was adopted during the second quarter of fiscal 2006 and replaced the 2001 Stock Option Plan and the 2001 Non-Employee Director Stock Option Plan and their predecessor plans (Prior Plans). Options granted under the Prior Plans remain outstanding until exercised or cancelled. Pursuant to the 2006 Plan, the Board of Directors may grant options to selected employees, directors and consultants to purchase shares of our common stock at a price not less than the fair market value of the stock at the date of grant. The 2006 Plan provides for the grant of incentive and nonstatutory stock options as well as stock appreciation rights, restricted stock, restricted stock units, performance units and shares and other stock-based awards and will be the source of shares issued under the Executive Retirement Matching Contribution Plan (ERMCP). The share reserve under the 2006 Plan is equal to the shares available for future grant under the combined plans on the date the 2006 Plan was approved by the Company's stockholders, plus an additional 65,000,000 shares for a total of approximately 280,192,000 shares reserved. This share amount is automatically increased by the amount equal to the number of shares subject to any outstanding option under a Prior Plan that is terminated or cancelled (but not an option under a Prior Plan that expires) following the date that the 2006 Plan was approved by stockholders. Shares that are subject to an award under the ERMCP and are returned to the Company because they fail to vest will again become available for grant under the 2006 Plan. The Board of Directors of the Company may amend or terminate the 2006 Plan at any time though it must nevertheless honor any stock options previously granted pursuant to the plans. Generally, options outstanding vest over periods not exceeding five years and are exercisable for up to ten years from the grant date.

In the second quarter of fiscal 2006, the Company assumed a total of approximately 3,313,000 outstanding stock options under the Flarion Technologies, Inc. 2000 Stock Option and Restricted Stock Purchase Plan and under the Berkana Wireless Inc. 2002 Stock Plan and 2002 Executive Stock Plan (Acquired Plans). The Acquired Plans were suspended on the dates of acquisition, and no additional shares may be granted under those plans. The Acquired Plans provided for the grant of both incentive stock options and non-qualified stock options. Generally, options outstanding vest over periods not exceeding four years and are exercisable for up to ten years from the grant date. At March 26, 2006, options for approximately 343,000 shares under the Acquired Plans were exercisable at prices ranging from \$0.27 to \$43.94 per share for an aggregate purchase price of \$3 million.

Information about employee and executive stock option grants for fiscal 2004 through the second quarter of fiscal 2006 is as follows (number of shares in millions):

	Six Months Ended		
	<u>March 26, 2006</u>	<u>FY 2005</u>	<u>FY 2004</u>
Total options granted	18	35	31
Less options cancelled	(1)	(6)	(4)
Net options granted	17	29	27
Net grants during the period as % of outstanding shares ⁽¹⁾	1.1%	1.8%	1.7%
Grants to named executive officers as % of total options granted	16.4%	13.9%	7.0%
Grants to named executive officers as % of outstanding shares ⁽¹⁾	0.2%	0.3%	0.1%
Cumulative options held by named executive officers as % of total options outstanding ⁽¹⁾	12.4%	12.0%	10.8%

⁽¹⁾ Calculated based on outstanding shares or options, as applicable, as of the beginning of each period.

Information provided for fiscal 2005 and the six months ended March 26, 2006, is for the named executive officers listed in our proxy statement dated January 13, 2006, defined by the SEC as the Chief Executive Officer and each of the five other most highly compensated executive officers. Information provided for fiscal 2004 is for the named executive officers listed in our proxy statement dated January 17, 2005.

Additional information regarding our stock option plans and plan activity for fiscal 2005, 2004 and 2003 is provided in our Annual Report on Form 10-K for the 2005 fiscal year. See "Note 8 – Employee Benefit Plans."

