WIND RIVER SYSTEMS INC
Form DEF 14A
November 26, 2003

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 14A INFORMATION

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

Filed by the Registrant **x**
Filed by a Party other than the Registrant **o**

Check the appropriate box:

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

WIND RIVER SYSTEMS, INC.

(Name of Registrant as Specified In Its Charter)

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

Payment of Filing Fee (Check the appropriate box):

x 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):

4. Proposed maximum aggregate value of transaction:

5. Total fee paid:

o Fee paid previously with preliminary materials.

o 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.

6. Amount Previously Paid:

7. Form, Schedule or Registration Statement No.:

8. Filing Party:

9. Date Filed:

November 26, 2003

To our Stockholders:

On behalf of the Board of Directors and management of Wind River Systems, Inc. (**Wind River**), I cordially invite you to attend our Special Meeting of Stockholders (the **Special Meeting**) to be held on Friday, December 19, 2003 at 9:00 a.m., local time, at our principal executive offices located at 500 Wind River Way, Alameda, California.

The attached Notice of Special Meeting of Stockholders and Proxy Statement describe the formal business to be transacted at the Special Meeting. You will be asked to approve the amendment of Wind River s 1998 Equity Incentive Plan. **The Board of Directors has approved this proposal and recommends that you vote FOR the proposal**.

Whether or not you plan to attend the Special Meeting, please vote your proxy by telephone, internet or mail as promptly as possible. This will not prevent you from voting in person at the Special Meeting, but will assure that your vote is counted if you are unable to attend. YOUR VOTE IS VERY IMPORTANT.

Sincerely,

Narendra K. Gupta
Interim President and Chief Executive Officer

WIND RIVER SYSTEMS, INC.
500 WIND RIVER WAY
Alameda, California 94501
(510) 748-4100

NOTICE OF SPECIAL MEETING OF STOCKHOLDERS
TO BE HELD ON DECEMBER 19, 2003

TO THE STOCKHOLDERS OF WIND RIVER SYSTEMS, INC.:

NOTICE IS HEREBY GIVEN that a special meeting of stockholders of Wind River Systems, Inc., a Delaware corporation (**Wind River** or the **Company**), will be held on Friday, December 19, 2003 at 9:00 a.m., local time, or at any continuations, adjournments or postponements thereof (the **Special Meeting**) at the principal executive offices of the Company located at 500 Wind River Way, Alameda, California, for the following purpose:

1. To approve the amendment of Wind River s 1998 Equity Incentive Plan to (i) increase the aggregate number of shares of the Company s common stock authorized and reserved for option and other stock awards under the 1998 Equity Incentive Plan by 1,900,000 shares and (ii) increase the maximum number of shares of the Company s common stock that may be issued to any employee pursuant to stock options or stock appreciation rights in any calendar year in accordance with Section 162(m) of the Internal Revenue Code; and

2. To transact such other business as may properly come before the Special Meeting or at any continuations, adjournments or postponements thereof.

The foregoing items of business are more fully described in the Proxy Statement accompanying this Notice.

The Board of Directors of the Company has fixed the close of business on November 21, 2003 as the record date for the determination of stockholders entitled to notice of, and to vote at, the Special Meeting and any continuations, adjournments or postponements thereof. Only holders of record of shares of the Company s common stock at the close of business on the record date are entitled to notice of, and to vote at, the Special Meeting. At the close of business on the record date, the Company had outstanding and entitled to vote 80,290,594 shares of common stock.

By Order of the Board of Directors,

Michael W. Zellner
Secretary

Alameda, California
November 26, 2003

All stockholders are cordially invited to attend the meeting in person. Whether or not you expect to attend the meeting, please vote by telephone, internet or mail as promptly as possible in order to ensure your representation at the meeting. Even if you have given your

proxy, you may still vote in person if you attend the meeting. Please note, however, that if your shares are held of record by a broker, bank or other nominee and you wish to vote at the meeting, you must obtain from the record holder a proxy issued in your name.

WIND RIVER SYSTEMS, INC.
500 WIND RIVER WAY
Alameda, California 94501
(510) 748-4100

PROXY STATEMENT
FOR SPECIAL MEETING OF STOCKHOLDERS
TO BE HELD ON DECEMBER 19, 2003

INFORMATION CONCERNING SOLICITATION AND VOTING

General

The enclosed proxy is solicited on behalf of the Board of Directors of Wind River Systems, Inc., a Delaware corporation (**Wind River** or the **Company**), for use at the Special Meeting of the stockholders of the Company to be held on Friday, December 19, 2003, or at any continuations, adjournments or postponements thereof (the **Special Meeting**), for the purposes set forth herein and in the accompanying Notice of Special Meeting of Stockholders. The Special Meeting will be held at 9:00 a.m. (local time) at Wind River s principal executive offices located at 500 Wind River Way, Alameda, California, 94501. Wind River intends to mail this proxy statement and accompanying proxy card on or about November 26, 2003 to all stockholders entitled to vote at the Special Meeting.

Only holders of record of the Company s common stock (**Common Stock**) at the close of business on November 21, 2003 (the **Record Date**) will be entitled to notice of, and to vote at, the Special Meeting. At the close of business on the Record Date, Wind River had outstanding and entitled to vote 80,290,594 shares of Common Stock held of record by approximately 770 stockholders.

Voting and Solicitation

This solicitation contains two parts: the proxy card and this Proxy Statement. The proxy card is the means by which you authorize another person to vote your shares in accordance with your instructions. This Proxy Statement provides you with information on the proposals and other matters that you may find useful in determining how to vote.

Each holder of record of Common Stock on the Record Date will be entitled to one vote for each share held on all matters to be voted upon at the Special Meeting.

All votes will be tabulated by the inspector of election appointed for the Special Meeting, who will separately tabulate affirmative and negative votes, abstentions and broker non-votes. If you hold your shares in your own name and abstain from voting on this matter, your abstention will have no effect on the vote. If you hold your shares through a broker, bank or other nominee and you do not instruct them on how you wish to vote on this proposal, your broker will not have authority to vote your shares if your broker is a NASD or NYSE member organization.

The affirmative vote of the holders of a majority of the shares of Common Stock present in person or represented by proxy and entitled to vote at the Special Meeting will be required to approve the amendment to the Wind River 1998 Equity Incentive Plan. Therefore, any proxy that is submitted with an election to abstain will have the same effect as a vote against the proposal. If the required affirmative vote is not obtained at the Special Meeting, the Wind River 1998 Equity Incentive Plan will remain in place without giving effect to the proposed amendments.

