TIMKEN CO
Form PRE 14A
February 22, 2010

Table of Contents

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

SCHEDULE 14A

(RULE 14a-101)

SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a) of the Securities

Exchange Act of 1934 (Amendment No.)

Filed by the Registrant þ
Filed by a Party other than the Registrant o
Check the appropriate box:

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

The Timken Company

(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):

þ No fee required.

o Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

(1) Title of each class of securities to which transaction applies:

(2) Aggregate number of securities to which transaction applies:

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

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Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

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

(3) Filing Party:

(4) Date Filed:

Table of Contents

Notice of
2010
Annual Meeting of
Shareholders
and
Proxy Statement

THE TIMKEN COMPANY
Canton, Ohio U.S.A.

Table of Contents

TABLE OF CONTENTS

Table of Contents

TABLE OF CONTENTS

Table of Contents

Ward J. Timken, Jr.
Chairman Board of Directors
March 25, 2010
Dear Shareholder:
The 2010 Annual Meeting of Shareholders of The Timken Company will be held on Tuesday, May 11, 2010, at ten o clock in the morning at the corporate offices of the Company in Canton, Ohio.
This year, you are being asked to act upon five matters. Details of these matters are contained in the accompanying Notice of Annual Meeting of Shareholders and Proxy Statement.
Please read the enclosed information carefully before voting your shares. Voting your shares as soon as possible will ensure your representation at the meeting, whether or not you plan to attend.
I appreciate the strong support of our shareholders over the years and look forward to a similar vote of support at the 2010 Annual Meeting of Shareholders.
Sincerely,

Ward J. Timken, Jr.
Enclosure
The Timken Company
1835 Dueber Avneue, S.W.
P.O. Box 6927
Canton, OH 44706-0927 U.S.A.
Telephone: 330-438-3000

Table of Contents

THE TIMKEN COMPANY
Canton, Ohio

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

The Annual Meeting of Shareholders of The Timken Company will be held on Tuesday, May 11, 2010, at 10:00 a.m., at 1835 Dueber Avenue, S.W., Canton, Ohio, for the following purposes:

1. To elect four Directors to serve in Class I for a term of three years.

2. To ratify the selection of Ernst & Young LLP as the independent auditor for the year ending December 31, 2010.

3. To approve The Timken Company Senior Executive Management Performance Plan, as amended and restated as of February 8, 2010.

4. To consider amending the Company s Amended Regulations to declassify the Board of Directors.

5. To consider amending the Company s Amended Regulations to authorize the Board of Directors to amend the Amended Regulations to the extent permitted by Ohio law.

6. To transact such other business as may properly come before the meeting.

Holders of Common Stock of record at the close of business on February 22, 2010, are the shareholders entitled to notice of and to vote at the meeting.

YOUR VOTE IS IMPORTANT. WHETHER OR NOT YOU PLAN TO ATTEND THE ANNUAL MEETING OF SHAREHOLDERS, PLEASE SIGN AND DATE THE ENCLOSED PROXY CARD AND RETURN IT IN THE POSTAGE-PAID ENVELOPE PROVIDED OR VOTE YOUR SHARES ELECTRONICALLY THROUGH THE INTERNET OR BY TELEPHONE. VOTING INSTRUCTIONS ARE PROVIDED ON THE ENCLOSED PROXY CARD.

Effect of Not Casting Your Vote. If you hold your shares in street name it is critical that you cast your vote if you want it to count in the election of Directors (Item 1 of this Proxy Statement). In the past, if you held your shares in street name and you did not indicate how you wanted your shares voted in the election of Directors, your bank or broker was allowed to vote those shares on your behalf in the election of Directors as they felt appropriate. Recent changes in regulation were made to take away the ability of your bank or broker to vote your uninstructed shares in the election of Directors on a discretionary basis. Thus, if you hold your shares in street name and you do not instruct your bank or broker how to vote in the election of Directors, no votes will be cast on your behalf. Your bank or broker will, however, continue to have discretion to vote any uninstructed shares on the ratification of the appointment of the Company s independent auditor (Item 2 of this Proxy Statement). They will not have discretion to vote uninstructed shares on management proposals (Items 3, 4 and 5 of this Proxy Statement). If you are a shareholder of record and you do not cast your vote, no votes will be cast on your behalf on any of the items of business at the Annual Meeting.

SCOTT A. SCHERFF
Corporate Secretary and
Vice President Ethics and Compliance
March 25, 2010

YOUR VOTE IS IMPORTANT. PLEASE RETURN YOUR PROXY CARD OR VOTE ELECTRONICALLY.

Table of Contents

THE TIMKEN COMPANY

PROXY STATEMENT

The enclosed proxy is solicited by the Board of Directors of The Timken Company (the Company) in connection with the Annual Meeting of Shareholders to be held on May 11, 2010, at 10:00 a.m. local time at the Company s corporate offices, and at any adjournments and postponements thereof, for the purpose of considering and acting upon the matters specified in the foregoing Notice. The mailing address of the corporate offices of the Company is 1835 Dueber Avenue, S.W., Canton, Ohio 44706-2798. The approximate date on which this Proxy Statement and form of proxy will be first sent or given to shareholders is March 26, 2010.

The Board of Directors is not aware that matters other than those specified in the foregoing Notice will be brought before the meeting for action. However, if any such matters should be brought before the meeting, the persons appointed as proxies may vote or act upon such matters according to their judgment.

ELECTION OF DIRECTORS

The Company presently has twelve Directors who, pursuant to the Company s Amended Regulations, are divided into three classes with four Directors in Class I, four Directors in Class II and four Directors in Class III. From the 2009 Annual Meeting of Shareholders until November 10, 2009, there were eleven Directors, with four Directors in Class I, three Directors in Class II and four Directors in Class III. At the Board of Directors meeting held on November 10, 2009, the Board passed a resolution increasing the size of the Board from eleven to twelve Directors, effective November 10, 2009, and electing John M. Ballbach to fill the vacancy apportioned to Class II. At the 2010 Annual Meeting of Shareholders, four Directors will be elected to serve in Class I for a three-year term to expire at the 2013 Annual Meeting of Shareholders. Candidates for Director receiving the greatest number of votes will be elected. Abstentions and broker non-votes (where a broker, other record holder, or nominee indicates on a proxy card that it does not have authority to vote certain shares on a particular matter) will not be counted in the election of Directors and will not have any effect on the result of the vote.

Pursuant to the Majority Voting Policy of the Board of Directors, any Director who fails to receive a majority of the votes cast in his or her election will submit his or her resignation to the Board of Directors promptly after the certification of the election results. The Board of Directors and the Nominating and Corporate Governance Committee will then consider the resignation in light of any factors they consider appropriate, including the Director s qualifications and service record, as well as any reasons given by shareholders as to why they voted against (or withheld votes from) the Director. The Board of Directors is required to determine whether to accept or reject the tendered resignation within 90 days following the election and to disclose its decision on a Form 8-K, as well as the reasons for rejecting any tendered resignation, if applicable.

If any nominee becomes unable, for any reason, to serve as a Director, or should a vacancy occur before the election (which events are not anticipated), the Directors then in office may substitute another person as a nominee or may reduce the number of nominees as they deem advisable. If the shareholders approve the proposal to declassify the Board of Directors, found on page 41, future Director elections will be conducted according to the revised Amended Regulations.

Table of Contents

ITEM NO. 1
ELECTION OF CLASS I DIRECTORS

The Board of Directors, by resolution at its February 9, 2010 meeting, based on the recommendation of the Nominating and Corporate Governance Committee of the Board, nominated the four individuals set forth below to be elected Directors in Class I at the 2010 Annual Meeting of Shareholders to serve for a term of three years expiring at the Annual Meeting of Shareholders in 2013 (or until their respective successors are elected and qualified). All of the nominees have been previously elected as a Director by the shareholders. Each of the nominees listed below has consented to serve as a Director if elected.

Unless otherwise indicated on any proxy, the persons named as proxies on the enclosed proxy form intend to vote the shares covered by such proxy form in favor of the nominees named below. The Board of Directors recommends a vote FOR the election of the nominees named below.

NOMINEES

The following information obtained in part from the respective nominees and in part from the records of the Company, sets forth information regarding each nominee as of January 8, 2010.

James W. Griffith, 56, has served as the President and Chief Executive Officer of The Timken Company since 2002. Mr. Griffith joined the Company in 1984, and has held positions as plant manager, Vice President of Manufacturing in North America and Managing Director of the Company s business in Australia. From 1996 to 1999, he led the Company s automotive business in North America and the Company s bearing business activities in Asia and Latin America. He was elected President and Chief Operating Officer in 1999. Since that time, Mr. Griffith has led a transformation of the Company focused on creating ever-increasing levels of value for customers and shareholders. With Mr. Griffith s broad experience and deep understanding of the Company, and as Chief Executive Officer, he is a key director for the Company. He has served on the Board of Directors since 1999. He also has been a director of Goodrich Corporation since 2002.

John A. Luke, Jr., 61, is the Chairman and Chief Executive Officer of MeadWestvaco Corporation, a leading global producer of packaging, coated and specialty papers, consumer and office products and specialty chemicals. He has held that position since 2003. Mr. Luke worked in a number of areas of Westvaco Corporation earlier in his career, including treasury, marketing and international sales, before joining its executive ranks in 1990. He led the process of merging the Westvaco Corporation with the Mead Corporation in 2002 to create MeadWestvaco Corporation, a large transformative transaction. As Chief Executive Officer of a company that was founded by his ancestors in 1888, Mr. Luke brings an understanding of the evolution of a family business into a global corporation. Mr. Luke s leadership of a large, public global company and his experience in dealing with the issues facing such a company, make him well-positioned for his role as a Director. He has served on the Board of Directors since 1999. Mr. Luke also has served as a director of The Bank of New York Mellon Corporation since 2007, MeadWestvaco Corporation since 2002 and The Bank of New York from 1996-2007.

Frank C. Sullivan, 49, has held the position of Chairman and Chief Executive Officer of RPM International Inc., a world leader in specialty coatings, since 2008. He was appointed RPM s Chief Executive Officer in 2002, prior to which he held positions in sales and corporate development before becoming Chief Financial Officer in 1993. He held various positions in the areas of commercial lending and corporate finance in the banking industry before joining RPM in 1987. With Mr. Sullivan s extensive financial background, he serves as the financial expert for the Company s Audit Committee. As Chief Executive Officer of a major public company, Mr. Sullivan possesses invaluable experience to deal with the wide range of issues facing the Company, and he is particularly knowledgeable in the area of acquisitions due to the substantial level of activity by RPM in that area. Grandson of the founder of RPM, Mr. Sullivan also brings to the Board knowledge and understanding of the evolution of a family business into a large public company. He has served on the Board of Directors since 2003, and he has been a director of RPM International, Inc. since 1995.

Ward J. Timken, 67, currently serves as President of The Timken Foundation of Canton, a private charitable foundation to promote civic betterment through capital funds grants. He has held that position since 2004. The Timken Foundation is not affiliated with The Timken Company. During his thirty-six year career with the Company before retiring in 2003, Mr. Timken worked in steel operations, corporate development and human resources. For many years

he was responsible for community relations and was

Table of Contents

regarded as the face of the company in plant locations globally. He traveled extensively during his career, becoming extremely familiar with the Company s global manufacturing operations, and he brings a wealth of knowledge regarding the Company s history and capabilities to his position as a member of the Board of Directors. He has served on the Board since 1971. Mr. Timken is also a substantial long-term shareholder of the Company.

Ward J. Timken is the father of Ward J. Timken, Jr. and the cousin of John M. Timken, Jr.

CONTINUING DIRECTORS

The remaining eight Directors, named below, will continue to serve in their respective classes until their respective terms expire. The following information obtained in part from the respective Directors and in part from the records of the Company, sets forth information regarding each Director as of January 8, 2010.

John M. Ballbach, 49, has served as President and Chief Executive Officer of VWR International LLC, a leading global laboratory supply company, since 2005, and was appointed Chairman of the Board of that company in 2007. Mr. Ballbach joined the Valspar Corporation in 1990 and progressed through a series of management positions to become its President and Chief Operating Officer from 2002 until 2004. Mr. Ballbach s global perspective and experience in supply chain management are particularly helpful to the Board as the Company continues to sharpen its focus on growth opportunities in diverse industrial markets with strong aftermarket potential. He has served on the Board of Directors since 2009. Mr. Ballbach served as a director of Celanese AG in 2005-2006. Mr. Ballbach s term expires in 2011.

Phillip R. Cox, 62, has been the President and Chief Executive Officer of Cox Financial Corporation, a financial services company that he founded, for over 35 years. In addition to his service on the Company s Board of Directors since 2004, Mr. Cox is currently non-executive Chairman of Cincinnati Bell, and he has served as a director there since 1993. He also has served as a director of Touchstone Mutual Funds since 1994 and Diebold, Incorporated since 2005. Mr. Cox formerly served as a director of Duke Energy Corporation from 2006 2008, and prior to its merger with Duke Energy, Cinergy Corp. from 1994-2005. With his life-long background of dealing with financial matters, Mr. Cox brings significant acumen to the Board. Mr. Cox s term expires in 2011.

Jerry J. Jasinowski, 71, retired in 2004 from the position of President of the National Association of Manufacturers (NAM), the nation s largest industrial trade association. He held that position for fourteen years. He also served as the President of The Manufacturing Institute, the education and research arm of the NAM during 2005 and 2006. With the increasing federal regulatory complexities facing the Company, Mr. Jasinowski s extensive experience in Washington, including service as assistant secretary for policy at the U.S. Department of Commerce, brings a valuable perspective to the Board. In addition to his experience leading a complex business organization, Mr. Jasinowski brings expertise in economics and a deep understanding of the issues facing global manufacturing companies to his role as a director. Mr. Jasinowski has served on the Board of Directors since 2004, and was a director of Harsco Corporation from 1999-2009 and webMethods, Inc. from 2001- 2008. He also has served as a director of The Phoenix Companies, Inc. since 2000. Mr. Jasinowski s term expires in 2011.

