

ZEBRA TECHNOLOGIES CORP/DE
Form DEF 14A
April 30, 2004

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:

- Preliminary Proxy Statement
- Confidential, for Use of the Commission Only
(as permitted by Rule 14a-6(e)(2))
- Definitive Proxy Statement
- Definitive Additional Materials
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Zebra Technologies Corporation

(Name of Registrant as Specified In Its Charter)

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

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- No fee required.
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1. Amount Previously Paid:

2. Form, Schedule or Registration Statement No.:

3. Filing Party:

4. Date Filed:

Zebra Technologies Corporation

**NOTICE OF ANNUAL MEETING OF STOCKHOLDERS
TO BE HELD ON JUNE 3, 2004**

To the Stockholders of
Zebra Technologies Corporation:

The Annual Meeting of Stockholders of Zebra Technologies Corporation (the Company) will be held at 10:30 a.m., Central time, on Thursday, June 3, 2004, at the Hilton Northbrook, 2855 North Milwaukee Avenue, Northbrook, Illinois, for the following purposes:

- (1) To elect two directors;
- (2) To approve the amendment to the Company's Certificate of Incorporation to increase the total number of authorized shares of Class A Common Stock to 150,000,000;
- (3) To ratify the selection by the Audit Committee of KPMG LLP as the independent auditors of the Company's financial statements for the year ending December 31, 2004;
- (4) To consider a proposal by a stockholder, if properly presented at the Annual Meeting; and

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(5) To transact such other business as may properly come before the Annual Meeting or any adjournments thereof.

The Board of Directors has fixed the close of business on April 8, 2004, as the record date for determining stockholders entitled to notice of, and to vote at, the Annual Meeting.

By order of the Board of Directors,

Gerhard Cless
Secretary

Vernon Hills, Illinois
April 30, 2004

ALL STOCKHOLDERS ARE URGED TO ATTEND THE MEETING IN PERSON OR BY PROXY. WHETHER OR NOT YOU EXPECT TO BE PRESENT AT THE MEETING, PLEASE MARK, SIGN AND DATE THE ENCLOSED PROXY CARD AND RETURN IT PROMPTLY IN THE ENCLOSED POSTAGE PAID ENVELOPE FURNISHED FOR THAT PURPOSE OR VOTE OVER THE INTERNET OR BY TELEPHONE IN ACCORDANCE WITH THE INSTRUCTIONS ON THE PROXY CARD.

Zebra Technologies Corporation

333 Corporate Woods Parkway
Vernon Hills, Illinois 60061
(847) 634-6700

PROXY STATEMENT

The accompanying Proxy is solicited by the Board of Directors of Zebra Technologies Corporation, a Delaware corporation (Zebra, or the Company), for use at the Annual Meeting of Stockholders, and any adjournments thereof. The Annual Meeting will be held at 10:30 a.m., Central time, on Thursday, June 3, 2004, at the Hilton Northbrook, 2855 North Milwaukee Avenue, Northbrook, Illinois. The Company is releasing this Proxy Statement and the accompanying form of proxy to stockholders on or about April 30, 2004.

VOTING SECURITIES; PROXIES; REQUIRED VOTE

Voting Securities The Board of Directors fixed the close of business on April 8, 2004, as the Record Date for the determination of stockholders entitled to notice of, and to vote at, the Annual Meeting or any adjournments thereof. As of the Record Date, the Company had outstanding 47,646,232 shares of Class A Common Stock, par value \$.01 per share. Holders of Class A Common Stock are entitled to one vote per share.