Wind River will bear the entire cost of solicitation of proxies, including preparation, assembly, printing and mailing of this Proxy Statement, the proxy card and any additional information furnished to stockholders. Copies of solicitation materials will be furnished to banks, brokerage houses, fiduciaries and custodians holding in their names shares of Common Stock beneficially owned by others to forward to such beneficial owners. Wind River may reimburse persons representing beneficial owners of Common Stock for their costs of forwarding solicitation materials to such beneficial owners. Original solicitation of proxies by mail may be supplemented by telephone, facsimile, e-mail or personal solicitation by directors, officers or other regular employees of Wind River. No additional compensation will be paid to directors, officers or other regular employees for such services. In addition, we have engaged MacKenzie Partners, Inc. as our proxy solicitor to solicit proxies on our behalf from brokers, bank nominees and other institutions for a fee of approximately $7,500, plus reasonable out-of-pocket expenses.

Methods of Voting

You may vote by mail, by telephone, over the Internet, or in person at the Special Meeting. Your shares will be voted in accordance with your instructions. If you do not provide voting instructions, the individuals named as your proxies on the proxy card (known as **proxies** or **proxy holders**) will vote your shares FOR approval of the amendment to the Wind River 1998 Equity Incentive Plan and at their discretion as to other matters that may properly come before the Special Meeting.

Voting by Telephone	To vote by telephone through services provided by ADP Investor Communication Services, call the phone number printed on your proxy card or voting instruction form, and follow the instructions provided on each proxy card. If you vote by telephone, you do not need to complete and mail your proxy card.
Voting over the Internet	To vote over the Internet through services provided by ADP Investor Communication Services, log on to the Internet at: *http://www.proxyvote.com* and follow the instructions at that site. If you vote on the Internet, you do not need to complete and mail your proxy card.
Voting by Mail	By signing and returning the proxy card in the enclosed prepaid and pre-addressed envelope, you are enabling the proxy holders to vote your shares at the Special Meeting in the manner you indicate. Wind River encourages you to sign and return the proxy card even if you plan to attend the Special Meeting. In this way, your shares will be voted if you are unable to attend the Special Meeting. If you received more than one proxy card, your shares are held in multiple accounts. Please sign and return all proxy cards to ensure that all of your shares are voted.
Voting in Person at the Special Meeting	If you plan to attend the Special Meeting and vote in person, Wind River will provide you with a ballot at the meeting. If your shares are registered directly in your name, you are considered the stockholder of record and you have the right to vote in person at the meeting. If your shares are held in the name of your broker or other nominee, you are considered the beneficial owner of shares held in street name. If you wish to vote at the Special Meeting, you will need to bring with you to the meeting a legal proxy from your broker or other nominee authorizing you to vote such shares.

Submitting your proxy by mail, or voting by telephone or over the Internet will not affect your right to vote in person should you decide to attend the Special Meeting.

If you are a participant in Wind River s 401(k) Plan, your proxy will incorporate all shares of Common Stock you own through the 401(k) Plan, assuming your shares are registered in the same name. Your proxy will serve as a voting instruction for the trustee of Wind River s 401(k) Plan. If you own shares through Wind River s 401(k) Plan and you do not vote, the plan trustee will vote those shares in the same proportion as other 401(k) Plan participants vote their 401(k) Plan shares.

Revocation of Proxies

Any person giving a proxy pursuant to this solicitation has the power to revoke it at any time before it is voted. It may be revoked by filing with the Secretary of the Company at Wind River s principal executive office, 500 Wind River Way, Alameda, California, 94501, a written notice of revocation or a duly executed proxy bearing a later date, or it may be revoked by attending the meeting and voting in person. Attendance at the meeting will not, by itself, revoke a proxy.

Deadline for Submission of Stockholder Proposals for the 2004 Meeting

The deadline for submitting a stockholder proposal for inclusion in Wind River s proxy statement and form of proxy for Wind River s 2004 Annual Meeting of Stockholders pursuant to Rule 14a-8 of the Securities Exchange Act, as amended (the **Exchange Act**), is January 13, 2004. Stockholder proposals intended for consideration for inclusion in Wind River s proxy statement and form of proxy relating to the 2004 Annual Meeting of Stockholders should be made in accordance with Rule 14a-8 of the Exchange Act. If a stockholder intends to submit a stockholder proposal at Wind River s 2004 Annual Meeting which is not eligible for inclusion in the proxy statement and form of proxy relating to that meeting, the stockholder must present the proposal to Wind River not later than the close of business on March 20, 2004 nor earlier than the close of business on February 19, 2004 in accordance with the provisions of Wind River s Amended and Restated Bylaws. Stockholders are also advised to review Wind River s Amended and Restated Bylaws, which contain additional requirements with respect to advance notice of stockholder proposals and director nominations. In addition, the proxy solicited by the Board of Directors for the 2004 Annual Meeting of Stockholders will confer discretionary authority to vote on any stockholder proposal presented at that meeting if Wind River is not provided with notice of such proposal on or prior to March 20, 2004.

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PROPOSAL FOR STOCKHOLDER ACTION

PROPOSAL 1 APPROVAL OF THE AMENDMENT TO THE WIND RIVER 1998 EQUITY INCENTIVE PLAN

In April 1998, the Board of Directors adopted, and the Company s stockholders subsequently approved, the Company s 1998 Equity Incentive Plan. As of October 31, 2003, there were 4,100,000 shares of Common Stock authorized for issuance under the 1998 Equity Incentive Plan. As of October 31, 2003, under the 1998 Equity Incentive Plan, stock options (net of canceled or exercised options) covering an aggregate of 2,334,871 shares of Common Stock had been granted and 1,518,344 shares of Common Stock remained available for future grants.

The 1998 Equity Incentive Plan provides for the grant of incentive and nonstatutory stock options, stock appreciation rights, rights to purchase restricted stock and stock bonuses. The Board of Directors adopted the 1998 Equity Incentive Plan as a means to retain the services pursuant to a stock option or stock appreciation right of persons who are now employees and directors of and consultants to Wind River and its affiliates, to secure and retain the services of new employees, directors and consultants and to provide incentives for such persons to exert maximum efforts on behalf of Wind River. To date, no awards other than stock options have been granted under the 1998 Equity Incentive Plan.