Joseph W. Ralston, 66, has served as Vice Chairman of The Cohen Group, an organization that provides clients with comprehensive tools for understanding and shaping their business, political, legal, regulatory and media environments, since 2003. General Ralston completed a distinguished 37-year Air Force career as Commander, U.S. European Command and Supreme Allied Commander Europe, NATO in 2003. Previously, General Ralston served as Vice Chairman of the Joint Chiefs of Staff, the nation s second highest-ranking military officer. In his current role, General Ralston is in a position to keep the Company s Board of Directors advised on the rapidly changing global political environment, as well as developments in the aerospace industry. As someone who was previously responsible for thousands of troops, General Ralston is familiar with complex human resource issues. Additionally, with the increased regulatory oversight of corporate governance, General Ralston s continuing understanding of the political environment in Washington provides the Board with a valuable perspective on current legislative developments. He has served on the Board of Directors since 2003, and he also has served on the boards of Lockheed Martin Corporation and URS Corporation since 2003. Mr. Ralston s term expires in 2012.

Table of Contents

John P. Reilly, 66, retired as the Chairman, President and Chief Executive Officer of Figgie International, an international diversified operating company, in 1998. In that role, he presided over the successful sale of the company s thirty divisions and led the orderly dissolution of that company under very challenging circumstances. Prior to 1998, Mr. Reilly served in a number of senior management roles with large companies, primarily in the automotive industry. His hands-on experience in the automotive industry provides the Company s Board with a key resource in a significant sector in which the Company competes. He also brings his knowledge of financial and human resource issues gained through his forty years of successful executive leadership to his role on the Board. He has served on the Board of Directors since 2006. Mr. Reilly also serves as a director and non-executive chairman of both Exide Technologies and Material Sciences Corporation, and he has been a director of each of those companies since 2004. Mr. Reilly s term expires in 2012.

John M. Timken, Jr., 58, is a private investor who has been a successful entrepreneur for many years. He has served on the Board of Directors since 1986. A sample of Mr. Timken s ventures includes involvement in the cable television business and establishing one of the largest commercial mushroom farms in North America. He has also been associated with, and an investor in, among others, a trucking concern, a plastic injection molding business and a chain of ophthalmic laboratories. He is currently a director of a flexible packaging business of which he was one of the founders. Mr. Timken uses his substantial financial acumen and varied business background to bring a candid and challenging approach to interaction with the Company s management and independent auditors. Mr. Timken is also a substantial long-term shareholder of the Company. Mr. Timken s term expires in 2012.

Ward J. Timken, Jr., 42, is Chairman of the Board of Directors of The Timken Company. He has held that position since 2005. In his previous position as President of the Company s Steel Business, he led the business in 2004-2005 to record levels of profitability at the time, and positioned it for even better subsequent performance. He also served as Corporate Vice President in 2000-2003 and was responsible for strategy development. He played a pivotal role in the acquisition and integration of The Torrington Company in 2003, the largest acquisition in the Company s history. His other positions at the Company included key postings in Europe and Latin America in the 1990s. Before joining the Company in 1992, he opened and managed the Washington, D.C. office of McGough & Associates, a Columbus, Ohio based government affairs consulting firm. Mr. Timken s broad-based experience has given him an excellent understanding of the Company s business that positions him to provide outstanding leadership as the Chairman of the Board. He has served on the Board of Directors since 2002. Mr. Timken is also a substantial long-term shareholder of the Company. Mr. Timken s term expires in 2011.

Jacqueline F. Woods, 62, retired as the President of Ameritech Ohio (subsequently renamed at&t Ohio), a telecommunications company, in 2000. Prior to serving as President, she held positions in finance, operations, marketing, sales and government affairs in that company. Mrs. Woods was inducted into the Ohio Women s Hall of Fame in 1998. She brings an extensive, broad-based business background as the leader of a large company to her role on the Board and her experience at a primarily consumer-oriented company provides a valuable perspective on customer service. She has served on the Board of Directors since 2000, and she has served as a director of School Specialty, Inc. since 2006 and The Andersons, Inc. since 1999. Mrs. Woods term expires in 2012.

Independence Determinations

The Board of Directors has adopted the independence standards of the New York Stock Exchange listing requirements for determining the independence of Directors. The Board has determined that the following continuing Directors and Director nominees have no material relationship with the Company and meet those independence standards: John M. Ballbach, Phillip R. Cox, Jerry J. Jasinowski, John A. Luke, Jr., Joseph W. Ralston, John P. Reilly, Frank C. Sullivan, John M. Timken, Jr., and Jacqueline F. Woods. In addition, Joseph F. Toot, Jr. and Robert W. Mahoney met the independence standards when they served as Directors in 2009. With respect to John M. Timken, Jr., the Board determined that his family relationship to Ward J. Timken and Ward J. Timken, Jr. does not impair his independence.

Related Party Transactions Approval Policy

The Company s Directors and executive officers are subject to the Company s Standards of Business Ethics Policy, which requires that any potential conflicts of interest, such as significant transactions with related parties, be reported to the Company s General Counsel. The Company s Directors and executive officers are also subject to the Company s

Policy Against Conflicts of Interest, which requires that an

Table of Contents

employee or Director avoid placing himself or herself in a position in which his or her personal interests could interfere in any way with the interests of the Company. While not every situation can be identified in a written policy, the Policy Against Conflicts of Interest does specifically prohibit the following situations:

competing against the Company;

holding a significant financial interest in a company doing business with or competing with the Company;

accepting gifts, gratuities or entertainment from any customer, competitor or supplier of goods or services to the Company except to the extent they are customary and reasonable in amount and not in consideration for an improper action by the recipient;

using for personal gain any business opportunities that are identified through a person s position with the Company;

using Company property, information or position for personal gain;

using Company property other than in connection with Company business;

maintaining other employment or a business that adversely affects a person s job performance at the Company; and

doing business on behalf of the Company with a relative or another company employing a relative.

In the event of any potential conflict of interest, pursuant to the charter of the Nominating and Corporate Governance Committee and the provisions of the Standards of Business Ethics Policy and the Policy Against Conflicts of Interest, the Nominating and Corporate Governance Committee would review and, considering such factors as it deems appropriate under the circumstances, make a determination as to whether to grant a waiver to the policies for any such situation. Any waiver would be promptly disclosed to shareholders.

Board and Committee Meetings

The Board of Directors has an Audit Committee, a Compensation Committee, and a Nominating and Corporate Governance Committee. During 2009, there were nine meetings of the Board of Directors, nine meetings of its Audit Committee, five meetings of its Compensation Committee, and three meetings of its Nominating and Corporate Governance Committee. All nominees for Director and all continuing Directors attended 75 percent or more of the meetings of the Board and its committees on which they served. It is the policy of the Company that all members of the Board of Directors attend the Annual Meeting of Shareholders, and in 2009, all members attended the meeting. At each regularly scheduled meeting of the Board of Directors, the Nonemployee Directors and the independent Directors also meet separately in executive sessions. The Chairpersons of the standing committees preside over those sessions on a rotating basis. The Finance Committee of the Board of Directors, which was initiated in 2007, held one meeting in February 2009, after which that committee was dissolved and a portion of its duties were transitioned to the Audit Committee.

DIRECTOR COMPENSATION

Cash Compensation

Each Nonemployee Director who served in 2009 was paid at the annual rate of $60,000 for services as a Director. The Nonemployee Directors voluntarily reduced their base compensation by ten percent for the last five months of 2009 in light of the difficult business environment. In addition to base compensation, the following fees are paid for serving on a committee of the Board.

Committee	Chairperson Fee	Member Fee
Audit	$ 30,000	$15,000

Compensation	$ 15,000	$ 7,500
Finance (dissolved February 3, 2009)	$ 15,000	$ 7,500
Nominating & Corporate Governance	$ 15,000	$ 7,500

Table of Contents

Stock Compensation

Each Nonemployee Director serving at the time of the Annual Meeting of Shareholders on May 12, 2009, received a grant of 2,500 shares of Common Stock under The Timken Company Long-Term Incentive Plan, as Amended and Restated (the Long-Term Incentive Plan), following the meeting. The stock grant to each Nonemployee Director serving at the time of the Annual Meeting of Shareholders on May 11, 2010 will be 4,000 shares of Common Stock. The shares received are required to be held by each Nonemployee Director until his or her departure from the Board of Directors. Upon a Director s initial election to the Board, each new Nonemployee Director receives a grant of 2,000 restricted shares of Common Stock under the Long-Term Incentive Plan, which vest one-fifth annually over a five-year period. John M. Ballbach received such a grant upon his election on November 10, 2009.

The Compensation Committee of the Board of Directors has adopted share ownership guidelines that require Directors to own Common Stock equal to at least three times the value of the annual rate of base cash compensation for Directors. Directors are expected to achieve this ownership level within five years of the time they join the Board. As of December 31, 2009, all Directors who have served five or more years on the Board are meeting their ownership requirements.

Compensation Deferral

Any Director may elect to defer the receipt of all or a specified portion of his or her cash and/or stock compensation in accordance with the provisions of The Director Deferred Compensation Plan. Pursuant to the plan, cash fees can be deferred and paid at a future date requested by the Director. The amount will be adjusted based on investment crediting options, which include interest earned quarterly at a rate based on the prime rate plus one percent or the total shareholder return of the Company s Common Stock, with amounts paid either in a lump sum or in installments in cash. Stock compensation can be deferred to a future date and paid either in a lump sum or installments and is payable in shares plus a cash amount representing dividend equivalents during the deferral period.

DIRECTOR COMPENSATION TABLE

The following table provides details of Director compensation in 2009:

Name (1)	Fees Earned or Paid in Cash	Stock Awards (2)	Compensation	Total
John M. Ballbach	$ 11,385	$ 50,260	$ 0	$ 61,645
Phillip R. Cox	$ 74,735	$ 42,900	$ 0	$ 117,635
Jerry Jasinowski	$ 72,500	$ 42,900	$ 0	$ 115,400
John A. Luke, Jr.	$ 80,000	$ 42,900	$ 0	$ 122,900
Robert W. Mahoney	$ 30,938	$ 0	$ 0	$ 30,938
Joseph W. Ralston	$ 80,000	$ 42,900	$ 0	$ 122,900
John P. Reilly	$ 80,000	$ 42,900	$ 0	$ 122,900
Frank C. Sullivan	$ 93,126	$ 42,900	$ 0	$ 136,026
John M. Timken, Jr.	$ 73,438	$ 42,900	$ 0	$ 116,338
Ward J. Timken	$ 57,500	$ 42,900	$ 0	$ 100,400
Joseph F. Toot, Jr.	$ 26,251	$ 0	$ 38,721(3)	$ 64,972
Jaqueline F. Woods	$ 72,500	$ 42,900	$ 0	$ 115,400

(1) Ward J. Timken, Jr., Chairman of the Board of Directors and James W. Griffith, President and

Chief Executive Officer, are not included in this table as they are employees of the Company and receive no compensation for their services as Directors. Effective May 11, 2009, Robert W. Mahoney and Joseph F. Toot Jr. retired from the Board of Directors.

(2) The amount shown for each Director, other than Mr. Ballbach, is the grant date fair value of the annual award of 2,500 shares of Common Stock made on May 12, 2009, which vested upon grant. Mr. Mahoney and Mr. Toot retired from the Board of Directors before the date of the grant. The amount shown for Mr. Ballbach, who was not a Director on May 12, 2009, is the grant date fair

Table of Contents

value of the 2,000 restricted shares of Common Stock granted upon his election to the Board on November 10, 2009.

As of December 31, 2009, the following individuals have the following number of outstanding options and unvested restricted shares:

Name	Outstanding Options	Unvested Restricted Shares
John M. Ballbach	0	2,000
Phillip R. Cox	3,000	0
Jerry Jasinowski	6,000	0
John A. Luke, Jr.	18,000	0
Robert W. Mahoney	18,000	0
Joseph W. Ralston	6,000	0
John P. Reilly	0	800
Frank C. Sullivan	6,000	0
John M. Timken, Jr.	0	0
Ward J. Timken	11,000(a)	0
Joseph F. Toot, Jr.	9,000	0
Jacqueline F. Woods	9,000	0

(a) Outstanding options for Ward J. Timken include grants awarded when he was an employee of the Company.

(3) As a former Chief Executive

Officer of the Company, Mr. Toot was provided an office until June 10, 2009, administrative support until August 1, 2009 and home security system monitoring. These items are valued at the Company s cost, and the office and administrative support constitute approximately 99% of the total value.

BOARD LEADERSHIP STRUCTURE

The Company s senior leadership is shared between two executive positions the President and Chief Executive Officer and the Chairman of the Board. Both leaders are actively engaged on significant matters affecting the Company, such as long-term strategy. The President and Chief Executive Officer focuses on all aspects of the operation of the Company, while the Chairman of the Board has a greater focus on governance of the Company, including oversight of the Board of Directors. The positions of President and Chief Executive Officer and Chairman of the Board have been separate for the last 80 years, with limited exceptions. We believe this balance of shared leadership between the two positions is a strength for the Company. It also provides the opportunity for consistent leadership as either person could assume the duties of the other should the need arise on an emergency basis.

The Board has chosen not to appoint a lead director, but instead uses a presiding director status that rotates among the chairs of the standing Board committees. The presiding director chairs the executive session of the independent directors that occurs in conjunction with each meeting of the full Board, and reports the results of that session and discusses issues as required with the Chairman and the President and Chief Executive Officer. We believe that shared leadership responsibility among the independent committee chairs, as opposed to a single lead director, results in increased engagement of the Board as a whole, and that having a strong, independent group of directors fully engaged is important for good governance.

RISK OVERSIGHT

The Board of Directors primarily relies on its Audit Committee for oversight of the Company s risk management. The Audit Committee regularly reviews issues that present particular risks to the Company, including those involving competition, customer demands, economic conditions, planning, strategy, finance, sales and marketing, products, information technology, facilities and operations, supply chain, legal and environmental. The full Board also reviews these issues as appropriate. The Board believes that this approach, supported by the bifurcation of the Company s senior leadership, provides appropriate checks and balances against undue risk taking.

Table of Contents

AUDIT COMMITTEE

The Company has a standing Audit Committee of the Board of Directors. The Audit Committee has oversight responsibility with respect to the Company s independent auditors and the integrity of the Company s financial statements. The Audit Committee is composed of Frank C. Sullivan (Chairman), John M. Ballbach, Phillip R. Cox, John P. Reilly, and John M. Timken, Jr. All members of the Audit Committee are independent as defined in the listing standards of the New York Stock Exchange. The Board of Directors of the Company has determined that the Company has at least one audit committee financial expert serving on the Audit Committee and has designated Frank C. Sullivan as that expert.

The Audit Committee s charter is available on the Company s website at www.timken.com.