Proxies The Board of Directors of the Company selected Edward L. Kaplan, Gerhard Cless, and Noel Elfant to serve as proxies for the Annual Meeting. Messrs. Kaplan and Cless are directors and executive officers of the Company. Mr. Elfant is Vice President and General Counsel of the Company. Most stockholders have a choice of voting over the Internet, by using a toll-free telephone number or by completing a proxy card and mailing it in the postage-paid envelope provided. Please check your proxy card or the information forwarded by your bank, broker or other holder of record to see which options are available to you. Please be aware that if you vote over the Internet, you may incur costs such as telecommunication and Internet access charges for which you will be responsible. The Internet and telephone voting facilities for stockholders of record will close at 11:59 PM, Eastern Time, on June 2, 2004. The Internet and telephone voting procedures have been designed to authenticate stockholders by use of a control number and to allow you to vote your shares and to confirm that your instructions have been properly recorded. Each executed and returned proxy card will be voted in accordance with the directions indicated thereon, or if no direction is indicated, such proxy will be voted in accordance with the recommendations of the Board of Directors contained in this Proxy Statement. Each stockholder giving a proxy (by executing the proxy card, over the Internet or by telephone) has the power to revoke it at any time before the shares it represents are voted. Revocation of a proxy is effective upon receipt by the Secretary of the Company of either (1) an instrument revoking the proxy or (2) a proxy bearing a later date (which can be done by mail, over the Internet or by telephone). Additionally, a stockholder may change or revoke a previous proxy by voting in person at the Annual Meeting.

Required Vote At the Annual Meeting, (1) a plurality of the votes cast in person or by proxy is required to elect directors; (2) the affirmative vote of holders of a majority of the issued and outstanding shares of the Common Stock is required to amend the Company's Certificate of Incorporation; and (3) the affirmative vote of holders of a majority of the votes cast affirmatively or negatively, in person or by proxy, is required to approve Proposals 3 and 4. Stockholders are not allowed to cumulate their votes in the election of directors.

The required quorum for the transaction of business at the Annual Meeting will be a majority of the shares of Common Stock issued and outstanding on the Record Date. Abstentions and broker non-votes will be included in determining the presence of a quorum. With respect to the

proposal to amend the Company's Certificate of Incorporation, abstentions and broker non-votes will have the same effect as votes against such proposal. Neither abstentions nor broker non-votes will have any effect on the voting to elect directors, approve the stockholder proposal, or ratify the appointment of KPMG LLP.

PROPOSAL 1

ELECTION OF DIRECTORS

The Board of Directors presently consists of six directors, four of which are independent under The NASDAQ Stock Market listing requirements and two of which are executive officers of the Company. Each nominee for election as director currently serves as a director of the Company.

If at the time of the Annual Meeting any of the nominees is unable or declines to serve, the persons named in the proxy will, at the direction of the Board of Directors, either vote for the substitute nominee or nominees which the Board of Directors recommends or vote to allow the vacancy created thereby to remain open until filled by the Board. The Board of Directors has no reason to believe that any nominee will be unable or will decline to serve as a director if elected.

Nominees for Election as Directors - The Company has a Board of Directors that is divided into three separate classes, with one class being elected each year to serve a staggered three-year term. The terms of the Class II Directors expire at this Annual Meeting, and two directors will be elected at the Annual Meeting to serve as Class II Directors for a three-year term expiring at the Annual Meeting in 2007 or until their successors are duly elected and qualified. The Board of Directors has proposed the following nominees for election at the Annual Meeting: Gerhard Cless and Michael A. Smith.

THE BOARD OF DIRECTORS RECOMMENDS A VOTE FOR THE ELECTION OF GERHARD CLESS AND MICHAEL A. SMITH TO SERVE AS DIRECTORS OF THE COMPANY.

The following table sets forth information regarding the nominees for directors and other directors who will serve as directors in the classes and for the terms specified below:

Name	Age	Position with Company	Director Since	Term to Expire
Nominees for Directors				
<i>Class II Directors</i>				
Gerhard Cless	64	Executive Vice President, Secretary, Director	1969	2007*
Michael A. Smith	49	Director	1991	2007*
* Current term expires at this Annual Meeting.				
Continuing Directors				
<i>Class I Directors</i>				
Ross W. Manire	52	Director	2003	2006
Dr. Robert J. Potter	71	Director	2003	2006
<i>Class III Directors</i>				
Edward L. Kaplan	61	Chairman and Chief Executive Officer	1969	2005
Christopher G. Knowles	61	Director	1991	2005

Nominees for Directors

Gerhard Cless is Executive Vice President and Secretary, as well as a co-founder, of Zebra and has served as a director since 1969. He served as Executive Vice President for Engineering and Technology of Zebra from February 1995 to June 1998, after having served as Senior Vice President of Engineering since 1969. Mr. Cless served as Treasurer of Zebra until 1991. Since 1969, he has been active with Zebra where he has directed the development of numerous label printers and maintained worldwide technology/vendor relationships. Prior to founding Zebra, Mr. Cless was a research and development engineer at Teletype Corporation's printer division. Mr. Cless received an MSME degree from Esslingen, Germany and has done graduate work at the Illinois Institute of Technology. The Cless

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Technology Center, Zebra's 57,000 square foot product development and research facility, is named in honor of Mr. Cless.