On November 3, 2003, the Board of Directors approved an amendment to the 1998 Equity Incentive Plan, subject to stockholder approval, to (i) increase the aggregate number of shares of Common Stock authorized and reserved for option and other stock awards under the 1998 Equity Incentive Plan by 1,900,000 shares (the **Additional Shares**) and (ii) increase the maximum number of shares of Common Stock that may be issued to any employee pursuant to stock options or stock appreciation rights in any calendar year in accordance with Section 162(m) of the Internal Revenue Code from 750,000 shares to 1,000,000 shares, except that, in connection with the hire of a new President and Chief Executive Officer, such limit shall be 3,000,000 shares. The Additional Shares may be used only for grants of incentive and nonstatutory stock options whose exercise prices must be at least 100% of the fair market value of the Common Stock on the date of grant. Any repricing of such options is prohibited without stockholder approval. See Plan Summary Terms of Options Restrictions on Supplemental Reserve Shares.

On November 5, 2003, Wind River announced the hiring of Mr. Kenneth R. Klein as the Company s President, Chief Executive Officer and Chairman of the Board effective as of January 5, 2004. Wind River and Mr. Klein have entered into an employment agreement, pursuant to which the Company has agreed to grant Mr. Klein options to acquire an aggregate of 2,400,000 shares of Common Stock. The Company proposes to grant the options to Mr. Klein under the 1998 Equity Incentive Plan. If the proposed amendment to the 1998 Equity Incentive Plan is approved by the stockholders, the options would be granted to Mr. Klein by the Company at the time of commencement of his services as President and Chief Executive Officer. If the proposed amendment is not approved by the stockholders, the Company is required under the terms of Mr. Klein s employment agreement to provide alternative incentive compensation in the form of stock appreciation rights and options in amounts and at times as are currently allowed under the Company s existing plans. See Interest of Certain Persons in Matters to be Acted Upon Employment Agreement with Kenneth R. Klein.

REQUIRED VOTE AND BOARD OF DIRECTORS RECOMMENDATION ON PROPOSAL

Adoption of the proposed amendment to the 1998 Equity Incentive Plan requires the affirmative vote of a majority of the shares of Common Stock present in person or represented by proxy and entitled to vote at the Special Meeting.

The Board of Directors recommends a vote FOR the approval of the proposed amendment to the 1998 Equity Incentive Plan.

PLAN SUMMARY

A summary of the principal features of the 1998 Equity Incentive Plan, as proposed to be amended, is outlined below.

General

The 1998 Equity Incentive Plan provides for the grant of stock awards, which may be incentive stock options, nonstatutory stock options, stock appreciation rights, rights to acquire restricted stock or stock bonuses. Incentive stock options granted under the 1998 Equity Incentive Plan are intended to qualify as incentive stock options within the meaning of Section 422 of the Internal Revenue Code. Nonstatutory stock options granted under the 1998 Equity Incentive Plan are not intended to qualify as incentive stock options under the Internal Revenue Code. See Federal Income Tax Information for a discussion of the tax treatment of awards.

Purpose

The 1998 Equity Incentive Plan was adopted to provide a means by which employees (including officers) and directors of and consultants to Wind River and its affiliates may be given an opportunity to acquire Common Stock, to secure and retain the services of persons holding or capable of filling such positions and to provide incentives for such persons to exert maximum efforts on behalf of Wind River.

Administration

The Company s Board of Directors administers the 1998 Equity Incentive Plan. Subject to the provisions of the 1998 Equity Incentive Plan, the Board of Directors has the power to construe and interpret the 1998 Equity Incentive Plan and to determine the persons to whom and the dates on which awards will be granted, the number of shares of Common Stock to be subject to each award, the time or times during the term of each award within which all or a portion of such award may be exercised, the exercise price, the type of consideration and other terms of the award.

The Board of Directors is authorized to delegate administration of the 1998 Equity Incentive Plan to a committee or committees comprised of one or more members of the Board of Directors and has delegated such administration to the Compensation Committee. The Compensation Committee has the powers to administer the 1998 Equity Incentive Plan which were originally possessed by the Board of Directors, subject to such limitations as the Board of Directors provides. As used herein with respect to the 1998 Equity Incentive Plan, the Board of Directors refers to the Compensation Committee as well as to the Board of Directors.

In order to maximize Wind River s ability to recognize a business expense deduction under Section 162(m) of the Internal Revenue Code in connection with compensation recognized by covered employees (defined in Section 162(m) as the chief executive officer and other four most highly compensated officers), the regulations under Section 162(m) require that the directors who serve as members of the committee responsible for administering the 1998 Equity Incentive Plan with respect to these covered employees must be outside directors. The Board of Directors currently intends to limit the directors who may serve as members of the Compensation Committee to those who are outside directors as defined in Section 162(m) of the Internal Revenue Code. This limitation excludes from the Compensation Committee (i) current employees of Wind River, (ii) former employees of Wind River receiving compensation for past services (other than benefits under a tax-qualified pension plan), (iii) current and former officers of Wind River, and (iv) directors currently receiving direct or indirect remuneration from Wind River in any capacity (other than as a director), unless any such person is otherwise considered an outside director for purposes of Section 162(m).

The Board of Directors may delegate to a committee of one or more members of the Board of Directors the authority to grant stock awards to eligible persons who are not then subject to Section 16 of the Securities Exchange Act and/or who are either (i) not then employees covered by Section 162(m) of the Internal Revenue Code and are not expected to be covered by Section 162(m) of the Internal Revenue Code at the time of recognition of income resulting from such stock award, or (ii) not persons with respect to whom Wind River wishes to avoid the application of Section 162(m) of the Internal Revenue Code. The Board of Directors may abolish such committee at any time and revest in the Board of Directors the administration of the 1998 Equity Incentive Plan.

Eligibility

Incentive stock options and stock appreciation rights appurtenant thereto may be granted under the 1998 Equity Incentive Plan to employees (including officers) of Wind River and any affiliates. Employees (including officers), directors and consultants are eligible to receive awards other than incentive stock options and stock appreciation rights appurtenant thereto under the 1998 Equity Incentive Plan. As of October 31, 2003, all of Wind River s approximately 1,100 employees, as well as its directors and consultants, were eligible to participate in the 1998 Equity Incentive Plan.

No incentive stock option may be granted under the 1998 Equity Incentive Plan to any person who, at the time of the grant, owns (or is deemed to own) stock possessing more than 10% of the total combined voting power of Wind River or any affiliate of Wind River, unless the exercise price is at least 110% of the fair market value of the stock subject to the option on the date of grant, and the term of the option does not exceed five years from the date of grant. To the extent an optionee would have the right in any calendar year to exercise for the first time one or more incentive stock options for shares having an aggregate fair market value (under all plans of Wind River and its affiliates and determined for each share as of the date the option was granted) in excess of $100,000, any such excess options will be treated as nonstatutory stock options.