AUDIT COMMITTEE REPORT

The Audit Committee has reviewed and discussed with management and the Company s independent auditors the audited financial statements contained in the Company s Annual Report on Form 10-K for the year ended December 31, 2009. The Audit Committee has also discussed with the Company s independent auditors the matters required to be discussed pursuant to Statement on Auditing Standards No. 61, as amended (AICPA, Professional Standards, Vol. 1. AU section 380), as adopted by the Public Company Accounting Oversight Board in Rule 3200T.

The Audit Committee has received and reviewed the written disclosure and the letter from the Company s independent auditors required by applicable requirements of the Public Company Accounting Oversight Board regarding the independent accountant s communications with the audit committee concerning independence, has discussed with the Company s independent auditors such independent auditors independence, and has considered the compatibility of non-audit services with the auditors independence.

Based on the review and discussions referred to above, the Audit Committee recommended to the Board of Directors that the audited financial statements be included in the Company s Annual Report on Form 10-K for the fiscal year ended December 31, 2009, filed with the Securities and Exchange Commission.

Frank C. Sullivan, (Chairman)
John M. Ballbach
Phillip R. Cox
John P. Reilly
John M. Timken, Jr.

COMPENSATION COMMITTEE

The Company has a standing Compensation Committee. The Compensation Committee establishes and administers the Company s policies, programs and procedures for compensating its senior management and Board of Directors. Members of the Compensation Committee are John A. Luke, Jr. (Chairman), Jerry J. Jasinowski, Joseph W. Ralston, John P. Reilly, and Jacqueline F. Woods. All members of the Compensation Committee are independent as defined in the listing standards of the New York Stock Exchange.

With the guidance and approval of the Compensation Committee of the Board of Directors, the Company has developed compensation programs for executive officers, including the Chief Executive Officer and the other executive officers named in the Summary Compensation Table, that are intended to enable the Company to attract, retain and motivate superior quality executive management; reward executive management for financial performance and the achievement of strategic objectives; and align the financial interests of executive management with those of shareholders. The Compensation Committee determines specific compensation elements for the Chief Executive Officer and considers and acts upon recommendations made by the Chief Executive Officer regarding the other executive officers.

The agenda for meetings of the Compensation Committee is determined by its Chairman with the assistance of the Senior Vice President Human Resources and Organizational Advancement. The meetings are regularly attended by the Chairman of the Board, Chief Executive Officer, Executive Vice President Finance and Administration, Senior Vice President and General Counsel, Senior Vice President Human Resources and Organizational Advancement and Director Total Rewards. At each meeting, the Compensation Committee meets in executive session. The Chairman of the Compensation Committee reports the Committee s actions regarding compensation of executive officers to the full Board of

Table of Contents

Directors. The Company s Human Resources and Organizational Advancement department supports the Compensation Committee in its duties and may be delegated certain administrative duties in connection with the Company s compensation programs. The Committee has the sole authority to retain and terminate compensation consultants to assist in the evaluation of Director or executive officer compensation and the sole authority to approve the fees and other retention terms of any compensation consultants. The Compensation Committee has engaged Towers Perrin, a global professional services firm, to conduct annual reviews of its total compensation programs for executive officers and, from time-to-time, to review the total compensation of Directors. Towers Perrin also provides information to the Compensation Committee on trends in executive compensation and other market data.

With respect to Director compensation, as stated above, the Compensation Committee periodically engages Towers Perrin to conduct reviews of total Director compensation, and the Committee then recommends to the full Board of Directors changes in Director compensation that will enhance the Company s ability to attract and retain qualified Directors.

The Compensation Committee also plays an active role in the Company s executive succession planning process. The Committee meets regularly with senior management to ensure that an effective succession process is in place and to discuss potential successors for executive officers. As part of this process, executive position profiles are updated to highlight the key skills required to meet future demands, and potential successors are evaluated and development plans are reviewed. At the end of each year, the Committee reviews the performance of the executive officers and potential successors. The Committee s succession planning activities are discussed with the full Board in executive session.

The Compensation Committee s charter is available on the Company s website at www.timken.com.

COMPENSATION COMMITTEE REPORT

The Compensation Committee has reviewed and discussed the Compensation Discussion and Analysis (the CD&A) for the year ended December 31, 2009 with management. In reliance on the review and discussion referred to above, the Compensation Committee recommended to the Board of Directors, and the Board has approved, that the CD&A be included in this Proxy Statement for filing with the Securities and Exchange Commission.

John A. Luke, Jr. (Chairman)
Jerry J. Jasinowski
John P. Reilly
Joseph W. Ralston
Jacqueline F. Woods

NOMINATING AND CORPORATE GOVERNANCE COMMITTEE

The Company has a standing Nominating and Corporate Governance Committee. The Nominating and Corporate Governance Committee is responsible for, among other things, evaluating new Director candidates and incumbent Directors and recommending Directors to serve as members of the Board committees. Members of the Nominating and Corporate Governance Committee are Joseph W. Ralston (Chairman), Jerry J. Jasinowski, John A. Luke, Jr., Frank C. Sullivan and Jacqueline F. Woods. All members of the Committee are independent as defined in the listing standards of the New York Stock Exchange.

Director candidates recommended by shareholders will be considered in accordance with the Company s Amended Regulations. In order for a shareholder to submit a recommendation, the shareholder must deliver a communication by registered mail or in person to the Nominating and Corporate Governance Committee, c/o The Timken Company, 1835 Dueber Avenue, S.W., P.O. Box 6932, Canton, Ohio 44706-0932. Such communication should include the proposed candidate s qualifications, any relationship between the shareholder and the proposed candidate and any other information that the shareholder would consider useful for the Nominating and Corporate Governance Committee to consider in evaluating such candidate.

The Board of Directors General Policies and Procedures provide that the general criteria for Director candidates include, but are not limited to, the highest integrity and ethical standards, the ability to provide wise and informed guidance to management, a willingness to pursue thoughtful, objective inquiry on important issues before the Company, and a range of experience and knowledge commensurate with

Table of Contents

Company s needs as well as the expectations of knowledgeable investors. The Nominating and Corporate Governance Committee utilizes a variety of sources to identify possible Director candidates, including professional associations and Board member recommendations. In evaluating candidates to recommend to the Board of Directors, the Nominating and Corporate Governance Committee considers factors consistent with those set forth in the Board of Directors General Policies and Procedures, including whether the candidate enhances the diversity of the Board. Such diversity includes professional background and capabilities, knowledge of specific industries and geographic experience, as well as the more traditional diversity concepts of race, gender and national origin. The attributes of the current Directors and the needs of the Board and the Company are evaluated whenever a Board vacancy occurs, and the effectiveness of the nomination process, including whether that process enhances the Board s diversity, is evaluated each time a candidate is considered. The Nominating and Corporate Governance Committee is also responsible for reviewing the qualifications of, and making recommendations to the Board of Directors for, Director nominations submitted by shareholders. All Director nominees are evaluated in the same manner by the Nominating and Corporate Governance Committee, without regard to the source of the nominee recommendation.

The Nominating and Corporate Governance Committee also plans for director succession. The Committee regularly reviews the appropriate size of the Board and whether any vacancies are expected due to retirement or otherwise. In the event that vacancies are anticipated, or otherwise arise, the Committee considers potential candidates for director. As part of this process, the Committee assesses the skills and attributes of the Board as a whole and of each individual director and evaluates whether prospective candidates possess complementary skills and attributes that would strengthen the Board.

The Nominating and Corporate Governance Committee s charter is available on the Company s website at www.timken.com.

The Company s code of business conduct and ethics, called the Standards of Business Ethics Policy, and its corporate governance guidelines, called the Board of Directors General Policies and Procedures, are reviewed annually by the Nominating and Corporate Governance Committee and are available on the Company s website at www.timken.com.

Table of Contents

BENEFICIAL OWNERSHIP OF COMMON STOCK

The following table shows, as of January 8, 2010, the beneficial ownership of Common Stock of the Company by each continuing Director, nominee for Director and executive officer named in the Summary Compensation Table on page 26 of this Proxy Statement, and by all continuing Directors, nominees for Director and executive officers as a group. Beneficial ownership of Common Stock has been determined for this purpose in accordance with Rule 13d-3 under the Securities Exchange Act of 1934 and is based on the sole or shared power to vote or direct the voting or to dispose or direct the disposition of Common Stock. Beneficial ownership as determined in this manner does not necessarily bear on the economic incidents of ownership of Common Stock.

	Amount and Nature of Beneficial Ownership of Common Stock			
Name	Sole Voting Or Investment Power[1]	Shared Voting or Investment Power	Aggregate Amount[1]	Percent of Class
Michael C. Arnold	229,877	0	229,877	*
John M. Ballbach	2,000	0	2,000	*
Phillip R. Cox	16,000	0	16,000	*
Glenn A. Eisenberg	135,697	0	135,697	*
James W. Griffith	791,877	179,666	971,543	*
Jerry J. Jasinowski	20,000	0	20,000	*
John A. Luke, Jr.	36,053	0	36,053	*
Salvatore J. Miraglia, Jr.	149,795	0	149,795	*
Joseph W. Ralston	26,105	0	26,105	*
John P. Reilly	20,035	0	20,035	*
Frank C. Sullivan	22,500	0	22,500	*
John M. Timken, Jr.	578,240[2]	940,560[3]	1, 518,800[2][3]	1.5%
Ward J. Timken	482,571	6,487,002[3]	6,969,573[3]	7.2%
Ward J. Timken, Jr.	616,098	5,309,754[3]	5,925,852[3]	6.1%
Jacqueline F. Woods	24,946	0	24,946	*
All Directors, nominees for Director and executive officers as a Group [4]	3,271,343	7,116,038	10,387,381	10.6%

* Percent of class is less than 1%.

(1) The following table provides additional details regarding beneficial ownership of Common Stock:

Name	Outstanding Options (a)	Vested Deferred Restricted Shares (b)	Deferred Common Shares (b)
John M. Ballbach	0	0	0

Michael C. Arnold	145,625	0	0
Phillip R. Cox	3,000	2,000	3,500
Glenn A. Eisenberg	78,125	0	0
James W. Griffith	685,175	20,000	0
Jerry J. Jasinowski	6,000	2,000	11,000
John A. Luke, Jr.	18,000	0	0
Salvatore J. Miraglia, Jr.	64,075	10,000	0
Joseph W. Ralston	6,000	0	12,000
John P. Reilly	0	0	0
Frank C. Sullivan	6,000	2,000	0
John M. Timken, Jr.	0	0	0
Ward J. Timken	11,000	0	0
Ward J. Timken, Jr.	410,150	0	0
Jacqueline F. Woods	9,000	0	10,000

Table of Contents

(a) Includes the shares which the individual named in the table has the right to acquire on or before March 9, 2010 through the exercise of stock options pursuant to the Long-Term Incentive Plan. Including those listed, all Directors, nominees for Directors, and executive officers as a group have the right to acquire 1,502,375 shares on or before March 9, 2010, through the exercise of stock options pursuant to the Long-Term Incentive Plan. These shares have been treated as outstanding for the purpose of calculating the percentage of the class beneficially owned by such individual or group, but not for the purpose of calculating the percentage of the class

owned by any other person.

(b) Awarded as annual grants under the Long-Term Incentive Plan, which will not be issued until a later date under The Director Deferred Compensation Plan. The Vested Deferred Restricted Shares held by James W. Griffith and Salvatore J. Miraglia, Jr. are deferred under the 1996 Deferred Compensation Plan.

(2) Includes 197,886 shares for which John M. Timken, Jr. has sole voting and investment power as trustee of three trusts created as the result of distributions from the estate of Susan H. Timken.

(3) Includes shares for which another individual named in the table is also deemed to be the beneficial

owner, as follows: John M. Timken, Jr. 500,000; Ward J. Timken 5,800,944; Ward J. Timken, Jr. 5,300,944.

(4) The number of shares beneficially owned by all Directors, nominees for Directors and executive officers as a group has been calculated to eliminate duplication of beneficial ownership. This group consists of 17 individuals.

The following table gives information known to the Company about each beneficial owner of more than 5% of Common Stock of the Company as of January 20, 2010, unless otherwise indicated below.

Beneficial Owner	Amount	Percent of Class
Timken family [1]	10,801,691 shares	11.1%
BlackRock, Inc. [2]	7,449,977 shares	7.7%
Participants in The Timken Company Savings and Investment Pension Plan [3]	7,055,487 shares	7.3%

(1) Members of the Timken family, including John M. Timken, Jr.; Ward J. Timken; and Ward J. Timken, Jr., have in the aggregate sole or shared voting

power with respect to an aggregate of 10,801,691 (11.1%) shares of Common Stock, which amount includes 527,150 shares that members of the Timken family have the right to acquire on or before March 9, 2010. The Timken Foundation of Canton, 200 Market Avenue, North, Suite 210, Canton, Ohio 44702, holds 5,247,944 of these shares, representing (5.4%) of the outstanding Common Stock. Ward J. Timken; Joy A. Timken; Ward J. Timken, Jr.; and Nancy S. Knudsen are trustees of the Foundation and share the voting and investment power with respect to such shares.

(2) A filing with theer-bottom: none">

Name	Age	Current Position	Tenure
David Ly	35	Chairman, Chief Executive Officer and President	October 2003 to present[1]
Luz Berg	49	Chief Operating Officer, Chief Marketing Officer and Secretary	November 2004[2] to present

Steven G. Wollach	57	Chief Financial Officer, Treasurer	July 2010 to present

(1) Mr. Ly founded Iveda Solutions and has served as its President and Chief Executive Officer since inception in 2003, and has served as Chief Executive Officer, President and Chairman of the Company since the October 15, 2009 merger.

(2) Ms. Berg started with Iveda Solutions as the Vice President of Marketing in November 2004, was promoted to Senior Vice President of Operations & Marketing in May 2007, and was further promoted to Chief Operating Officer, Chief Marketing Officer and Secretary of the Company effective October 15, 2009.

Information concerning the principal occupation of Mr. Ly is set forth under Election of Directors. Information concerning the principal occupation during at least the last five years of the other executive officers of the Company who are not also directors of the Company is set forth below.