Michael A. Smith has served as a director of Zebra since 1991. He is Chairman, Chief Executive Officer and founder of FireVision L.L.C., which was formed in December 1999. From 1998 to 1999, Mr. Smith was Senior Managing Director and head of the Chicago and Los Angeles offices of the Mergers & Acquisitions Department of NationsBanc Montgomery Securities and its successor entity, Banc of America Securities, LLC. He was Senior Managing Director and co-head of the Mergers and Acquisitions Department of BancAmerica Robertson Stephens from September 1997 to August 1998. Previously, Mr. Smith was co-founder and head of the investment banking group, BA Partners, and its predecessor entity, Continental Partners Group, since 1989. His previous positions include Managing Director, Corporate Finance Department, for Bear, Stearns & Co. (1982 to 1989) and Vice President and Manager of the Eastern States and Chicago Group Investment Banking Division of Continental Bank (1977 to 1982). Mr. Smith graduated Phi Beta Kappa from the University of Wisconsin and received an MBA from the University of Chicago. Mr. Smith is the Chair of the Audit Committee and a member of the Nominating Committee.

Continuing Directors

Ross W. Manire has been a director of Zebra since July 2003. He is Chairman and Chief Executive officer of Clearlinx Network Corporation, a wireless networking company, a position held since September 2002. Previously, Mr. Manire was President of the Enclosure Systems Division of Flextronics International, Ltd., an electronics contract manufacturer, from September 2000 to August 2002. He was President and Chief Executive Officer of Chatham Technologies, Inc., an electronic packaging systems manufacturer that merged with Flextronics in September 2000. Prior to joining Chatham, he was Senior Vice President of the Carrier Systems Business Unit of 3Com Corporation, a provider of networking equipment and solutions. He served in various executive positions with U.S. Robotics, including Chief Financial Officer, Senior Vice President of Operations, and Senior Vice President of the Network Systems Division prior to its merger with 3Com. Mr. Manire was also a partner at Ernst & Young. He holds a BA degree from Davidson College and an MBA from the University of Chicago. He is a member of the Board of Directors of Medsource Technologies, Inc. (a provider of surgical and medical products). Mr. Manire is a member of the Audit Committee.

Dr. Robert J. Potter has been a director of Zebra since July 2003. He currently heads R. J. Potter Company, a Dallas area firm providing business and technical consulting since 1990. From 1987 to 1990, Dr. Potter was President and CEO of Datapoint Corporation, a leader in network-based data processing. Prior to Datapoint, Dr. Potter was group vice president of Nortel Networks, senior vice president of International Harvester, president of the Office Systems Division of Xerox and research manager of IBM. He is an honors graduate from Lafayette College and holds a Ph.D. in optics from the University of Rochester, specializing in fiber optics. He is a fellow of the Optical Society of America and has written more than 50 articles for various scientific, technical and business publications, including the first description of optical character recognition in an encyclopedia. He is a member of the Board of Directors of Molex, Incorporated (a designer and manufacturer of electrical connectors, terminals and related items), and of Cree, Inc. (a developer and manufacturer of semiconductor materials and devices). Dr. Potter is on the Board of Trustees of the Illinois Institute of Technology. He is a member of the Compensation Committee.

Edward L. Kaplan is Chief Executive Officer and Chairman, as well as a co-founder, of Zebra and has served as a director since 1969. He served as President of Zebra from its formation until February 1995, from April 1997 to April 1998 (on an interim basis) and again from September 2001 to February 2002. Mr. Kaplan also served as Chief Financial Officer of Zebra from its formation until 1991. Mr. Kaplan began his career as a project engineer for Seeburg Corporation, later joining Teletype Corporation as a mechanical engineer performing research and development in the Printer Division. In 1969, he and Gerhard Cless founded Zebra, then known as Data Specialties, Inc. Mr. Kaplan received a BS in Mechanical Engineering from the Illinois Institute of Technology (graduating Tau Beta Pi), an MBA from the University of Chicago and is an NDEA Fellow of Northwestern University. He is on the Board of Trustees of the Illinois Institute of Technology.