Stock Subject To The Plan

An aggregate of 4,100,000 shares of Common Stock are currently authorized to be issued under the 1998 Equity Incentive Plan. The proposed amendment to the 1998 Equity Incentive Plan would, if approved, increase the total number of shares authorized for issuance to 6,000,000. If awards granted under the 1998 Equity Incentive Plan expire or otherwise terminate without being exercised (or vested in the case of restricted stock), the Common Stock not purchased under such awards again becomes available for issuance under the 1998 Equity Incentive Plan. Shares of stock subject to exercised stock appreciation rights shall not again become available for issuance under the 1998 Equity Incentive Plan.

Terms of Options

The following is a description of the permissible terms of options under the 1998 Equity Incentive Plan. Individual option grants may be more restrictive as to any or all of the permissible terms described below.

Exercise Price; Payment. The exercise price of incentive stock options under the 1998 Equity Incentive Plan may not be less than 100% of the fair market value of the Common Stock subject to the option on the date of the option grant (110% for optionees deemed to own more than 10% of the outstanding voting power of Wind River), and the exercise price of nonstatutory stock options under the 1998 Equity Incentive Plan may not be less than 85% of the fair market value of Common Stock subject to the option on the date of the option grant. With respect to any options granted with exercise prices below fair market value to covered employees, deductions for compensation attributable to the exercise of such options could be limited by Section 162(m). See Federal Income Tax Information. As of October 31, 2003, the closing price of Common Stock, as reported on the Nasdaq National Market, was $6.69 per share.

The exercise price of options granted under the 1998 Equity Incentive Plan must be paid either in cash at the time the option is exercised or at the discretion of the Board of Directors, (i) by delivery of other Common Stock, (ii) pursuant to a deferred payment arrangement, or (iii) in any other form of legal consideration acceptable to the Board of Directors.

Exercise/Vesting. Options granted under the 1998 Equity Incentive Plan may become exercisable (**vest**) in cumulative increments as determined by the Board of Directors. Such vesting typically is time-based or performance-based. The Board of Directors has the power to accelerate the time during which an option may be exercised. In addition, options granted under the 1998 Equity Incentive Plan may permit exercise prior to vesting, but in such event the optionee may be required to enter into an early exercise stock purchase agreement that allows Wind River to repurchase shares not yet vested at their exercise price should the optionee leave the employ of Wind River before vesting. To the extent provided by the terms of an option, an optionee may satisfy any federal, state or local tax withholding obligation relating to the exercise of such option by a cash payment upon exercise, by authorizing Wind River to withhold a portion of the stock otherwise issuable to the optionee, by delivering already-owned and unencumbered stock of Wind River or by a combination of these means.

Term. The maximum term of stock options under the 1998 Equity Incentive Plan is 10 years, except that in certain cases (see Eligibility) the maximum term is five years. Options under the 1998 Equity Incentive Plan generally terminate three months after termination of the optionee s employment or relationship as a consultant or director of Wind River or any affiliate of Wind River, unless (a) such termination is due to such person s permanent and total disability (as defined in the Internal Revenue Code), in which case the option may, but need not, provide that it may be exercised at any time within one year of such termination; (b) the optionee dies while serving, or within in a three-month period of having served, Wind River or any affiliate of Wind River, in which case the option may, but need not, be exercisable (to the extent that the option was exercisable at the time of the optionee s death) within 18 months of the optionee s death by the person or persons to whom the rights to such option pass by will or by the laws of descent and distribution; or (c) the option by its terms specifically provides otherwise. Individual options by their terms may provide for exercise within a longer period of time following termination of employment or the other relationship.

Restrictions on Transfer. No stock option may be transferred by the optionee other than by will or the laws of descent or distribution; provided, however, that the Board of Directors may grant a nonstatutory stock option that is transferable, and provided further that an optionee may designate a beneficiary who may exercise the option following the optionee s death. In addition, shares subject to repurchase by Wind River under an early exercise stock purchase agreement may be subject to restrictions on transfer that the Board of Directors deems appropriate.

Restrictions on Supplemental Reserve Shares. Of the 6,000,000 shares reserved under 1998 Equity Incentive Plan, 4,500,000 are referred to as the **Supplemental Reserve** . Notwithstanding the permissible terms above, the shares in the Supplemental Reserve may only be issued subject to the following conditions:

(i) Stock options are the only form of stock award that may be granted with respect to shares of Common Stock in the Supplemental Reserve;

(ii) The exercise price of nonstatutory stock options granted from the Supplemental Reserve may not be less than one hundred percent (100%) of the Fair Market Value on the date of grant; and

(iii) Options granted from the Supplemental Reserve shall not be repriced without stockholder approval.

Terms of Stock Bonuses and Purchases of Restricted Stock

Purchase Price; Payment. The purchase price under each stock purchase agreement will be determined by the Board of Directors, but in no event shall the purchase price be less than 85% of the stock s fair market value on the date such award is made. The purchase price of stock pursuant to a stock purchase agreement must be paid either: (i) in cash at the time of purchase; (ii) at the discretion of the Board of Directors, according to a deferred payment or other arrangement with the person to whom the Common Stock is sold; or (iii) in any other form of legal consideration that may be acceptable to the Board of Directors in its discretion. Eligible participants may be awarded stock pursuant to a stock bonus agreement in consideration of past services actually rendered to Wind River or for its benefit. To date, no stock bonuses or restricted stock purchase agreements have been granted under the 1998 Equity Incentive Plan.

Repurchase. Shares of Common Stock sold or awarded under the 1998 Equity Incentive Plan may, but need not, be subject to a repurchase option in favor of Wind River in accordance with a vesting schedule determined by the Board of Directors. In the event a person ceases to be an employee of or ceases to serve as a director of or consultant to Wind River or an affiliate of Wind River, Wind River may repurchase or otherwise reacquire any or all of the shares of the bonus or restricted stock held by that person that have not vested as of the date of termination under the terms of the stock bonus or restricted stock purchase agreement between Wind River and such person. The Board of Directors has the power to accelerate such vesting.

Restrictions on Transfer. Rights under a stock bonus or restricted stock bonus agreement may not be transferred except where such assignment is required by law or expressly authorized by the terms of the applicable stock bonus or restricted stock purchase agreement.