Luz A. Berg started with Iveda Solutions as the VP of Marketing in November 2004, was promoted to Senior VP of Operations & Marketing in May 2007, and was further promoted to Chief Operating Officer, Chief Marketing Officer and Secretary of the Company effective October 15, 2009. Ms Berg leads the Company s day-to-day operation, formulating policies and procedures, performing human resources functions, and managing accounting and finance prior to hiring a full-time CFO. Ms. Berg has extensive experience in developing and implementing results-driven marketing communications plans for lead/sales generation, building brands, brand revitalization, and customer retention in a wide-range of industries and was hired based on her marketing experience. Ms. Berg served as the Director of Marketing at Cygnus Business Media from 2003 to 2004 and at Penton Media from 2001 to 2003. She has also worked in the high-tech industry at Metricom, serving as Marketing Programs/Channel Marketing Manager from 1999 to 2001, and Spectra-Physics Lasers, serving as Marketing Communications Specialist from 1991 to 1999. Ms. Berg received her B.A. in Management from St. Mary s College in California.

Steven G. Wollach joined Iveda Solutions executive team as the Chief Financial Officer on July 22, 2010. From 2000 until mid-2010, Mr. Wollach provided services to both private and public companies as principal of SW Enterprises, including strategic planning, corporate finance, SEC filings, business development, raising capital, financial statement preparation and reporting, business development, investor relations and mergers and acquisitions. Mr. Wollach served as Chairman, CEO, and CFO for Interactive Objects, Inc. (OBJX.OTC.BB), a developer of digital media products such as Mobile Audio Player software for Microsoft and for commercial and home use by providing digital media engineering and development services, as well as consulting services to large corporations, from 1997 to 2000. His career in finance started working for National Big 5 CPA firms from 1974 to 1984. From 1984 to 1994, Mr. Wollach held sales positions at various companies: National Sales Manager for Fukuda Denshi America Corp. from 1992 to 1994; Sales Manager for Eastside Medical Laboratories from 1988 to 1992; Sales Representative for Spacelabs/Interspec from 1984 to 1988. Mr. Wollach went back to finance as the Principal of Venture Fund Analyst from 1994 to 1997. Mr. Wollach received his B.S. in Accounting from Wayne State University in Michigan.

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth certain information regarding beneficial ownership of our Common Stock as of April 25, 2011, by: (a) each person known by the Company to be a beneficial owner of five percent or more of the outstanding Common Stock; (b) each director, each executive officer or employee named in the Summary Compensation Table, and (c) all directors and executive officers as a group. Except as indicated in the footnotes to this table, each person has sole voting and investment power with respect to the shares attributed to such person.

	Common Stock Beneficially Owned	Options or Warrants to Purchase Common Stock	Total Beneficial Ownership	Percent of Class[1]
Non-Employee Directors				
Joseph Farnsworth[2]	79,958	150,000	229,958	1.6 %
Gregory Omi[2]	903,859	150,000	1,053,859	7.4 %
James D. Staudohar[2]	0	75,000	75,000	0.5 %
Named Executive Officers				
Luz Berg[2][3]	77,817	922,183 [3]	1,000,000	7.0 %
Robert Brilon[2][3][4]	0	200,000 [3]	200,000	1.4 %
Steven G. Wollach[2][5]	0	300,000	300,000	2.1 %
Director and Named Executive Officer				
David Ly[2]	3,805,181	0	3,805,181	26.7 %
All Directors and Officers	5,016,815	1,647,183	6,663,998	46.8 %
5% Holders				
William A. Walsh[6]	2,100,000	0	2,100,000	14.7 %
Squirrel-Away LLC[7]	1,151,140	0	1,151,140	8.1 %

(1) The percentage is based on 14,249,257 shares of Common Stock issued and outstanding as of April 25, 2011, and assumes all of the outstanding Company options and warrants to purchase shares of Common Stock are exercised.

(2) The address for each of these individuals is c/o Iveda Solutions, Inc., 1201 S. Alma School Road, Suite 4450, Mesa, AZ 85210.

(3) Plan awards for these individuals were amended on April 26, 2010 to extend the option exercise period following disability or death to 36 months, but in no event later than the option expiration date.

(4) The address for Mr. Brilon is 11445 E. Via Linda #2-435 Scottsdale, AZ 85259.

(5) Steven G. Wollach was hired as Chief Financial Officer on July 22, 2010.

(6) The address for Mr. Walsh is 117 North 2nd Avenue, Sterling, Colorado 80751.

(7) The address for Squirrel-Away LLC is 7500 E. Pinnacle Peak Road/R-106, Scottsdale, Arizona 86255.

SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Section 16(a) of the Securities Exchange Act of 1934 (the Exchange Act) requires the Company s directors and executive officers, and persons who beneficially own more than ten percent of a registered class of our equity

securities, to file with the Securities and Exchange Commission (the Commission) initial reports of beneficial ownership and reports of changes in beneficial ownership of our Common Stock. The rules promulgated by the Commission under Section 16(a) of the Exchange Act require those persons to furnish us with copies of all reports filed with the Commission pursuant to Section 16(a). The information in this section is based solely upon a review of Forms 3, Forms 4, and Forms 5 received by us.

To the Company s knowledge, during the year ended December 31, 2010 and year to date, all directors, officers and beneficial owners of greater than 10% of the outstanding shares of Common Stock timely filed reports required by Section 16(a) of the Exchange Act.

EXECUTIVE COMPENSATION AND OTHER INFORMATION

Compensation Philosophy and Overview

The Company believes that it is important to design a compensation program that supports the Company s business strategy. As a result, our compensation program emphasizes performance-based compensation and is designed to support the Company s business goals, promote short- and long-term growth, and attract, retain, and motivate key talent. The compensation program has three components:

(1) base salary;
(2) bonus awards; and
(3) long-term performance incentives.

The Company believes that our executive officers and other key employees should have a portion of their potential annual compensation tied to our profitability and other Company goals. Additionally, we seek to align the ability to earn long-term incentives directly with the interests of our stockholders through the use of equity-based incentives. The Company strives to ensure compensation is competitive with companies similar to Company; however, the Company acknowledges that base salaries are currently below market.

Summary Compensation Table

The following summary compensation table sets forth information concerning compensation for services rendered in all capacities during our past two fiscal years awarded to, earned by, or paid to each of the individuals listed in the Summary Compensation Table below. Salary and other compensation for these officers and former officers were set by the Board. Iveda has historically suffered severe shortages in cash and has structured its compensation policies to minimize salaries and focus instead on reward of equity.

Name and Principal Position	Year	(Salary)	Bonus	Stock Awards	Option Awards	Non-Equity Incentive Plan Compensation	All Other Compensation	Total
David Ly Chairman, CEO, President[1]	2010 2009	$115,538 $97,077	$27,070					$142,608 $97,077
Luz Berg COO, CMO, Secretary[2]	2010 2009	$122,308 $89,154	$27,070					$149,378 $89,154
Robert Brilon Former CFO, Treasurer[3]	2010 2009	$58,739 $33,508			$20,266[4]			$79,005 $33,508
Steven Wollach CFO, Treasurer[5]	2010 2009	$40,076			$57,827[6]			$97,903

(1) 2010 salary compensation includes $13,539 in deferred salary from 2009. Net bonus of $25,000 was grossed up for taxes.

(2)

2010 salary compensation includes $20,308 in deferred salary from 2009. Net bonus of $25,000 was grossed up for taxes.

(3) Part-time CFO, resigned on August 2, 2010

(4) See Note 7 of the Notes to Consolidated Financial Statements in our Annual Report on Form 10-K for the year ended December 31, 2010 for information regarding assumptions underlying the valuation of equity awards.

(5) Mr. Wollach was appointed as the Company s Chief Financial Officer on July 22, 2010. Mr. Wollach received an initial salary of $85,000 per year and received options to purchase 200,000 shares of the Company s common stock. On October 14, 2010, the Compensation Committee approved (i) an increase in Mr. Wollach s salary to $100,000, effective October 3, 2010, and (ii) the grant of options to purchase 100,000 shares of the Company s common stock.

(6) See Note 7 of the Notes to Consolidated Financial Statements in our Annual Report on Form 10-K for the year ended December 31, 2010 for information regarding assumptions underlying the valuation of equity awards.

Outstanding Equity Awards at Fiscal Year Ended December 31, 2010

The following table summarizes the outstanding equity award holdings held by our named executive officers.

	Option Awards			
Name	Number of Securities Underlying Unexercised Options and Warrants (#) Exercisable	Number of Securities Underlying Unexercised Options and Warrants (#) Unexercisable	Option and Warrant Exercise Price ($)	Option and Warrant Expiration Date
David Ly, CEO and President				
Luz Berg, COO, CMO and Secretary	256,140[1] (warrant)		$ 0.10	12/30/16
	240,331[2] (warrant)		$ 0.10	9/10/17
	425,712[3] (option)		$ 0.10	4/10/18
Steve Wollach, CFO, Treasurer	300,000[4] (option)		$ 1.00	7/22/20
Robert Brilon, Former CFO	200,000[5] (option)		$ 1.00	8/2/13

(1) The warrants became fully vested on December 30, 2006.
(2) The warrants became fully vested on September 10, 2007.
(3) The options became fully vested on April 10, 2008.
(4) 150,000 options became vested as of December 31, 2010.
(5) The options became fully vested on February 1, 2010.

Equity Compensation Plans (As of December 31, 2010)

On October 15, 2009, the Company adopted the 2009 Stock Option Plan (the 2009 Option Plan), pursuant to which it may grant equity awards to eligible persons. The 2009 Option Plan allows the Company s board of directors to grant options to purchase up to 1,500,000 shares of common stock to directors, officers, key employees, and service providers of the Company. As of December 31, 2010, options to purchase 1,177,729 shares were outstanding under the 2009 Option Plan.

On January 18, 2010, Iveda s Board of Directors adopted the 2010 Stock Option Plan (the 2010 Option Plan), which was registered with the SEC on February 2, 2010, under Form S-8. The 2010 Option Plan, as amended in April 2011, allows the Company s board to grant options to purchase up to 3,000,000 shares of common stock to directors, officers, key employees, and service providers of the Company. As of December 31, 2010, options to purchase 782,250 shares were outstanding under the 2010 Option Plan.

The Company has also periodically issued warrants to purchase shares of common stock as equity compensation to officers, directors, employees, and consultants. As of December 31, 2010, warrants to purchase 1,064,778 shares of common stock were outstanding, all of which were issued as equity compensation. Terms of these warrants are comparable to the terms of the outstanding options.

Option Exercises and Stock Vested

There were no exercises of stock options by any of our named executive officers during the last fiscal year. We have issued no stock that could vest during the last fiscal year.

TRANSACTIONS WITH RELATED PERSONS, PROMOTERS AND CERTAIN CONTROL PERSONS

The Company has provided surveillance services since 2005 at a pre-established rate to entities owned by Ross Farnsworth, either through a family partnership or through his majority owned limited liability company, and subsequently Ross Farnsworth became a stockholder of the Company in 2006. Mr. Farnsworth s holdings have always been less than 5% of the Company s outstanding stock, but the revenue for the year ended December 31, 2010 and the year ending 2009 was $69,495 and $58,351, respectively, and there was a trade accounts receivable balance of $5,859 and $0.00 at December 31, 2010 and December 31, 2009, respectively.

On September 15, 2010, the Company entered into a Line of Credit Promissory Note with Greg Omi, one of the Company s directors, that provides for borrowings of up to $350,000 to be used for the sole purpose of purchasing equipment, software and other infrastructure-related items for one of its contracts. The advances bear interest at a rate of 18% annually and are secured by receivables from the contract. Total borrowings under the line of credit as of December 31, 2010 were $197,000. The loan was repaid in April 2011.

The Company previously borrowed $157,000 through September 30, 2009, from various stockholders at no interest and with a maturity date of December 31, 2009. These loans were all repaid in January 2010.

AUDIT COMMITTEE REPORT

The Audit Committee was formed in February 2010 and oversees the Company s financial reporting process and compliance with the Sarbanes-Oxley Act of 2002 on behalf of the Board of Directors. Management has the primary responsibility for the financial statements and the reporting process, including the system of internal controls.

Regarding the Company s fiscal year ending on December 31, 2010, with respect to the Company s audited financial statements, management of the Company represented to the Audit Committee that the financial statements were prepared in accordance with accounting principles generally accepted in the United States of America. The Audit Committee reviewed and discussed those financial statements with management. The Audit Committee also discussed with the Company s independent registered public accounting firm the matters required to be discussed by Statement on Auditing Standards No. 61 (Communication with Audit Committees), as modified or supplemented.

The Audit Committee received the written disclosures from the Company s independent registered public accounting firm required by Independence Standards Board Standard No. 1 (Independence Standards Board Standard No. 1, Independence. Discussions With Audit Committees), as modified or supplemented, and discussed with the Company s independent registered public accounting firm their independence.

Based on the review and discussions referred to above, the Audit Committee recommended to the Board of Directors that the audited financial statements for the fiscal year ended December 31, 2010, be included in the Company s Annual Report on Form 10-K for that fiscal year.

The Audit Committee members for fiscal year 2010 were:

James Staudohar, Chairman; and

Joseph Farnsworth

13

PROPOSAL NO. 2

RATIFICATION OF APPOINTMENT OF COMPANY INDEPENDENT PUBLIC ACCOUNTING FIRM

Independent Registered Public Accounting Firm

The Audit Committee has appointed Farber Hass Hurley LLP (FHH) as independent auditors for the 2011 fiscal year. FHH will audit the Company s consolidated financial statements for the 2011 fiscal year and perform other services. While stockholder ratification is not required by the Company s Bylaws or otherwise, the Board of Directors is submitting the selection of FHH to the stockholders for ratification as a good corporate governance practice. If the stockholders fail to ratify the selection, the Audit Committee may, but is not required to, reconsider whether to retain FHH. Even if the selection is ratified, the Audit Committee in its discretion may direct the appointment of a different independent public accountant or auditor at any time during the year if it determines that such a change would be in the best interest of the Company and its stockholders.

Change in Accountants

Manning Elliott LLP (ME) previously served as our independent auditor. As previously reported on a Form 8-K filed November 2, 2009, we dismissed ME as our independent registered public accounting firm. We engaged FHH to serve as the Company s independent registered public accounting firm beginning with the Company s fiscal year ending December 31, 2009.

The dismissal of ME was a result of the change in the Company s principal offices from Canada to Arizona upon its acquisition of Iveda Solutions as the Company s wholly-owned operating subsidiary.