Christopher G. Knowles has served as a director of Zebra since 1991. Mr. Knowles served as Chief Executive Officer of Insurance Auto Auctions, Inc. from 1998 to 2000, and President and Chief Operating Officer from 1994 until 1996. In 1994 Insurance Auto Auctions, Inc. acquired Underwriters Salvage Company, a company Mr. Knowles joined in 1980 as its Chairman of the Board and Chief Executive Officer. In 1976, he became a Vice President of Allied Van Lines and later became Division Vice President in charge of Allied's Household Goods Division, the largest division of that company. Mr. Knowles received his BA degree from Indiana University. He is the Chair of the Compensation Committee and a member of the Audit and Nominating Committees.

Board Meetings in 2003 The Board of Directors met four times during 2003. Each director attended 75% or more of the total number of meetings of the Board of Directors and the Board committees on which he served. As a general matter, Board members are expected to attend the Company's annual meetings. All of the directors at the time of last year's annual meeting were in attendance.

Corporate Governance Improvements The Board of Directors (the Board) has been carefully following the corporate governance developments that have been taking place as a result of corporate scandals and the adoption of the Sarbanes-Oxley Act of 2002 (Sarbanes-Oxley Act), the rules adopted thereunder by the Securities and Exchange Commission (SEC), new governance rules proposed and/or adopted by the SEC, new listing requirements of The NASDAQ Stock Market and other corporate governance recommendations. In 2003, the Board established two new committees composed entirely of independent directors, namely, the Compensation Committee and the Nominating Committee. The Board also adopted a new charter for its Audit Committee and new Corporate Governance Guidelines in 2003. Charters for the Audit Committee and Nominating Committee and the Corporate Governance Guidelines are available on the investor page of Zebra's web site at www.zebra.com. Please note that the information on the Zebra web site is not incorporated by reference in this Proxy. In addition, the Nominating Committee, at the direction of the Board, conducted a search for new qualified independent directors in 2003. As a result of that search, the Board appointed Ross W. Manire and Dr. Robert J. Potter to the Board in 2003.

The new Corporate Governance Guidelines address the Board's composition, qualifications and functions, director education, minimum required stock ownership by directors, and management succession.

Nominating Committee. The Nominating Committee is comprised of two independent directors: Messrs. Knowles, Chair, and Smith. In accordance with the new listing requirements of The NASDAQ Stock Market, the Nominating Committee determines nominees for election to the Board of Directors.

The Nominating Committee believes that candidates for Board membership must exhibit certain minimum characteristics: good business judgment and an even temperament, high ethical standards, and a healthy view of the relative responsibilities of a board member and management. Board members shall be independent thinkers, articulate and intelligent. The Nominating Committee's Charter sets forth additional criteria that the Committee considers important, including experience as a board member of another publicly traded company, experience in industries or with technologies relevant to the Company, accounting or financial reporting experience, or such other professional experience as the Committee shall determine shall qualify an individual for Board service.

In selecting candidates and approving nominees for open Board positions, the Nominating Committee will make every effort to ensure that the Board and its committees include at least the minimum number of independent directors, as that term is defined and as may be required by the Sarbanes-Oxley Act and applicable standards promulgated by The NASDAQ Stock Market and the SEC, and any other applicable requirements.

In addition, the Nominating Committee shall make every effort to ensure that at least one director be a financial expert, as that term is defined by the Sarbanes-Oxley Act and applicable standards promulgated by The NASDAQ Stock Market and the SEC.

The Company's policy is not to discriminate on the basis of race, gender or ethnicity. The Nominating Committee is supportive of any qualified candidate who would also provide the Board with more diversity.