Stock Appreciation Rights

The 1998 Equity Incentive Plan authorizes three types of stock appreciation rights. To date, no stock appreciation rights have been granted under the 1998 Equity Incentive Plan.

Tandem Stock Appreciation Rights. Tandem stock appreciation rights are tied to an underlying option and require the holder to elect whether to exercise the underlying option or to surrender the option for an appreciation distribution equal to the market price of the vested shares purchasable under the surrendered option less the aggregate exercise price payable for such shares. Appreciation distributions payable upon exercise of tandem stock appreciation rights shall be made in cash (or, if so provided, in an equivalent number of shares of Common Stock based on Fair Market Value on the date of the option surrender).

Concurrent Stock Appreciation Rights. Concurrent stock appreciation rights are tied to an underlying option and are exercised automatically at the same time the underlying option is exercised. The holder receives an appreciation distribution equal to the market price of the vested shares purchased under the option less the aggregate exercise price payable for such shares. Appreciation distributions payable upon exercise of concurrent stock appreciation rights shall be made in cash (or, if so provided, in an equivalent number of shares of Common Stock based on fair market value on the date of exercise of the concurrent right).

Independent Stock Appreciation Rights. Independent stock appreciation rights are granted independently of any option and entitle the holder to receive upon exercise an appreciation distribution equal to the fair market value on the date of exercise of a number of shares equal to the number of share equivalents to which the holder is vested under the independent stock appreciation right less the fair market value of such number of shares of stock on the date of grant. Appreciation distributions payable upon exercise of independent stock appreciation rights may, at the Board of Directors discretion, be made in cash, in shares of Common Stock or a combination thereof.

Adjustment Provisions

If there is any change in the stock subject to the 1998 Equity Incentive Plan or subject to any award granted under the 1998 Equity Incentive Plan, without the receipt of consideration by the Company (through merger, consolidation, reorganization, recapitalization, stock dividend, dividend in property other than cash, stock split, liquidating dividend, combination of shares, exchange of shares, change in corporate structure or otherwise), the 1998 Equity Incentive Plan and awards outstanding thereunder will be appropriately adjusted as to the type of security and the maximum number of shares subject to such plan, the maximum number of shares which may be granted to an employee during any calendar year, and the type of security, number of shares and price per share of stock subject to such outstanding stock awards.

Effect of Certain Corporate Events

The 1998 Equity Incentive Plan provides that, in the event of a dissolution or liquidation of Wind River, then all stock awards shall be terminated if not exercised (if applicable) prior to such event. In the event of a specified type of merger or other corporate reorganization, any surviving corporation will be required to either assume stock awards outstanding under the 1998 Equity Incentive Plan or substitute similar stock awards for those outstanding under the 1998 Equity Incentive Plan and such outstanding stock awards will continue in full force and effect. In the event that any surviving corporation declines to assume or continue awards outstanding under the 1998 Equity Incentive Plan, or to substitute similar awards, then the time during which such stock awards may be exercised will be accelerated and the stock awards terminated if not exercised at or prior to such event. The acceleration of a stock award in the event of an acquisition or similar corporate event may be viewed as an anti-takeover provision, which may have the effect of discouraging a proposal to acquire or otherwise obtain control of Wind River.

The 1998 Equity Incentive Plan also provides for the acceleration of vesting for stock awards which otherwise would vest within the 30-month period following the occurrence of certain hostile changes of control. A hostile change of control would involve either (i) the acquisition by any person or related group of a majority of Wind River s voting securities which has not been approved by the Board of Directors or (ii) a change of a majority of the members of the Board of Directors in a 24-month period where the new directors were not approved by a majority of the members of the Board of Directors at the beginning of such period or were seated as the result of a proxy contest or other contest over election of members of the Board of Directors.

Duration, Amendment and Termination

The Board of Directors may suspend or terminate the 1998 Equity Incentive Plan without stockholder approval or ratification at any time or from time to time. Unless sooner terminated, the 1998 Equity Incentive Plan will terminate on April 22, 2008.

The Board of Directors may also amend the 1998 Equity Incentive Plan at any time or from time to time. However, no amendment will be effective unless approved by the stockholders of Wind River, to the extent stockholder approval is necessary in order for the 1998 Equity Incentive Plan to satisfy Section 422 of the Internal Revenue Code, if applicable, Rule 16b-3 of the Exchange Act or Nasdaq or other securities exchange listing requirements. The Board of Directors may submit any other amendment to the 1998 Equity Incentive Plan for stockholder approval, including, but not limited to, amendments intended to satisfy the requirements of Section 162(m) of the Internal Revenue Code regarding the exclusion of performance-based compensation from the limitation on the deductibility of compensation paid to certain employees.

Federal Income Tax Information

Long-term capital gains currently are generally subject to lower tax rates than ordinary income or short-term capital gains. The maximum long-term capital gains rate for federal income tax purposes is currently 15% while the maximum ordinary income rate and short-term capital gains rate is currently 35%. Slightly different rules may apply to participants of the 1998 Equity Incentive Plan who acquire stock subject to certain repurchase options or who are subject to Section 16(b) of the Exchange Act.

Incentive Stock Options. Incentive stock options under the 1998 Equity Incentive Plan are intended to be eligible for the favorable federal income tax treatment accorded incentive stock options under the Internal Revenue Code.

There generally are no federal income tax consequences to the participant or Wind River by reason of the grant or exercise of an incentive stock option. However, the exercise of an incentive stock option may increase the participant s alternative minimum tax liability, if any.

If a participant holds stock acquired through exercise of an incentive stock option for at least two years from the date on which the option is granted and at least one year from the date on which the shares are transferred to the participant upon exercise of the option, any gain or loss on a disposition of such stock will be a long-term capital gain or loss if the participant held the stock for more than one year.

Generally, if the participant disposes of the stock before the expiration of either of these holding periods (a **disqualifying disposition**), then at the time of disposition the participant will realize taxable ordinary income equal to the lesser of (i) the excess of the stock s fair market value on the date of exercise over the exercise price, or (ii) the participant s actual gain, if any, on the purchase and sale. The participant s additional gain or any loss upon the disqualifying disposition will be a capital gain or loss, which will be long-term or short-term depending on whether the stock was held for more than one year.

To the extent the participant recognizes ordinary income by reason of a disqualifying disposition, Wind River will generally be entitled (subject to the requirement of reasonableness, the provisions of Section 162(m) of the Internal Revenue Code and the satisfaction of a tax reporting obligation) to a corresponding business expense deduction in the tax year in which the disqualifying disposition occurs.