In connection with the audit of the Company s financial statements for the fiscal years ended January 31, 2009 and 2008, and through October 27, 2009, there were no disagreements between the Company and ME on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedure, which if not resolved to ME s satisfaction, would have caused ME to make reference the subject matter of the disagreement in connection with its audit reports on the Company s financial statements. None of the reportable events set forth in Item 304(a)(1)(iv) or (v) of Regulation S-K occurred during the period in which ME served as the Company s independent registered public accounting firm.

The audit reports of ME on the Company s financial statements as of and for the fiscal years ended January 31, 2009 and 2008 did not contain an adverse opinion or disclaimer of opinion, however, each of the audit reports was modified to note that the significant net losses incurred since inception raised substantial doubt about the Company s ability to continue as a going concern and that the financial statements for each of those fiscal years did not include adjustments that might result from the outcome of those uncertainties.

The Company provided ME a copy of this report prior to its filing with the Securities and Exchange Commission and requested that ME furnish a letter addressed to the Securities and Exchange Commission stating whether ME agrees with the statements made herein. A copy of the letter was filed as an exhibit to an amendment to the aforementioned Form 8-K on November 4, 2009, as permitted by Item 304(a)(3) of Regulation S-K.

On October 27, 2009, the Board of Directors of the Company approved the engagement of FHH to serve as the Company s independent registered public accounting firm for the Company s fiscal year ending December 31, 2009. The decision to change the Company s independent registered public accounting firm was the result of the Board of Directors determination that it was in the best interests of the Company as FHH is located in the United States (ME is in Canada) and following the Company s acquisition of Iveda Solutions as the Company s wholly owned operating subsidiary, the location of the Company s principal offices changed from Canada to Arizona.

Prior to October 27, 2009, the date that FHH was retained as the independent registered public accounting firm of the Company:

(1) The Company did not consult FHH regarding either the application of accounting principles to a specified transaction, either completed or proposed, or the type of audit opinion that might be rendered on the Company s financial statements;

(2) Neither a written report nor oral advice was provided to the Company by FHH that they concluded was an important factor considered by the Company in reaching a decision as to the accounting, auditing or financial reporting issue; and

(3) The Company did not consult FHH regarding any matter that was either the subject of a disagreement (as defined in Item 304(a)(1)(iv) of Regulation S-K and the related instructions) or any of the reportable events set forth in Item 304(a)(1)(v) of Regulation S-K.

Attendance at Annual Meeting

A representative of FHH is expected to be present at the Annual Meeting and will be given an opportunity to make a statement if he or she desires to do so and will be available to respond to appropriate questions.

Fees Billed to the Company in fiscal years 2010 and 2009

The Company paid or accrued the following fees in each of the prior two fiscal years to its independent auditor, FHH, and its prior independent auditor, ME:

Services Provided	2010	2009
Audit Fees[1]	$ 60,000	$ 21,537
Audit-Related Fees	$ 0	$ 0
Tax Fees	$ 0	$ 0
All Other Fees	$ 0	$ 0
Total	$ 60,000	$ 21,537

(1) Audit fees include fees for the audit of our annual financial statements, reviews of our quarterly financial statements, and related consents for documents filed with the SEC.

As part of its responsibility for oversight of the independent registered public accountants, the Audit Committee has established a pre-approval policy for engaging audit and permitted non-audit services provided by our independent registered public accountants, FHH. In accordance with this policy, each type of audit, audit-related, tax and other permitted service to be provided by the independent auditors is specifically described and each such service, together with a fee level or budgeted amount for such service, is pre-approved by the Audit Committee. The Audit Committee has delegated authority to its Chairman to pre-approve additional non-audit services (provided such services are not prohibited by applicable law) up to a pre-established aggregate dollar limit. All services pre-approved by the Chairman of the Audit Committee must be presented at the next Audit Committee meeting for review and ratification. All of the services provided by FHH and ME described above were approved by the Board as the Audit Committee was not established until February 2010.

FHH and ME did not engage any other persons or firms other than the principal accountant s full-time, permanent employees.

Unless otherwise indicated, properly executed proxies will be voted in favor of ratifying the appointment of FHH to audit the Company s books and accounts for the fiscal year ending December 31, 2011.

Recommendation of Board of Directors

The Board of Directors unanimously recommends that you vote FOR the ratification of FHH as the Company s independent auditors.

15

PROPOSAL NO. 3

APPROVAL OF 2010 STOCK OPTION PLAN

The Company is seeking the approval of the stockholders to adopt the Company s 2010 Stock Option Plan, as amended (the 2010 Option Plan). The purpose of the 2010 Option Plan is to advance the interests of the Company and its shareholders by providing an incentive to attract, retain and reward persons performing services for the Company and by motivating such persons to contribute to the growth and profitability of the Company.

General Description of the 2010 Option Plan

The following is a summary of the material provisions of the 2010 Option Plan, which is qualified in its entirety by reference to the specific provisions of the 2010 Option Plan, the full text of which is set forth as **Appendix A** to this Proxy Statement. Capitalized terms used, but not defined, in this Proposal have the meaning given them in the 2010 Option Plan.

Administration. The 2010 Option Plan is administered by the Company s Board of Directors, which has the power to determine all questions of interpretation of the 2010 Option Plan or of any Option, such decisions being final and binding upon anyone having an interest in the 2010 Option Plan or Options under the 2010 Option Plan. The Board also has the power to determine the persons to whom, and the time at which, Options are granted, including the number of shares to be granted, to designate Options as Incentive Stock Options or Nonstatutory Stock Options, and to determine the Fair Market Value of shares of Stock or other property. The Board has the power to determine the terms of any awards granted under the 2010 Option Plan, including, without limitation, the manner of exercise, the method of payment, the method for satisfaction of any tax withholding, time of expiration, and vesting criteria. The Board may also approve one or more forms of Option Agreement, and may amend, modify, extend, cancel or renew any Option, or accelerate, continue, extend or defer the exercisability of any Option. The Board maintains the power to prescribe, amend or rescind rules, guidelines and policies relating to the 2010 Option Plan, and to correct any defect, supply any omission, or reconcile any inconsistency in the 2010 Option Plan or any Option Agreement, and may take any other actions regarding the 2010 Option Plan or any Option as the Board deems advisable, so long as such actions are not inconsistent with the provisions of the 2010 Option Plan.

Grant of Awards and Shares Available for Awards. The 2010 Option Plan provides for the grant of Incentive Stock Options and Nonstatutory Stock Options to Employees, Consultants and Directors of the Participating Company Group. A total of 3,000,000 shares of common stock are available for issuance under the 2010 Option Plan, of which a maximum of 200,000 may be issued as Incentive Stock Options.

Options. Under the 2010 Option Plan, Options will be exercisable at such time or times, or upon such event or events, and subject to such terms, conditions, performance criteria and restrictions as determined by the Board. In addition, no Incentive Stock Option will be exercisable after the expiration of ten (10) years after the effective date of grant of such Option, no Incentive Stock Option granted to a Ten Percent Owner Optionee will be exercisable after the expiration of five (5) years after the effective date of grant of such Option, and no Option granted to a prospective Employee, prospective Consultant or prospective Director may become exercisable prior to the date on which such person commences Service with a Participating Company. Any Option granted according to the 2010 Option Plan will terminate ten (10) years after the effective date of grant of the Option, unless earlier terminated in accordance with its provisions. Outstanding Options that for any reason expire or are terminated or canceled, or Stock acquired upon the exercise of an Option subject to a Company repurchase option at the Optionee s exercise price, will again be made

available for issuance under the 2010 Option Plan.

Transferability. Options are only exercisable only by the Optionee or the Optionee s guardian or legal representative, and are only assignable and transferable by will or the laws of descent and distribution, with the exception that, to the extent permitted by the Board, a Nonstatutory Stock Option is assignable or transferable subject to Rule 701 under the Securities Act and the General Instructions to Form S-8 Registration Statement under the Securities Act.

16

Fair Market Value Limitation. If options designated as Incentive Stock Options (granted under all stock option plans of the Participating Company Group, including the 2010 Option Plan) become exercisable by an Optionee for the first time during any calendar year for stock having a Fair Market Value greater than one hundred thousand dollars ($100,000.00), the portions of such options which exceed such amount will be treated as Nonstatutory Stock Options, subject to any amendment to the Internal Revenue Code that provides for a different limitation amount. If an Option is treated as an Incentive Stock Option in part and as a Nonstatutory Stock Option in part by reason of the limitation set forth in section 5.3 of the 2010 Option Plan, the Optionee may designate which portion of the Option the Optionee is exercising. In the absence of such designation, the Optionee will be deemed to have exercised the Incentive Stock Option portion of the Option first.

Eligibility. Options may be granted only to Employees, Consultants, and Directors, including prospective Employees, prospective Consultants and prospective Directors to whom Options are granted in connection with written offers of an employment or other service relationship with the Participating Company Group. Eligible people may be granted more than one (1) Option. Eligibility does not entitle any person to be granted an Option, or, having been granted an Option, to be granted an additional Option. Further, any person who is not an Employee on the effective date of the grant of an Option to such person may be granted only a Nonstatutory Stock Option. An Incentive Stock Option granted to a prospective Employee upon the condition that such person become an Employee will be deemed granted effective on the date such person commences Service with a Participating Company, with an exercise price determined as of that date.

Termination and Amendment. The Board may terminate or amend the 2010 Option Plan at any time. No termination or amendment of the 2010 Option Plan will affect any then outstanding Option unless expressly provided by the Board. In any event, no termination or amendment of the 2010 Option Plan may adversely affect any then outstanding Option without the consent of the Optionee, unless the termination or amendment is required to enable an Option designated as an Incentive Stock Option to qualify as an Incentive Stock Option or is necessary to comply with any applicable law, regulation or rule.

A copy of the 2010 Option Plan is attached as **Appendix A**.

Recommendation of Board of Directors

The Board of Directors unanimously recommends that you vote FOR the approval of the 2010 Stock Option Plan.

STOCKHOLDER PROPOSALS FOR 2012 ANNUAL MEETING

Pursuant to Rule 14a-8 under the Exchange Act, some stockholder proposals may be eligible for inclusion in the Company s 2012 proxy statement. Any such proposal must be received by the Company not later than January 2, 2012. Stockholders interested in submitting such a proposal are advised to contact knowledgeable counsel with regard to the detailed requirements of the applicable securities law. The submission of a stockholder proposal does not guarantee that it will be included in the Company s proxy statement. If the stockholder does not also comply with the requirements of Rule 14a-4(c)(2) under the Exchange Act, the Company may exercise discretionary voting authority under proxies it solicits to vote in accordance with its best judgment on any such proposal or nomination submitted by a stockholder.

OTHER MATTERS

As of the date of this Proxy Statement, the Board of Directors is not aware of any business other than the proposals discussed above that will be presented for consideration at the Annual Meeting. If other matters properly come before the Annual Meeting, it is the intention of the persons named in the enclosed proxy to vote on such matters in accordance with their best judgment.

ANNUAL REPORT ON FORM 10-K

A copy of the Company s Annual Report on Form 10-K for fiscal year 2010 accompanies this Proxy Statement. The Company is required to file an Annual Report on Form 10-K for its fiscal year ended December 31, 2010 with the Securities and Exchange Commission. A stockholder also may obtain a copy of the Company s Annual Report on Form 10-K at no charge, or a copy of exhibits thereto for a reasonable charge, by writing to Iveda Solutions, Inc., 1201 S. Alma School Rd., Suite 4450, Mesa, Arizona 85210.

WHETHER OR NOT YOU PLAN TO ATTEND THE MEETING, THE COMPANY HOPES THAT YOU WILL HAVE YOUR STOCK REPRESENTED BY COMPLETING, SIGNING, DATING AND RETURNING YOUR ENCLOSED PROXY CARD IN THE ENCLOSED POSTAGE-PAID ENVELOPE AS SOON AS POSSIBLE.

IVEDA SOLUTIONS, INC., a Nevada corporation
By:

/s/ David Ly

David Ly
Chief Executive Officer, President and Chairman
By:

/s/ Steven G. Wollach

Steven G. Wollach
Chief Financial Officer, Principal Accounting Officer and Treasurer
May 2, 2011
Mesa, Arizona

APPENDIX A

2010 Stock Option Plan

IVEDA CORPORATION

2010 STOCK OPTION PLAN

1. Establishment, Purpose and Term of Plan.

1.1 **Establishment.** The Iveda Corporation 2010 Stock Option Plan (the ***Plan***) is hereby established effective as of January 18, 2010 (the ***Effective Date***).

1.2 **Purpose.** The purpose of the Plan is to advance the interests of the Participating Company Group and its shareholders by providing an incentive to attract, retain and reward persons performing services for the Participating Company Group and by motivating such persons to contribute to the growth and profitability of the Participating Company Group.

1.3 **Term of Plan.** The Plan shall continue in effect until the earlier of its termination by the Board or the date on which all of the shares of Stock available for issuance under the Plan have been issued and all restrictions on such shares under the terms of the Plan and the agreements evidencing Options granted under the Plan have lapsed. However, all Options shall be granted, if at all, within ten (10) years from the earlier of the date the Plan is adopted by the Board or the date the Plan is duly approved by the shareholders of the Company. The Company intends that the Plan comply with Section 409A of the Code, including any amendments or replacements of such section, and the Plan shall be so construed.

2. Definitions and Construction.

2.1 **Definitions.** Whenever used herein, the following terms shall have their respective meanings set forth below:

(a) ***Affiliate*** means (i) an entity, other than a Parent Corporation, that directly, or indirectly, through one or more intermediary entities, controls the Company or (ii) an entity, other than a Subsidiary Corporation, that is controlled by the Company directly, or indirectly through one or more intermediary entities. For this purpose, the term control (including the term controlled by) means the possession, direct or indirect, of the power to direct or cause the direction of the management and policies of the relevant entity, whether through the ownership of voting securities, by contract or otherwise; or shall have such other meaning assigned such term for the purposes of registration on Form S-8 under the Securities Act.

(b) ***Board*** means the Board of Directors of the Company. If one or more Committees have been appointed by the Board to administer the Plan, ***Board*** also means such Committee(s).

(c) ***Code*** means the Internal Revenue Code of 1986, as amended, and any applicable regulations promulgated thereunder.

(d) ***Committee*** means the Compensation Committee or other committee of the Board duly appointed to administer the Plan and having such powers as shall be specified by the Board. Unless the powers of the Committee have been specifically limited, the Committee shall have all of the powers of the Board granted herein, including, without limitation, the power to amend or terminate the Plan at any time, subject to the terms of the Plan and any applicable limitations imposed by law.