The Nominating Committee will consider candidates for the Board from any reasonable source, including stockholder recommendations. The Nominating Committee does not evaluate candidates differently based on who has made the proposal. Stockholders who wish to suggest qualified candidates should write to Christopher Knowles, Chair of the Nominating Committee, at Zebra's headquarters address. These recommendations should include detailed biographical information concerning the nominee, his or her qualifications to become a member of the Board, and a description of any relationship the nominee has to the stockholder making the recommendation or to other stockholders of the Company. A written statement from the candidate consenting to be named as a candidate and, if nominated and elected, to serve as a director, subject to the candidate's due diligence of Zebra, should accompany any such recommendation. Stockholders who wish to nominate a director for election at an annual meeting of stockholders of the Company must comply with the Company's By-Laws regarding stockholder proposals and nominations.

The Nominating Committee has the authority under its charter to hire and pay a fee to consultants or search firms to assist in the process of identifying and evaluating candidates. The Nominating committee did not pay a fee or engage the services of a third party in selecting Dr. Potter or Mr. Manire. Mr. Kaplan recommended Dr. Potter. Mr. Kaplan, a member of the Illinois Institute of Technology Board of Trustees, was impressed with Dr. Potter's leadership on the IIT Board of Trustees. After determining the need for a financial expert, the Board undertook a

search and solicited recommendations from a variety of sources. Following a thorough review of numerous candidates, the Nominating Committee nominated Mr. Manire.

Compensation Committee. The Compensation Committee is comprised of two independent directors: Mr. Knowles, Chair, and Dr. Potter. The Compensation Committee determines the compensation of the Chief Executive Officer and all other executive officers of the Company. The Compensation Committee also administers the 1997 Stock Option Plan and determines the timing, terms and prices of options granted pursuant to the 1997 Stock Option Plan.

Audit Committee. The Audit Committee is comprised of Messrs. Smith, Chair, Knowles, and Manire. These three directors are independent in accordance with the new listing requirements of The NASDAQ Stock Market. This Committee met ten times during 2003. The Board has determined that Mr. Manire is an audit committee financial expert.

Contacting the Board of Directors Any stockholder who would like to contact members of the Board of Directors may do so by writing to the Office of the Secretary, Zebra Technologies Corporation, 333 Corporate Woods Parkway, Vernon Hills, Illinois 60061. Communications received in writing will be distributed to the Chairman or the other members of the Board, as appropriate, depending on the facts and circumstances outlined in the communication received.

Compensation of Directors For 2003, the Company paid each of its outside directors an annual retainer, which was paid on a quarterly basis. The retainer was \$4,000 for each of the first three quarters and \$6,250 for the fourth quarter. The Company also paid the following: \$1,500 for each Board meeting; \$1,000 for each meeting of the Audit Committee, the Compensation Committee or the Nominating Committee that occurred on the day of a Board meeting; and, after October 21, 2003, \$1,500 for each in-person or telephonic meeting of the Audit Committee, the Compensation Committee or the Nominating Committee that did not occur on the day of a Board meeting (prior to October 21, 2003, the Directors were paid \$1,000 for telephonic Committee Meetings). In addition to the fees described above, after October 21, 2003, the Chairs of the Audit Committee and Compensation Committee each received an additional \$500 per meeting. Except where indicated, the fees described above were paid for meetings attended in person or by telephone. The directors were also reimbursed for out-of-pocket expenses for attending Board and Committee meetings.

During 2003, the Company's outside directors received aggregate compensation as follows: Christopher Knowles, \$41,000; Michael Smith, \$38,500; Ross Manire, \$21,500; Robert Potter, \$19,500; and David Riley, \$15,000 (Mr. Riley retired from the Board in June 2003). Employees of the Company are not separately compensated for their service as directors.

In connection with joining the Company's Board of Directors in July 2003, Mr. Manire and Dr. Potter were each granted 21,356 non-qualified stock options under the Company's 2002 Non-Employee Director Stock Option Plan. Of these options, 3,356 vested as of July 17, 2003, 6,000 vested in February 2004, and the remaining options vest in annual increments of 6,000, beginning in February 2005. In 2002, each of the Company's then serving independent directors (which were Messrs. Knowles, Riley and Smith) were granted 30,000 non-qualified stock options under the 2002 Non-Employee Director Stock Option Plan. These options vest in five annual increments of 6,000 beginning in February 2002. Vesting of the above-described options accelerate upon a change