Nonstatutory Stock Options, Restricted Stock Purchase Awards and Stock Bonuses. Nonstatutory stock options, restricted stock purchase awards and stock bonuses granted under the 1998 Equity Incentive Plan generally have the following federal income tax consequences:

There are no tax consequences to the participant or Wind River by reason of the grant. Upon acquisition of the stock, the participant normally will recognize taxable ordinary income equal to the excess, if any, of the stock s fair market value on the acquisition date over the purchase price. However, to the extent the stock is subject to certain types of vesting restrictions, the taxable event will be delayed until the vesting restrictions lapse unless the participant elects to be taxed on receipt of the stock. With respect to employees, Wind River is generally required to withhold from regular wages or supplemental wage payments an amount based on the ordinary income

recognized. Subject to the requirement of reasonableness, the provisions of Section 162(m) of the Internal Revenue Code and the satisfaction of a tax reporting obligation, Wind River will generally be entitled to a business expense deduction equal to the taxable ordinary income realized by the participant.

Upon disposition of the stock, the participant will recognize a capital gain or loss equal to the difference between the selling price and the sum of the amount paid for such stock plus any amount recognized as ordinary income upon acquisition (or vesting) of the stock. Such gain or loss will be long-term or short-term depending on whether the stock was held for more than one year. Slightly different rules may apply to participants who acquire stock subject to certain repurchase options or who are subject to Section 16(b) of the Exchange Act.

Stock Appreciation Rights. No taxable income is realized upon the receipt of a stock appreciation right, but upon exercise of the stock appreciation right the fair market value of the shares (or cash in lieu of shares) received must be treated as compensation taxable as ordinary income to the participant in the year of such exercise. Generally, with respect to employees, Wind River is required to withhold from the payment made on exercise of the stock appreciation right or from regular wages or supplemental wage payments an amount based on the ordinary income recognized. Subject to the requirement of reasonableness, Section 162(m) of the Internal Revenue Code and the satisfaction of a reporting obligation, Wind River will be entitled to a business expense deduction equal to the taxable ordinary income recognized by the participant.

Potential Limitation on Wind River Deductions. Section 162(m) of the Internal Revenue Code denies a deduction to any publicly-held corporation for compensation paid to certain covered employees in a taxable year to the extent that compensation to such covered employee exceeds $1 million. It is possible that compensation attributable to awards, when combined with all other types of compensation received by a covered employee from Wind River, may cause this limitation to be exceeded in any particular year.

Certain kinds of compensation, including qualified performance-based compensation, are disregarded for purposes of the deduction limitation. In accordance with Treasury regulations issued under Section 162(m) of the Internal Revenue Code, compensation attributable to stock options and stock appreciation rights will qualify as performance-based compensation if the award is granted by a compensation committee comprised solely of outside directors and either (i) the plan contains a per-employee limitation on the number of shares for which such awards may be granted during a specified period, the per-employee limitation is approved by the stockholders, and the exercise price of the award is no less than the fair market value of the stock on the date of grant, or (ii) the award is granted (or exercisable) only upon the achievement (as certified in writing by the compensation committee) of an objective performance goal established in writing by the compensation committee while the outcome is substantially uncertain, and the award is approved by stockholders. Wind River has included in the proposed amendment of the 1998 Equity Incentive Plan a per-employee limitation of 1,000,000 shares of Common Stock subject to stock options or to stock appreciation rights that may be granted during a calendar year, provided, however, that, in connection with the hiring of a new President and Chief Executive Officer, such limit shall be 3,000,000 shares. The purpose of including this limitation is to ensure that Wind River generally will be able to deduct for tax purposes the compensation attributable to the exercise of options and stock appreciation rights granted under the 1998 Equity Incentive Plan.

Compensation attributable to restricted stock and stock bonuses will qualify as performance-based compensation, provided that: (i) the award is granted by a compensation committee comprised solely of outside directors and (ii) the purchase price of the award is no less than the fair market value of the stock on the date of grant. Stock bonuses qualify as performance-based compensation under the Treasury regulations only if (i) the award is granted by a compensation committee comprised solely of outside directors, (ii) the award is granted (or exercisable) only upon the achievement of an objective performance goal established in writing by the compensation committee while the outcome is substantially uncertain, (iii) the compensation committee certifies in writing prior to the granting (or exercisability) of the award that the performance goal has been satisfied and (iv) prior to the granting (or exercisability) of the award, stockholders have approved the material terms of the award (including the class of employees eligible for such award, the business criteria on which the performance goal is based, and the maximum amount or formula used to calculate the amount payable upon attainment of the performance goal).

Benefits to be Received Under the Amended 1998 Equity Incentive Plan

Except for the terms of Mr. Klein s employment agreement detailed below (see Interest of Certain Persons in Matters to be Acted Upon Employment Agreement with Kenneth R. Klein), it is not possible to state the persons who will receive options or awards under the amended 1998 Equity Incentive Plan in the future, nor the amount of options or other stock awards, which will be granted thereunder.

INTEREST OF CERTAIN PERSONS IN MATTERS TO BE ACTED UPON

Executive officers and directors of the Company have an interest in the matters being presented for stockholder approval. Upon stockholder approval of the amendment to the 1998 Equity Incentive Plan, executive officers and directors of the Company may be granted stock options and other awards pursuant to the 1998 Equity Incentive Plan. Specifically, upon stockholder approval of the amendments to the 1998 Equity Incentive Plan, the Company intends to grant options to acquire 2,400,000 shares of Common Stock to Mr. Kenneth R. Klein under the terms of his employment agreement. See Employment Agreement with Kenneth R. Klein and Security Ownership of Certain Beneficial Owners and Management for information regarding the number of shares of Common Stock beneficially owned by executive officers and directors.

Employment Agreement with Kenneth R. Klein. On November 5, 2003, Wind River and Mr. Klein entered into an employment agreement providing for the employment of Mr. Klein as Chairman of the Board of Directors, President and Chief Executive Officer effective as of January 5, 2004. Under the agreement, Mr. Klein will be entitled to receive an annualized base salary of $450,000 and an annualized bonus for on-plan performance, as determined by the Board of Directors. The employment agreement is not subject to stockholder approval and the Company is not soliciting your vote with respect to the employment agreement.