(e) ***Company*** means Iveda Corporation, a Nevada corporation, or any successor corporation thereto.

(f) ***Consultant*** means a person engaged to provide consulting or advisory services (other than as an Employee or a Director) to a Participating Company, provided that the identity of such person, the nature of such services or the entity to which such services are provided would not preclude the Company from offering or selling securities to such person pursuant to the Plan in reliance on either the exemption from registration provided by Rule 701 under the Securities Act or, if the Company is required to file reports pursuant to Section 13 or 15(d) of the Exchange Act, registration on a Form S-8 Registration Statement under the Securities Act.

(g) ***Director*** means a member of the Board or of the board of directors of any other Participating Company.

(h) ***Disability*** means the inability of the Optionee, in the opinion of a qualified physician acceptable to the Company, to perform the major duties of the Optionee s position with the Participating Company Group because of the sickness or injury of the Optionee.

(i) ***Employee*** means any person treated as an employee (including an Officer or a Director who is also treated as an employee) in the records of a Participating Company and, with respect to any Incentive Stock Option granted to such person, who is an employee for purposes of Section 422 of the Code; provided, however, that neither service as a Director nor payment of a director s fee shall be sufficient to constitute employment for purposes of the Plan. The Company shall determine in good faith and in the exercise of its discretion whether an individual has become or has ceased to be an Employee and the effective date of such individual s employment or termination of employment, as the case may be. For purposes of an individual s rights, if any, under the Plan as of the time of the Company s determination, all such determinations by the Company shall be final, binding and conclusive, notwithstanding that the Company or any court of law or governmental agency subsequently makes a contrary determination.

(j) ***Exchange Act*** means the Securities Exchange Act of 1934, as amended.

(k) ***Fair Market Value*** means, as of any date, the value of a share of Stock or other property as determined by the Board, in its discretion, or by the Company, in its discretion, if such determination is expressly allocated to the Company herein, subject to the following:

(i) If, on such date, the Stock is listed on a national or regional securities exchange or market system, the Fair Market Value of a share of Stock shall be the closing price of a share of Stock (or the mean of the closing bid and asked prices of a share of Stock if the Stock is so quoted instead) as quoted on the New York Stock Exchange, the NASDAQ Global Market, the NASDAQ Global Select Market or such other national or regional securities exchange or market system constituting the primary market for the Stock, as reported in *The Wall Street Journal* or such other source as the Company deems reliable. If the relevant date does not fall on a day on which the Stock has traded on such securities exchange or market system, the date on which the Fair Market Value shall be established shall be the last day on which the Stock was so traded prior to the relevant date, or such other appropriate day as shall be determined by the Board, in its discretion.

(ii) If the Stock is not listed on an established stock exchange or national market system, but the Stock is regularly quoted by a recognized securities dealer, its Fair Market Value shall be the mean of the high bid and low asked prices for such date or, if there are no high bid and low asked prices for a share of Stock on such date, the high bid and low asked prices for a share of Stock on the last preceding date for which such information exists, as reported in *The Wall Street Journal* or such other source as the Board deems reliable.

(iii) If, on such date, the Stock is not listed on a national or regional securities exchange or market system or regularly quoted by a recognized securities dealer, the Fair Market Value of a share of Stock shall be as determined by the Board in good faith without regard to any restriction other than a restriction which, by its terms, will never lapse, and subject to compliance with Section 409A of the Code.

(l) ***Incentive Stock Option*** means an Option intended to be (as set forth in the Option Agreement) and which qualifies as an incentive stock option within the meaning of Section 422(b) of the Code.

(m) ***Insider*** means an Officer, Director of the Company, or other person whose transactions in Stock are subject to Section 16 of the Exchange Act.

(n) ***Nonstatutory Stock Option*** means an Option not intended to be (as set forth in the Option Agreement) or which does not qualify as an Incentive Stock Option.

(o) ***Officer*** means any person designated by the Board as an officer of the Company.

(p) ***Option*** means a right to purchase Stock pursuant to the terms and conditions of the Plan. An Option may be either an Incentive Stock Option or a Nonstatutory Stock Option.

(q) ***Option Agreement*** means a written agreement between the Company and an Optionee setting forth the terms, conditions and restrictions of the Option granted to the Optionee and any shares acquired upon the exercise thereof. An Option Agreement may consist of a form of Notice of Grant of Stock Option and a form of Stock Option Agreement incorporated therein by reference, or such other form or forms as the Board may approve from time to time.

(r) ***Optionee*** means a person who has been granted one or more Options.

(s) ***Parent Corporation*** means any present or future parent corporation of the Company, as defined in Section 424(e) of the Code.

(t) ***Participating Company*** means the Company or any Parent Corporation, Subsidiary Corporation or Affiliate.

(u) ***Participating Company Group*** means, at any point in time, all entities collectively which are then Participating Companies.

(v) ***Rule 16b-3*** means Rule 16b-3 under the Exchange Act, as amended from time to time, or any successor rule or regulation.

(w) ***Securities Act*** means the Securities Act of 1933, as amended.

(x) ***Service*** means an Optionee s employment or service with the Participating Company Group, whether in the capacity of an Employee, a Director or a Consultant. An Optionee s Service shall not be deemed to have terminated merely because of a change in the capacity in which the Optionee renders Service to the Participating Company Group or a change in the Participating Company for which the Optionee renders such Service, provided that there is no interruption or termination of the Optionee s Service. Furthermore, an Optionee s Service shall not be deemed to have terminated if the Optionee takes any military leave, sick leave, or other bona fide leave of absence approved by the Company; provided, however, that if any such leave exceeds ninety (90) days, on the one hundred eighty-first (181st) day following the commencement of such leave any Incentive Stock Option held by the Optionee shall cease to be treated as an Incentive Stock Option and instead shall be treated thereafter as a Nonstatutory Stock Option unless the Optionee s right to return to Service is guaranteed by statute or contract. Notwithstanding the foregoing, unless otherwise designated by the Company or required by law, a leave of absence shall not be treated as Service for purposes of determining vesting under the Optionee s Option Agreement. The Optionee s Service shall be deemed to have terminated either upon an actual termination of Service or upon the corporation for which the Optionee performs Service ceasing to be a Participating Company. Subject to the foregoing, the Company, in its discretion, shall determine whether the Optionee s Service has terminated and the effective date of such termination.

(y) ***Stock*** means the common stock of the Company, as adjusted from time to time in accordance with Section 4.2.

(z) ***Subsidiary Corporation*** means any present or future subsidiary corporation of the Company, as defined in Section 424(f) of the Code.

(aa) ***Ten Percent Owner Optionee*** means an Optionee who, at the time an Option is granted to the Optionee, owns stock possessing more than ten percent (10%) of the total combined voting power of all classes of stock of a Participating Company within the meaning of Section 424 of the Code.

2.2 **Construction.** Captions and titles contained herein are for convenience only and shall not affect the meaning or interpretation of any provision of the Plan. Except when otherwise indicated by the context, the singular shall include the plural and the plural shall include the singular. Use of the term or is not intended to be exclusive, unless the context clearly requires otherwise.

3. Administration.

3.1 **Administration by the Board.** The Board shall administer the Plan. The Board shall determine all questions of interpretation of the Plan or of any Option, and such determinations shall be final and binding upon all persons having an interest in the Plan or such Option.

3.2 **Authority of Officers.** Any Officer shall have the authority to act on behalf of the Company with respect to any matter, right, obligation, determination or election which is the responsibility of or which is allocated to the Company herein, provided the Officer has apparent authority with respect to such matter, right, obligation, determination or election.

3.3 **Powers of the Board.** In addition to any other powers set forth in the Plan and subject to the provisions of the Plan, the Board shall have the full and final power and authority, in its discretion:

(a) to determine the persons to whom, and the time or times at which, Options shall be granted and the number of shares of Stock to be subject to each Option;

(b) to designate Options as Incentive Stock Options or Nonstatutory Stock Options;

(c) to determine the Fair Market Value of shares of Stock or other property;

(d) to determine the terms, conditions and restrictions applicable to each Option (which need not be identical) and any shares acquired upon the exercise thereof, including, without limitation, (i) the exercise price of the Option, (ii) the method of payment for shares purchased upon the exercise of the Option, (iii) the method for satisfaction of any tax withholding obligation arising in connection with the Option or such shares, including by the withholding or delivery of shares of stock, (iv) the timing, terms and conditions of the exercisability of the Option or the vesting of any shares acquired upon the exercise thereof, (v) the time of the expiration of the Option, (vi) the effect of the Optionee s termination of Service with the Participating Company Group on any of the foregoing, and (vii) all other terms, conditions and restrictions applicable to the Option or such shares not inconsistent with the terms of the Plan;

(e) to approve one or more forms of Option Agreement;

(f) to amend, modify, extend, cancel or renew any Option or to waive any restrictions or conditions applicable to any Option or any shares acquired upon the exercise thereof;

(g) to accelerate, continue, extend or defer the exercisability of any Option or the vesting of any shares acquired upon the exercise thereof, including with respect to the period following an Optionee s termination of Service with the Participating Company Group;

(h) to prescribe, amend or rescind rules, guidelines and policies relating to the Plan, or to adopt supplements to, or alternative versions of, the Plan, including, without limitation, as the Board deems necessary or desirable to comply with the laws of, or to accommodate the tax policy or custom of, foreign jurisdictions whose citizens may be granted Options; and

(i) to correct any defect, supply any omission or reconcile any inconsistency in the Plan or any Option Agreement and to make all other determinations and take such other actions with respect to the Plan or any Option as the Board may deem advisable to the extent not inconsistent with the provisions of the Plan or applicable law.

3.4 **Administration with Respect to Insiders; Limitations Applicable to Insiders.** With respect to participation by Insiders in the Plan, at any time that any class of equity security of the Company is registered pursuant to Section 12 of the Exchange Act, the Plan shall be administered in compliance with the requirements, if any, of Rule 16b-3. Notwithstanding any other provision of the Plan, the Plan, and any Option granted or awarded to any individual who is then subject to Section 16 of the Exchange Act, shall be subject to any additional limitations set forth in any applicable exemptive rule under Section 16 of the Exchange Act (including Rule 16b-3 of the Exchange Act and any amendments thereto) that are requirements for the application of such exemptive rule. To the extent permitted by applicable law, the Plan and Options granted or awarded hereunder shall be deemed amended to the extent necessary to conform to such applicable exemptive rule.

3.5 **Indemnification.** In addition to such other rights of indemnification as they may have as members of the Board or officers or employees of the Participating Company Group, members of the Board and any officers or employees of the Participating Company Group to whom authority to act for the Board or the Company is delegated shall be indemnified by the Company against all reasonable expenses, including attorneys fees, actually and necessarily incurred in connection with the defense of any action, suit or proceeding, or in connection with any appeal therein, to which they or any of them may be a party by reason of any action taken or failure to act under or in connection with the Plan, or any right granted hereunder, and against all amounts paid by them in settlement thereof (provided such settlement is approved by independent legal counsel selected by the Company) or paid by them in satisfaction of a judgment in any such action, suit or proceeding, except in relation to matters as to which it shall be adjudged in such action, suit or proceeding that such person is liable for gross negligence, bad faith or intentional misconduct in duties; provided, however, that within sixty (60) days after the institution of such action, suit or proceeding, such person shall offer to the Company, in writing, the opportunity at its own expense to handle and defend the same.

3.6 **At-Will Employment.** Nothing in the Plan or in any Option Agreement hereunder shall confer upon any Optionee any right to continue in the employ of, or as a Director or Consultant for, a Participating Company, or shall interfere with or restrict in any way the rights of a Participating Company, which rights are hereby expressly reserved, to discharge any Optionee at any time for any reason whatsoever, with or without cause, except to the extent expressly provided otherwise in a written agreement between the Optionee and a Participating Company.

3.7 **Repricing.** The Board shall have the authority, without the approval of the shareholders of the Company, to amend any outstanding Option to increase or reduce the price per share or to cancel and replace an Option with the grant of an Option having an exercise price per share that is less than, greater than or equal to the price per share of the original Option.

4. Shares Subject to Plan.

4.1 **Maximum Number of Shares Issuable.** Subject to adjustment as provided in Section 4.2, the maximum aggregate number of shares of Stock that may be issued under the Plan shall be Three Million (3,000,000) and shall consist of authorized but unissued or reacquired shares of Stock or any combination thereof, and the maximum aggregate number of shares of Stock that may be issued as Incentive Stock Options under the Plan shall be One Million (1,000,000) (the ***ISO Share Issuance Limit***). If an outstanding Option for any reason expires or is terminated or canceled or if shares of Stock are acquired upon the exercise of an Option subject to a Company repurchase option and are repurchased by the Company at the Optionee s exercise price, the shares of Stock allocable to the unexercised portion of such Option or such repurchased shares of Stock shall again be available for issuance under the Plan.

4.2 **Adjustments for Changes in Capital Structure.** Subject to any required action by the shareholders of the Company, in the event of any change in the Stock effected without receipt of consideration by the Company, whether through merger, consolidation, reorganization, reincorporation, recapitalization, reclassification, stock dividend, stock split, reverse stock split, split-up, split-off, spin-off, combination of shares, exchange of shares, or similar change in the capital structure of the Company, or in the event of payment of a dividend or distribution to the shareholders of the Company in a form other than Stock (excepting normal cash dividends) that has a material effect on the Fair Market Value of shares of Stock, appropriate and proportionate adjustments shall be made in the number and class of shares subject to the Plan and to any outstanding Options, in the ISO Share Issuance Limit set forth in Section 4.1, and in the exercise price per share of any outstanding Options. If a majority of the shares which are of the same class as the shares that are subject to outstanding Options are exchanged for, converted into, or otherwise become (whether or not pursuant to an Ownership Change Event, as defined in Section 8.1) shares of another corporation (the ***New Shares***), the Board may unilaterally amend the outstanding Options to provide that such Options are exercisable for New Shares. In the event of any such amendment, the number of shares subject to, and the exercise price per share of, the

outstanding Options shall be adjusted in a fair and equitable manner as determined by the Board, in its discretion. Notwithstanding the foregoing, any fractional share resulting from an adjustment pursuant to this

Section 4.2 shall be rounded down to the nearest whole number, and in no event may the exercise price of any Option be decreased to an amount less than the par value, if any, of the stock subject to the Option. The adjustments determined by the Board pursuant to this Section 4.2 shall be final, binding and conclusive.