Information about stock options outstanding at March 26, 2006 with exercise prices less than or above \$49.35 the closing price of our common stock at March 26, 2006, is as follows (number of shares in millions):

<u>Exercise Prices</u>	<u>Exercisable</u>		<u>Unexercisable</u>		<u>Total</u>	
	<u>Number of Shares</u>	<u>Weighted Average Exercise Price</u>	<u>Number of Shares</u>	<u>Weighted Average Exercise Price</u>	<u>Number of Shares</u>	<u>Weighted Average Exercise Price</u>
Less than \$49.35	113	\$ 21.66	82	\$ 32.60	195	\$ 26.24
Above \$49.35	4	\$ 59.77	-	\$ 49.75	4	\$ 59.33
Total outstanding	<u>117</u>	<u>\$ 22.85</u>	<u>82</u>	<u>\$ 32.64</u>	<u>199</u>	<u>\$ 26.88</u>

Options granted to named executive officers as a group for the three and six months ended March 26, 2006 were as follows (in millions, except price per share):

<u>Period</u>	<u>Number of Securities Underlying Option Grants</u>	<u>Percent of Total Options Granted</u>	<u>Weighted Average Exercise Price</u>	<u>Expiration Date</u>	<u>Potential Realizable Values at Assumed Annual Rates of Stock Price Appreciation for Option Term ⁽¹⁾</u>	
					<u>5%</u>	<u>10%</u>
Three Months	-	-	-	-	-	-
Six Months	3	16.4% ⁽²⁾	\$44.02	11/3/2015	\$85	\$215

⁽¹⁾ Represents gains that could accrue for these options, assuming that the market price of our common stock appreciates over a period of 10 years at annualized rates of 5% and 10%. If the stock price does not increase above the exercise price, the realized gain from these options would be zero.

⁽²⁾ Calculated based on options granted to employees during the fiscal period.

Option exercises for the three and six months ended March 26, 2006 and option values for named executive officers as a group as of March 26, 2006 were as follows (in millions):

<u>Period</u>	<u>Shares Acquired on Exercise</u>	<u>Gain Realized on Options Exercised</u>	<u>Number of Shares Underlying Unexercised Options at March 26, 2006</u>		<u>Intrinsic Values of Unexercised In-the-Money Options at March 26, 2006 ⁽¹⁾</u>	
			<u>Exercisable</u>	<u>Unexercisable</u>	<u>Exercisable</u>	<u>Unexercisable</u>
Three Months	1	\$46	16	10	\$442	\$130
Six Months	2	\$79	16	10	\$442	\$130

⁽¹⁾ These amounts represent the difference between the exercise price and \$49.35, the market price of our common stock at the end of the second quarter of fiscal 2006, for all in-the-money options held by the named executive officers.

Equity Compensation Plans Approved by Stockholders

Information about our equity compensation plans at March 26, 2006 that were either approved or not approved by our stockholders was as follows (number of shares in millions):

Plan Category	Number of Shares to be Issued Upon Exercise of Outstanding Options	Weighted Average Exercise Price of Outstanding Options	Number of Shares Remaining Available for Future Issuance
Equity compensation plans approved by stockholders ⁽¹⁾	195	\$26.97	94 ⁽²⁾
Equity compensation plans not approved by stockholders ⁽³⁾	-		-
Total ⁽⁴⁾	195	\$26.97	94

⁽¹⁾ Consists of seven plans: the Company's 1991 Stock Option Plan, 2001 Stock Option Plan, 2006 Long-Term Incentive Plan, 1998 Non-Employee Directors' Stock Option Plan, 2001 Non-Employee Directors' Stock Option Plan, 2001 Employee Stock Purchase Plan and the Executive Retirement Matching Contribution Plan.

⁽²⁾ Includes approximately 14 million shares reserved for issuance under the 2001 Employee Stock Purchase Plan.

⁽³⁾ Consists solely of approximately 76,000 shares issuable under the Company's 1996 Non-Qualified Employee Stock Purchase Plan, which allows eligible employees to purchase shares of common stock at 85% of the lower of the fair market value on the first or the last day of each six-month offering period. Employees may authorize the Company to withhold up to 15% of their compensation during any offering period, subject to certain limitations.

⁽⁴⁾ Excludes options assumed in connection with mergers and acquisitions. Approximately 3,381,000 shares of the Company's common stock were issuable upon exercise of these assumed options. These options have a weighted average exercise price of \$21.60 per share. No additional options may be granted under these assumed arrangements.