If the stockholders approve the amendments to the 1998 Equity Incentive Plan, upon his commencement of employment, Mr. Klein will be granted three stock options to purchase an aggregate of 2,400,000 shares of Common Stock under the terms and conditions of the amended 1998 Equity Incentive Plan. The exercise price of the options will be the fair market value (as defined in the 1998 Equity Incentive Plan) of the covered shares on the date of grant. The three options will consist of a standard grant of 2,000,000 shares with time-based vesting and two grants of 200,000 shares each which shall have limitation on exercise tied to the Company s stock price performance.

If the stockholders do not approve the proposed amendments to the 1998 Equity Incentive Plan, then, in lieu of the option grants outlined in the preceding paragraph, the Company will grant Mr. Klein a combination of stock options and stock appreciation rights covering an aggregate of 2,400,000 shares of Common Stock under the terms of the existing 1998 Equity Incentive Plan. In such an event, the stock options and stock appreciation rights will be granted to Mr. Klein under the existing 1998 Equity Incentive Plan as follows:

On December 31, 2003, which shall be the date Mr. Klein s employment shall commence under the employment agreement if the proposed amendments to the 1998 Equity Incentive Plan are not approved by the Company s stockholders, the Company will grant Mr. Klein a stock option to purchase an aggregate of 750,000 shares of Common Stock and a stock appreciation right covering 750,000 shares of Common Stock, each in accordance with the terms of the 1998 Equity Incentive Plan. The exercise price of the stock option and the price from which appreciation of the stock appreciation right shall be measured shall be the fair market value (as defined in the 1998 Equity Incentive Plan) of the covered shares;

On January 5, 2004, the Company will then grant Mr. Klein three additional stock options to purchase an aggregate of 750,000 shares of Common Stock. The exercise price of these options will be the fair market value (as defined in the 1998 Equity Incentive Plan) of the covered shares on the date of grant. These three options will consist of a standard grant of 350,000 shares and two performance grants of 200,000 shares each which shall have a limitation on exercise tied to the Company s stock price performance; and

On January 5, 2004, the Company will grant Mr. Klein a stock appreciation right covering 150,000 shares of Common Stock. The price from which appreciation of this stock appreciation right shall be measured shall be the fair market value (as defined in the 1998 Equity Incentive Plan) of the covered shares on the date of grant.

In the event Mr. Klein s employment with Wind River is terminated other than for Cause, or if he resigns his employment with Good Reason (as each term is defined in the employment agreement), in each case other than within 12 months of a change of control, Mr. Klein will

be entitled to (i) an amount equal to 12 months of Mr. Klein s base salary as of his termination date plus an amount equal to 100% of his actual bonus for the fiscal year prior to the fiscal year in which the termination occurs, (ii) reimbursement of cost of continued heath insurance coverage, if elected, for a period of 12 months after termination, (iii) additional credits towards the vesting and exercisability of the stock options and stock appreciation rights outlined above and (iv) 12 months of additional credit towards the vesting and exercisability of all equity awards other than the stock options and stock appreciation rights outlined above.

In the event of a Change of Control (as that term is defined in the employment agreement), Mr. Klein would be entitled to (i) an amount equal to 12 months of Mr. Klein s base salary as of his termination date plus an amount equal to 100% of his actual bonus for the fiscal year prior to the fiscal year in which the termination occurs, (ii) reimbursement of cost of continued health insurance coverage, if elected, for a period of 12 months after termination, and (iii) 100% accelerated vesting and exercisability of all equity awards with respect to the Common Stock.

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth certain information regarding the ownership of Common Stock as of October 31, 2003 by: (i) each director; (ii) each of the executive officers named in the Summary Compensation Table; (iii) all executive officers and directors of Wind River as a group; and (iv) all those known by Wind River to be beneficial owners of more than five percent of Common Stock.

	Beneficial Ownership (1)	
Name and Address of Beneficial Owner	**Number of Shares**	**Percent of Total**
Narendra K. Gupta (2)	4,672,212	5.8%
Jerry L. Fiddler (3)	4,470,968	5.6%
Thomas St. Dennis (4)	1,374,499	1.7%
John C. Bolger (5)	32,390	*
William B. Elmore (6)	624,407	*
Grant M. Inman (7)	153,000	*
Kenneth R. Klein (8)		*
David G. Fraser (9)	234,112	*
Stephen A. Kennedy (10)	2,955	*
Michael W. Zellner (11)	153,988	*
All executive officers and directors as a group (9 persons) (12)	10,367,152	12.9%

* Less than one percent.

(1) This table is based upon information supplied by officers, directors, and principal stockholders and Schedule 13Gs filed with the Securities and Exchange Commission. Unless indicated in the footnotes to this table and subject to community property laws where applicable, Wind River believes that each of the stockholders named in this table has sole voting and investment power with respect to the shares indicated as beneficially owned. Applicable percentages are based on 80,283,757 shares outstanding on October 31, 2003, adjusted as required by rules promulgated by the Securities and Exchange Commission. Except as otherwise noted, the address for all beneficial owners is c/o Wind River Systems, Inc., 500 Wind River Way, Alameda, CA 94501.

(2) Includes 3,508,236 shares held by the Narendra and Vinita Gupta Living Trust dated 12/2/94, of which Mr. Gupta is a trustee; 920,000 shares held by the Gupta Irrevocable Children Trust, of which Mr. Gupta is also a trustee; and 7,176 shares held in an account benefiting Mr. Gupta s daughter under the Uniform Gift to Minors Act, of which Mr. Gupta is the custodian. Also includes 236,800 shares subject to stock options exercisable within 60 days after October 31, 2003. Mr. Gupta disclaims beneficial ownership of the shares held in the Gupta Irrevocable Children Trust and held in his daughter s name.

(3) Includes 2,652,930 shares held by the Fiddler and Alden Family Trust, of which Mr. Fiddler is a trustee; 300,000 shares held by the Jazem I Family Partners LP Fund 5, of which Mr. Fiddler is a general partner; 555,000 shares held by Jazem II Family Partners LP, of which Mr. Fiddler is a general partner; 247,953 shares held by Jazem III Family Partners LP, of which Mr. Fiddler is a partner; and 300,000 shares held by Jazem IV Family Partners LP, of which Mr. Fiddler is a partner. Also includes 415,085 shares subject to stock options exercisable within 60 days after October 31, 2003.

(4) Includes 139,000 shares held by the St. Dennis Family Trust, of which Mr. St. Dennis is a trustee. Also includes 1,232,291 shares subject to stock options exercisable within 60 days after October 31, 2003. Effective as of June 24, 2003, Mr. St. Dennis resigned from his positions as a director and as President and Chief Executive Officer of Wind River.