5. Eligibility and Option Limitations.

5.1 **Persons Eligible for Options.** Options may be granted only to Employees, Consultants, and Directors. For purposes of the foregoing sentence, Employees, Consultants and Directors shall include prospective Employees, prospective Consultants and prospective Directors to whom Options are granted in connection with written offers of an employment or other service relationship with the Participating Company Group. Eligible persons may be granted more than one (1) Option. However, eligibility in accordance with this Section shall not entitle any person to be granted an Option, or, having been granted an Option, to be granted an additional Option.

5.2 **Option Grant Restrictions.** Any person who is not an Employee on the effective date of the grant of an Option to such person may be granted only a Nonstatutory Stock Option. An Incentive Stock Option granted to a prospective Employee upon the condition that such person become an Employee shall be deemed granted effective on the date such person commences Service with a Participating Company, with an exercise price determined as of such date in accordance with Section 6.1.

5.3 **Fair Market Value Limitation.** To the extent that options designated as Incentive Stock Options (granted under all stock option plans of the Participating Company Group, including the Plan) become exercisable by an Optionee for the first time during any calendar year for stock having a Fair Market Value greater than One Hundred Thousand Dollars ($100,000.00), the portions of such options which exceed such amount shall be treated as Nonstatutory Stock Options. For purposes of this Section 5.3, options designated as Incentive Stock Options shall be taken into account in the order in which they were granted, and the Fair Market Value of stock shall be determined as of the time the option with respect to such stock is granted. If the Code is amended to provide for a different limitation from that set forth in this Section 5.3, such different limitation shall be deemed incorporated herein effective as of the date and with respect to such Options as required or permitted by such amendment to the Code. If an Option is treated as an Incentive Stock Option in part and as a Nonstatutory Stock Option in part by reason of the limitation set forth in this Section 5.3, the Optionee may designate which portion of such Option the Optionee is exercising. In the absence of such designation, the Optionee shall be deemed to have exercised the Incentive Stock Option portion of the Option first. Separate certificates representing each such portion shall be issued upon the exercise of the Option.

6. Terms and Conditions of Options.

Option Agreements specifying the number of shares of Stock covered thereby, in such form as the Board shall from time to time establish, shall evidence Options. No Option or purported Option shall be a valid and binding obligation of the Company unless evidenced by a fully executed Option Agreement. Option Agreements may incorporate all or any of the terms of the Plan by reference and shall comply with and be subject to the following terms and conditions:

6.1 **Exercise Price.** The exercise price for each Option shall be established in the discretion of the Board, subject to compliance with Section 409A of the Code; provided, however, that (a) the exercise price per share for an Incentive Stock Option shall be not less than the Fair Market Value of a share of Stock on the effective date of grant of the Option and (b) no Incentive Stock Option granted to a Ten Percent Owner Optionee shall have an exercise price per share less than one hundred ten percent (110%) of the Fair Market Value of a share of Stock on the effective date of grant of the Option. Notwithstanding the foregoing, an Option may be granted with an exercise price lower than the Fair Market Value of a share of stock on the effective date of the grant if the option is a Nonstatutory Stock Option.

6.2 **Exercisability and Term of Options.** Options shall be exercisable at such time or times, or upon such event or events, and subject to such terms, conditions, performance criteria and restrictions as shall be determined by the Board and set forth in the Option Agreement evidencing such Option;

provided, however, that (a) no Incentive Stock Option shall be exercisable after the expiration of ten (10) years after the effective date of grant of such Option, (b) no Incentive Stock Option granted to a Ten Percent Owner Optionee shall be exercisable after the expiration of five (5) years after the effective date of grant of such Option, and (c) no Option granted to a prospective Employee, prospective Consultant or prospective Director may become exercisable prior to the date on which such person commences Service with a Participating Company. Subject to the foregoing, unless otherwise specified by the Board in the grant of an Option, any Option granted hereunder shall terminate ten (10) years after the effective date of grant of the Option, unless earlier terminated in accordance with its provisions.

6.3 **Payment of Exercise Price.**

(a) ***Forms of Consideration Authorized.*** Except as otherwise provided below, payment of the exercise price for the number of shares of Stock being purchased pursuant to any Option shall be made (i) in cash, by check or cash equivalent, (ii) by tender to the Company, or attestation to the ownership, of shares of Stock owned by the Optionee having a Fair Market Value not less than the exercise price, (iii) by delivery of a properly executed notice together with irrevocable instructions to a broker providing for the assignment to the Company of the proceeds of a sale or loan with respect to some or all of the shares being acquired upon the exercise of the Option (including, without limitation, through an exercise complying with the provisions of Regulation T as promulgated from time to time by the Board of Governors of the Federal Reserve System) (a ***Cashless Exercise***), (iv) provided that the Optionee is an Employee (unless otherwise not prohibited by law, including, without limitation, any regulation promulgated by the Board of Governors of the Federal Reserve System) and in the Company s sole discretion at the time the Option is exercised, by delivery of the Optionee s promissory note in a form approved by the Company for the aggregate exercise price, provided that, if the Company is incorporated in the State of Delaware, the Optionee shall pay in cash that portion of the aggregate exercise price not less than the par value of the shares being acquired, (v) by such other consideration as may be approved by the Board from time to time to the extent permitted by applicable law, or (vi) by any combination thereof. The Board may at any time or from time to time, by approval of or by amendment to the standard forms of Option Agreement described in Section 7, or by other means, grant Options which do not permit all of the foregoing forms of consideration to be used in payment of the exercise price or which otherwise restrict one or more forms of consideration. Notwithstanding any other provision of the Plan to the contrary, no Optionee who is a Director or an executive officer of the Company within the meaning of Section 13(k) of the Exchange Act shall be permitted to make payment with respect to any Options granted under the Plan, or continue any extension of credit with respect to such payment with a loan from the Company or a loan arranged by the Company in violation of Section 13(k) of the Exchange Act.

(b) ***Limitations on Forms of Consideration.***

(i) **Tender of Stock.** Notwithstanding the foregoing, an Option may not be exercised by tender to the Company, or attestation to the ownership, of shares of Stock to the extent such tender or attestation would constitute a violation of the provisions of any law, regulation or agreement restricting the redemption of the Company s stock. Unless otherwise provided by the Board, an Option may not be exercised by tender to the Company, or attestation to the ownership, of shares of Stock unless such shares either have been owned by the Optionee for more than six (6) months (and not used for another Option exercise by attestation during such period) or were not acquired, directly or indirectly, from the Company.

(ii) **Cashless Exercise.** The Company reserves, at any and all times, the right, in the Company s sole and absolute discretion, to establish, decline to approve or terminate any program or procedures for the exercise of Options by means of a Cashless Exercise.

(iii) **Payment by Promissory Note.** No promissory note shall be permitted if the exercise of an Option using a promissory note would be a violation of any law. Any permitted promissory note shall be on such terms as the Board

shall determine. The Board shall have the authority to permit or require the Optionee to secure any promissory note used to exercise an

Option with the shares of Stock acquired upon the exercise of the Option or with other collateral acceptable to the Company. Unless otherwise provided by the Board, if the Company at any time is subject to the regulations promulgated by the Board of Governors of the Federal Reserve System or any other governmental entity affecting the extension of credit in connection with the Company s securities, any promissory note shall comply with such applicable regulations, and the Optionee shall pay the unpaid principal and accrued interest, if any, to the extent necessary to comply with such applicable regulations.

6.4 **Tax Withholding.** The Company shall have the right, but not the obligation, to deduct from the shares of Stock issuable upon the exercise of an Option, or to accept from the Optionee the tender of, a number of whole shares of Stock having a Fair Market Value, as determined by the Company, equal to all or any part of the federal, state, local and foreign taxes, if any, required by law to be withheld by the Participating Company Group with respect to such Option or the shares acquired upon the exercise thereof. Alternatively or in addition, in its discretion, the Company shall have the right to require the Optionee, through payroll withholding, cash payment or otherwise, including by means of a Cashless Exercise, to make adequate provision for any such tax withholding obligations of the Participating Company Group arising in connection with the Option or the shares acquired upon the exercise thereof. The Fair Market Value of any shares of Stock withheld or tendered to satisfy any such tax withholding obligations shall not exceed the amount determined by the applicable minimum statutory withholding rates. The Company shall have no obligation to deliver shares of Stock or to release shares of Stock from an escrow established pursuant to the Option Agreement until the Optionee has satisfied the Participating Company Group s tax withholding obligations.

6.5 **Repurchase Rights.** Shares issued under the Plan may be subject to a right of first refusal, one or more repurchase options, or other conditions and restrictions as determined by the Board in its discretion at the time the Option is granted. The Company shall have the right to assign at any time any repurchase right it may have, whether or not such right is then exercisable, to one or more persons as may be selected by the Company. Upon request by the Company, each Optionee shall execute any agreement evidencing such transfer restrictions prior to the receipt of shares of Stock hereunder and shall promptly present to the Company any and all certificates representing shares of Stock acquired hereunder for the placement on such certificates of appropriate legends evidencing any such transfer restrictions.

6.6 **Effect of Termination of Service.**

(a) ***Option Exercisability.*** Subject to earlier termination of the Option as otherwise provided herein and unless otherwise provided by the Board in the grant of an Option and set forth in the Option Agreement or in some other written document or agreement with reference to the Option, an Option shall be exercisable after an Optionee s termination of Service only during the applicable time period determined in accordance with this Section 6.6 and thereafter shall terminate:

(i) **Disability.** If the Optionee s Service terminates because of the Disability of the Optionee, the Option, to the extent unexercised and exercisable on the date on which the Optionee s Service terminated, may be exercised by the Optionee (or the Optionee s guardian or legal representative) at any time prior to the expiration of twelve (12) months (or such longer period of time as determined by the Board, in its discretion) after the date on which the Optionee s Service terminated, but in any event no later than the date of expiration of the Option s term as set forth in the Option Agreement evidencing such Option (the ***Option Expiration Date***).

(ii) **Death.** If the Optionee s Service terminates because of the death of the Optionee, the Option, to the extent unexercised and exercisable on the date on which the Optionee s Service terminated, may be exercised by the Optionee s legal representative or other person who acquired the right to exercise the Option by reason of the Optionee s death at any time prior to the expiration of twelve (12) months (or such longer period of time as determined by the Board, in its discretion) after the date on which the Optionee s Service terminated, but in any event no later than

the Option Expiration Date. The Optionee s Service shall be deemed to

have terminated on account of death if the Optionee dies within three (3) months (or such longer period of time as determined by the Board, in its discretion) after the Optionee s termination of Service.

(iii) **Termination for Cause.** Notwithstanding any other provision of this Option Agreement, if the Optionee s Service is terminated for Cause, the Option shall terminate and cease to be exercisable on the effective date of such termination of Service. Unless otherwise defined in a contract of employment or service between the Optionee and a Participating Company, for purposes of this Option Agreement ***Cause*** shall mean any of the following: (1) the Optionee s theft, dishonesty, willful misconduct, breach of fiduciary duty for personal profit, or falsification of any Participating Company documents or records; (2) the Optionee s material failure to abide by a Participating Company s code of conduct or other policies (including, without limitation, policies relating to confidentiality and reasonable workplace conduct); (3) the Optionee s unauthorized use, misappropriation, destruction, or diversion of any tangible or intangible asset or corporate opportunity of a Participating Company (including, without limitation, the Optionee s improper use or disclosure of a Participating Company s confidential or proprietary information); (4) any intentional act by the Optionee which has a material detrimental effect on a Participating Company s reputation or business; (5) the Optionee s failure or inability to perform any reasonable assigned duties after written notice from a Participating Company of, and a reasonable opportunity to cure, such failure or inability; (6) any material breach by the Optionee of any employment or service agreement between the Optionee and a Participating Company, which breach is not cured pursuant to the terms of such agreement; or (7) the Optionee s conviction (including any plea of guilty or nolo contendere) of any criminal act involving fraud, dishonesty, misappropriation, or moral turpitude, or which impairs the Optionee s ability to perform his or her duties with a Participating Company.

(iv) **Other Termination of Service.** If the Optionee s Service terminates for any reason, except Disability, death or Cause, the Option, to the extent unexercised and exercisable by the Optionee on the date on which the Optionee s Service terminated, may be exercised by the Optionee at any time prior to the expiration of three (3) months (or such longer period of time as determined by the Board, in its discretion) after the date on which the Optionee s Service terminated, but in any event no later than the Option Expiration Date.

(b) ***Extension if Exercise Prevented by Law.*** Notwithstanding the foregoing (except Termination for Cause), if the exercise of an Option within the applicable time periods set forth in Section 6.6(a) is prevented by the provisions of Section 9 below, the Option shall remain exercisable until three (3) months (or such longer period of time as determined by the Board, in its discretion) after the date the Optionee is notified by the Company that the Option is exercisable, but in any event no later than the Option Expiration Date.

(c) ***Extension if Optionee Subject to Section 16(b).*** Notwithstanding the foregoing, if a sale within the applicable time periods set forth in Section 6.6(a) of shares acquired upon the exercise of the Option would subject the Optionee to suit under Section 16(b) of the Exchange Act, the Option shall remain exercisable until the earliest to occur of (i) the tenth (10^{th}) day following the date on which a sale of such shares by the Optionee would no longer be subject to such suit, (ii) the one hundred and ninetieth (190^{th}) day after the Optionee s termination of Service, or (iii) the Option Expiration Date.

6.7 **Transferability of Options.** During the lifetime of the Optionee, an Option shall be exercisable only by the Optionee or the Optionee s guardian or legal representative. No Option shall be assignable or transferable by the Optionee, except by will or by the laws of descent and distribution. No Option or interest or right therein shall be liable for the debts, contracts or engagements of the Optionee or his successors in interest or shall be subject to disposition by transfer, alienation, anticipation, pledge, hypothecation, encumbrance, assignment or any other means whether such disposition be voluntary or involuntary or by operation of law by judgment, levy, attachment, garnishment or any other legal or equitable proceedings (including bankruptcy), and any attempted disposition thereof shall be null and

void and of no effect. Notwithstanding the foregoing, to the extent permitted by the Board, in its discretion, and set forth in the Option Agreement evidencing such Option, a Nonstatutory Stock Option shall be assignable or transferable subject to Rule 701 under the Securities Act and the General Instructions to Form S-8 Registration Statement under the Securities Act.

7. Standard Forms of Option Agreement.

7.1 **Option Agreement.** Unless otherwise provided by the Board at the time the Option is granted, an Option shall comply with and be subject to the terms and conditions set forth in the form of Option Agreement approved by the Board concurrently with its adoption of the Plan and as amended from time to time.

7.2 **Authority to Vary Terms.** The Board shall have the authority from time to time to vary the terms of any standard form of Option Agreement described in this Section 7 either in connection with the grant or amendment of an individual Option or in connection with the authorization of a new standard form or forms; provided, however, that the terms and conditions of any such new, revised or amended standard form or forms of Option Agreement are not inconsistent with the terms of the Plan.

8. Change in Control.

8.1 **Definitions.**

(a) An ***Ownership Change Event*** shall be deemed to have occurred if any of the following occurs with respect to the Company: (i) a transaction or series of transactions (other than an offering of Stock to the general public through a registration statement filed with the Securities and Exchange Commission) whereby any person or related group of persons (as such terms are used in Sections 13(d) and 14(d)(2) of the Exchange Act) (other than the Company, any of its subsidiaries, an employee benefit plan maintained by the Company or any of its subsidiaries or a person that, prior to such transaction, directly or indirectly controls, is controlled by, or is under common control with, the Company) directly or indirectly acquires beneficial ownership (within the meaning of Rule 13d-3 under the Exchange Act) of securities of the Company possessing more than 50% of the total combined voting power of the Company s securities outstanding immediately after such acquisition; (ii) during any period of two consecutive years, individuals who, at the beginning of such period, constitute the Board together with any new director(s) (other than a director designated by a person who shall have entered into an agreement with the Company to effect a transaction described in Section 8.1(a)(i) or Section 8.1(a)(iii)) whose election by the Board or nomination for election by the Company s shareholders was approved by a vote of at least two-thirds of the directors then still in office who either were directors at the beginning of the two-year period or whose election or nomination for election was previously so approved, cease for any reason to constitute a majority thereof; (iii) the consummation by the Company (whether directly involving the Company or indirectly involving the Company through one or more intermediaries) of (x) a merger, consolidation, reorganization, or business combination or (y) a sale or other disposition of all or substantially all of the Company s assets in any single transaction or series of related transactions or (z) the acquisition of assets or stock of another entity, in each case other than a transaction: which results in the Company s voting securities outstanding immediately before the transaction continuing to represent (either by remaining outstanding or by being converted into voting securities of the Company or the person that, as a result of the transaction, controls, directly or indirectly, the Company or owns, directly or indirectly, all or substantially all of the Company s assets or otherwise succeeds to the business of the Company (the Company or such person, the ***Successor Entity***)) directly or indirectly, at least a majority of the combined voting power of the Successor Entity s outstanding voting securities immediately after the transaction, and after which no person or group beneficially owns voting securities representing 50% or more of the combined voting power of the Successor Entity; *provided*, *however*, that no person or group shall be treated for purposes of this Section 8.1(a)(iii) as beneficially owning 50% or more of combined voting power of the Successor

Entity solely as a result of the voting power held in the Company prior to the consummation of the transaction; or (iv) the Company s shareholders approve a liquidation or dissolution of the Company.

(b) A ***Change in Control*** shall mean an Ownership Change Event or a series of related Ownership Change Events (collectively, a ***Transaction***). The Board shall have the right to determine whether multiple Ownership Change Events are related, and its determination shall be final, binding and conclusive. The Board shall furthermore have full and final authority, which shall be exercised in its discretion, to determine conclusively whether a Change in Control of the Company has occurred pursuant to the above definition, and the date of the occurrence of such Change in Control and any incidental matters relating thereto. In addition, if a Change in Control constitutes a payment event with respect to any Option which provides for the deferral of compensation and is subject to Section 409A of the Code, the transaction or event described in this Section 8.1 with respect to such Option must also constitute a "change in control event," as defined in Treasury Regulation §1.409A-3(i)(5) to the extent required by Section 409A.

8.2 **Effect of Change in Control on Options.**

(a) In the event of a Change in Control, the surviving, continuing, successor, or purchasing corporation or other business entity or parent thereof, as the case may be (the ***Acquiror***), may, without the consent of the Optionee, either assume the Company's rights and obligations under outstanding Options or substitute for outstanding Options substantially equivalent options for the Acquiror's stock. Any Options which are neither assumed or substituted for by the Acquiror in connection with the Change in Control nor exercised as of the date of the Change in Control shall terminate and cease to be outstanding effective as of the date of the Change in Control, provided, that, notwithstanding any other provision of the Plan to the contrary, the Board may, in its sole discretion, provide in any Option Agreement or, in the event of a Change in Control, may take such actions as it deems appropriate, to provide for the acceleration of the exercisability and vesting in connection with such Change in Control of any or all of the outstanding Options and any shares acquired upon the exercise of such Options, subject to compliance with Section 409A of the Code. Notwithstanding the foregoing, shares acquired upon exercise of an Option prior to the Change in Control and any consideration received pursuant to the Change in Control with respect to such shares shall continue to be subject to all applicable provisions of the Option Agreement evidencing such Option except as otherwise provided in such Option Agreement. Furthermore, notwithstanding the foregoing, if the corporation the stock of which is subject to the outstanding Options immediately prior to an Ownership Change Event described in Section 8.1(a)(i) constituting a Change in Control is the surviving or continuing corporation and immediately after such Ownership Change Event less than fifty percent (50%) of the total combined voting power of its voting stock is held by another corporation or by other corporations that are members of an affiliated group within the meaning of Section 1504(a) of the Code without regard to the provisions of Section 1504(b) of the Code, the outstanding Options shall not terminate unless the Board otherwise provides in its discretion.

(b) The Board may, in its sole discretion and without the consent of any Optionee, determine that, upon the occurrence of a Change in Control, each or any Option outstanding immediately prior to the Change in Control shall be canceled in exchange for a payment with respect to each vested share of Stock subject to such canceled Option in (i) cash, (ii) stock of the Company, the Acquiror or of a corporation or other business entity a party to the Change in Control, or (iii) other property which, in any such case, shall be in an amount having a Fair Market Value equal to the excess of the Fair Market Value of the consideration to be paid per share of Stock in the Change in Control over the exercise price per share under the Option (the ***Spread***). In the event such determination is made by the Board, the Spread (reduced by applicable withholding taxes, if any) shall be paid to Optionees in respect of their canceled Options as soon as practicable following the date of the Change in Control.

9. Compliance with Securities Law.

The grant of Options and the issuance of shares of Stock upon exercise of Options shall be subject to compliance with all applicable requirements of federal, state and foreign law with respect to such securities. Options may not be exercised if the issuance of shares of Stock upon exercise would constitute a violation of any applicable federal, state

or foreign securities laws or other law or regulations or the requirements of any stock exchange or market system upon which the Stock may then be listed. In addition, no Option may be

exercised unless (a) a registration statement under the Securities Act shall at the time of exercise of the Option be in effect with respect to the shares issuable upon exercise of the Option or (b) in the opinion of legal counsel to the Company, the shares issuable upon exercise of the Option may be issued in accordance with the terms of an applicable exemption from the registration requirements of the Securities Act. The inability of the Company to obtain from any regulatory body having jurisdiction the authority, if any, deemed by the Company s legal counsel to be necessary to the lawful issuance and sale of any shares hereunder shall relieve the Company of any liability in respect of the failure to issue or sell such shares as to which such requisite authority shall not have been obtained. As a condition to the exercise of any Option, the Company may require the Optionee to satisfy any qualifications that may be necessary or appropriate, to evidence compliance with any applicable law or regulation and to make any representation or warranty with respect thereto as may be requested by the Company.

10. Termination or Amendment of Plan.

The Board may terminate or amend the Plan at any time. No termination or amendment of the Plan shall affect any then outstanding Option unless expressly provided by the Board. In any event, no termination or amendment of the Plan may adversely affect any then outstanding Option without the consent of the Optionee, unless such termination or amendment is required to enable an Option designated as an Incentive Stock Option to qualify as an Incentive Stock Option or is necessary to comply with any applicable law, regulation or rule.

11. No Shareholders Rights.

Except as otherwise provided herein, an Optionee shall have none of the rights of a shareholder with respect to shares of Stock covered by any Option until the Optionee becomes the record owner of such shares of Stock.

12. Effect of Plans on Other Compensation Plans.

The adoption of the Plan shall not affect any other compensation or incentive plans in effect for any Participating Company. Nothing in the Plan shall be construed to limit the right of any Participating Company: (a) to establish any other forms of incentives or compensation for Employees, Directors or Consultants of any Participating Company, or (b) to grant or assume options or other rights or awards otherwise than under the Plan in connection with any proper corporate purpose including without limitation, the grant or assumption of options in connection with the acquisition by purchase, lease, merger, consolidation or otherwise, of the business, stock or assets of any corporation, partnership, limited liability company, firm or association.

13. Governing Law.

The Plan and any agreements hereunder shall be administered, interpreted and enforced under the internal laws of the State of Nevada without regard to conflicts of laws thereof.

14. Section 409A.

To the extent that the Board determines that any Option granted under the Plan is subject to Section 409A of the Code, the Option Agreement evidencing such Option shall incorporate the terms and conditions required by Section 409A of the Code. To the extent applicable, the Plan and Option Agreements shall be interpreted in accordance with Section 409A of the Code and Department of Treasury regulations and other interpretive guidance issued thereunder, including without limitation any such regulations or other guidance that may be issued after the Effective Date.

Notwithstanding any provision of the Plan to the contrary, in the event that following the Effective Date the Board determines that any Option may be subject to Section 409A of the Code and related Department of Treasury guidance (including such Department of Treasury guidance as may be issued after the Effective Date), the Board may adopt such amendments to the Plan and the applicable Option Agreement or adopt other policies and procedures (including amendments, policies and procedures with retroactive effect), or take any other actions, that the Board determines are necessary or appropriate to (a) exempt the Option from Section 409A of the Code and/or preserve the intended tax treatment of the benefits provided with respect to the Option, or (b) comply with the requirements of Section 409A of the Code and related Department of Treasury guidance and thereby avoid the application of any penalty taxes under such Section.

15. No Rights to Options.

No Employee, Director, Consultant or other person shall have any claim to be granted any Option pursuant to the Plan, and neither the Company nor the Board is obligated to treat Employees, Directors, Consultants, Optionees or any other persons uniformly.

16. Relationship to Other Benefits.

No payment pursuant to the Plan shall be taken into account in determining any benefits under any pension, retirement, savings, profit sharing, group insurance, welfare or other benefit plan of any Participating Company except to the extent otherwise expressly provided in writing in such other plan or an agreement thereunder.

17. Expenses.

The expenses of administering the Plan shall be borne by the Participating Companies.

IN WITNESS WHEREOF, the undersigned Secretary of the Company certifies that the foregoing sets forth the Iveda Corporation 2010 Stock Option Plan as duly adopted by the Board on January 18, 2010 and as amended in April 2011.

Luz Berg, Secretary

PROXY

IVEDA SOLUTIONS, INC.
1201 S. ALMA SCHOOL RD., SUITE 4450
MESA, ARIZONA 85210

THIS PROXY IS SOLICITED ON BEHALF OF THE BOARD OF DIRECTORS FOR THE ANNUAL MEETING OF STOCKHOLDERS ON JUNE 6, 2011.

The undersigned does hereby appoint David Ly as agent and proxy of the undersigned, with full power of substitution, to represent and to vote, as designated below, all the shares of Common Stock of Iveda Solutions, Inc. (the Company) held of record by the undersigned on April 25, 2011 (the Record Date) in connection with the proposals presented at the Company s Annual Meeting of Stockholders to be held on June 6, 2011 at 1 p.m., Mountain Standard Time, at 1201 S. Alma School Rd., Suite 4450, Mesa, Arizona 85210, or any adjournment or postponement thereof, all as more fully described in the attached Notice of Annual Meeting of Stockholders and Proxy Statement dated May 2, 2011, hereby revoking all proxies heretofore given with respect to such shares. The Board of Directors recommends a vote FOR Proposals 1 3.

PROPOSAL 1

ELECTION OF DIRECTORS:	**FOR all nominees listed below o**	**WITHHOLD AUTHORITY o**
	(EXCEPT AS MARKED TO THE CONTRARY BELOW)	***TO VOTE FOR ALL NOMINEES LISTED BELOW***

(***Instructions: To withhold authority to vote for any individual nominee strike a line through the nominee s name in the list below.***)

JAMES D. STAUDOHAR, GREGORY OMI, JOSEPH FARNSWORTH AND DAVID LY

PROPOSAL 2

TO CONSIDER AND VOTE UPON A PROPOSAL TO RATIFY THE APPOINTMENT OF FARBER HASS HURLEY LLP AS THE INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM FOR THE COMPANY FOR THE FISCAL YEAR ENDING DECEMBER 31, 2011.

FOR o **AGAINST o** **ABSTAIN o**

PROPOSAL 3

TO APPROVE THE 2010 STOCK OPTION PLAN.

FOR o **AGAINST o** **ABSTAIN o**

The undersigned hereby revokes any proxy heretofore given with respect to such shares and confirms all that said proxy, or any of them, or any substitute or substitutes, may lawfully do or cause to be done by virtue hereof. This Proxy Card when properly executed will be voted in the manner directed herein by the undersigned stockholder. If no direction is made, this Proxy CARD will be voted FOR (1) the election of all directors, (2) ratification of the appointment of Farber Hass Hurley LLP as the independent registered public accounting firm for the Company for the fiscal year ending December 31, 2011, and (3) approval of the Company s 2010 Stock Option Plan. The undersigned hereby acknowledges receipt of the Company s Notice of Annual Meeting of Stockholders to be held on June 6, 2011, the Company s Proxy Statement dated May 2, 2011 (and the accompanying proxy card), and the Company s 2010 Annual Report to Stockholders.

Dated May 2, 2011

(Signature) _____

(Print Name) _____

(Additional signature, if held jointly) _____

(Title, if applicable) _____

Please date and sign exactly as your name appears hereon. If your shares are held as joint tenants, both must sign. When signing as attorney, executor, administrator, trustee or guardian or in any similar capacity, please give full title as such. If a corporation, please sign in full corporate name by president or other authorized officer, giving title. If a partnership, please sign in partnership name by an authorized person

PLEASE COMPLETE, DATE, SIGN AND RETURN THE PROXY CARD PROMPTLY USING THE ENCLOSED ENVELOPE.