(5) Includes 28,250 shares subject to stock options exercisable within 60 days after October 31, 2003.

(6) Includes 544,907 shares held by the Elmore Living Trust, of which Mr. Elmore is a trustee, and 15,000 shares held by Elmore Family Investments, LP, of which Mr. Elmore is a partner. Also includes 65,000 shares subject to stock options exercisable within 60 days after October 31, 2003.

(7) Includes 79,000 shares held by the Inman Living Trust UAD 5/9/89, of which Mr. Inman is a trustee; and 42,000 shares held by the Grant N. Inman SSB Keogh PS Custodian the West Ven Keogh, of which Mr. Inman is a custodian. Also includes 32,000 shares subject to stock options exercisable within 60 days after October 31, 2003.

(8) Effective July 24, 2003, Mr. Klein was elected as a member of the Board of Directors of Wind River.

(9) Includes 222,611 shares subject to stock options exercisable within 60 days after October 31, 2003.

(10) Effective as of June 30, 2003, Mr. Kennedy resigned from his position as Group Vice President of Worldwide Sales and Marketing of Wind River.

(11) Includes 151,041 shares subject to stock options exercisable within 60 days after October 31, 2003.

(12) Includes 1,175,787 shares subject to stock options held by officers and directors exercisable within 60 days after October 31, 2003. Excludes shares and shares subject to stock options held by Mr. St. Dennis who resigned from his positions as a director and as President and Chief Executive Officer effective June 24, 2003. Also excludes shares held by Mr. Kennedy who resigned from his position as Group Vice President of Worldwide Sales and Marketing effective June 30, 2003.

EXECUTIVE COMPENSATION

Compensation of Directors

The Company s Board of Directors is comprised of six members, four of whom are currently not employees of Wind River (each a **Non-Employee Director**). Each Non-Employee Director receives a quarterly retainer of $5,000 and a per-meeting fee of $1,000 for each Board meeting attended and $500 for each committee meeting attended. In accordance with Wind River policy, directors may be reimbursed for certain expenses in connection with attendance at Board and committee meetings. In addition, effective May 2001, the Non-Employee Directors became eligible to receive health benefits under Wind River s health plans available generally to all salaried employees of Wind River and Wind River pays a portion of the premiums therefore for two Non-Employee Directors.

Directors Jerry L. Fiddler and Narendra K. Gupta are currently employees of Wind River and are not separately compensated for their service as directors. Effective as of June 24, 2003, Mr. Gupta began serving as Interim President and Chief Executive Officer. Mr. Gupta is an at-will employee and receives no cash salary, however, in August 2003, Mr. Gupta was granted a nonstatutory stock option to purchase 250,000 shares of Common Stock under the 1998 Equity Incentive Plan with a per share exercise price of $5.41, which represented the fair market value of the covered shares measured as of the date of grant. The shares subject to this option vest ratably over 12 months, but become vested in full upon the successful hiring of a permanent chief executive officer. Mr. Fiddler, who currently serves as Chairman of the Board, is an at-will employee and is paid a salary determined by the Compensation Committee of the Board of Directors. As employees, Messrs. Gupta and Fiddler are entitled to all of the employee benefits available to and policies applicable to employees generally or to executive officers as a class. See Employment, Severance and Change of Control Agreements below for a description of the employment agreement for Thomas St. Dennis and the severance and change of control arrangements applicable to Messrs. Fiddler and Mr. Gupta.

All Non-Employee Directors participate in Wind River s 1995 Non-Employee Directors Stock Option Plan (the **Directors Plan**). The Directors Plan provides for the automatic grant of options to purchase Common Stock to Non-Employee Directors. Stock options granted under the Directors Plan have an exercise price equal to the fair market value of the Common Stock on the date of grant and expire ten years from the date of grant. Under the Directors Plan, each person who is elected for the first time as a Non-Employee Director is automatically

granted an option upon the date of his or her election to the Board, which vests in four equal annual installments. Additionally, on April 1 of each year, each person who is then a Non-Employee Director is automatically granted an option that vests in four equal annual installments. However, the option becomes fully vested on the first anniversary of the date of grant so long as the optionee had attended at least 75% of the meetings of the Board and any committees on which he or she served that were held during such period. The Directors Plan currently provides that the initial grants are for 24,000 shares and yearly grants for 6,000 shares. As of October 31, 2003, options to purchase 207,000 shares were outstanding under the Directors Plan, options to purchase 33,750 shares had been exercised, and 96,750 shares remained available for grant.

During the fiscal year ended January 31, 2003, Wind River granted to each of James W. Bagley, John C. Bolger, William B. Elmore, Narendra K. Gupta and Grant M. Inman an option under the Directors Plan to purchase 6,000 shares of Common Stock at an exercise price per share of $13.59, the fair market value of the Common Stock on the date of grant.

As of September 19, 2003, Mr. Bagley resigned as a director of the Company, and as of June 24, 2003, Mr. St. Dennis resigned as a director. Mr. Kenneth R. Klein was elected to the Board of Directors effective as of July 24, 2003.

Compensation of Executive Officers

Summary Compensation

The following table shows for the fiscal years ended January 31, 2003, 2002 and 2001 compensation awarded or paid to, or earned by, Wind River s Chief Executive Officer during the fiscal year ended January 31, 2003 and its other four most highly compensated executive officers as of January 31, 2003 (the **Named Executive Officers**):

		Annual Compensation (1)			Long-Term Compensation Awards	
Name and Principal Position	**Fiscal Year**	**Salary**	**Bonus (2)**	**Other (3)**	**Shares Underlying**	**All Other Compensation**

		Annual Compensation (1)			Long-Term Compensation Awards	
					Options (#)(4)	(5)
Thomas St. Dennis (6)	2003	$375,000	$	$	335,000	$17,700
President and	2002	$382,291	$	$	270,000	$17,742
Chief Executive Officer	2001	$400,000	$	$	80,000	$12,327
Jerry L. Fiddler	2003	$325,000	$	$	100,000	$ 7,257
Chairman of the	2002	$325,000	$	$	50,000	$ 7,241
Board of Directors	2001	$325,000	$	$	104,376	$ 5,448
David G. Fraser	2003	$238,500	$ 20,000	$	175,000	$ 6,964
Group Vice President,	2002	$245,126	$	$	110,000	$ 5,649
Products	2001	$228,000	$	$	97,000	$ 4,333
Stephen A. Kennedy (7)						