

## Notes to Consolidated Financial Statements (continued)

In November 2000, we completed a private placement of 1.2 million shares of our common stock for net proceeds of \$40.9 million, after deducting fees and commissions and other expenses of the offering.

In October 1999, we called for the redemption of our then outstanding Class A Warrants. Rather than surrendering the warrants for redemption, warrant holders exercised the option to purchase our common stock which resulted in 7.1 million Class A Warrants, or 99.4%, being exercised with net proceeds to Titan of \$39.4 million, after deducting advisory fees and other related expenses.

In January 1999, we completed a private placement of 2.3 million shares of our common stock for net proceeds of \$5.8 million, after deducting fees and commissions and other expenses of the offering.

### *Shares Reserved for Future Issuance*

As of December 31, 2001, shares of common stock reserved by us for future issuance consisted of the following (shares in thousands):

Stock options and warrants	5,427
Preferred stock	<u>222</u>
	<u>5,649</u>

## 11. Stock Option Plans

Under our amended 1998 Stock Option Plan and predecessor option plans, a total of 3.6 million shares of our common stock were reserved and authorized for issuance. The option plans provide for the grant of incentive stock options to employees, and non-qualified stock options to employees, directors and consultants. Options granted under the option plans generally expire no later than ten years from the date of grant, except when the grantee is a 10% shareholder, in which case the maximum term is five years from the date of grant. Options generally vest at the rate of one fourth after one year from the date of grant and the remainder ratably over the subsequent three years, although options with different vesting terms are granted from time to time. The exercise price of incentive stock options, non-qualified stock options and options granted to 10% stockholders, shall be at least 100%, 85% and 110%, respectively, of the fair market value of the stock on the date of grant.

Our 1998 Option Plan provides for the automatic grant of non-qualified stock options to our directors who are not 10% stockholders (Eligible Directors). Each Eligible Director will be granted an option to purchase 10,000 shares of common stock on the date that such person is first elected or appointed a director. Commencing on the day immediately following the later of (i) the 2000 annual stockholders meeting, or (ii) the first annual meeting of stockholders after their election to the Board, each Eligible Director will receive an automatic bi-annual (i.e., every two years) grant of an option to purchase 15,000 shares of common stock on the day immediately following the date of each annual stockholders meeting, as long as such director is a member of the Board of Directors. In addition, each Eligible Director will receive an automatic annual grant of an option to purchase 5,000 shares of common stock on the day immediately following the date of each annual stockholders meeting for each committee of the Board on which they serve.

In November 1999 and in connection with the warrant call, we granted 813,000 non-qualified stock options outside of our stock option plans to our executive officers, at an exercise price of \$12.69, vesting equally over 36 months from the date of grant.

In August 2001, we adopted the 2001 Employee Non-Qualified Stock Option Plan (2001 NQ Plan) pursuant to which 1.0 million shares of common stock were reserved and authorized for issuance for option grants to employees and consultants who are not officers or directors of Titan. Options granted under the option plans generally expire no later than ten years from the date of grant. Option vesting schedule and exercise price are determined at time of grant by the Board of Directors.

In December 2001, Titan entered into agreements with certain officers and directors of the company to rescind stock options that were previously granted and exercised. These agreements resulted in the rescission of 88,000 stock options that were exercised and, as a result, a total compensation charge of \$149,000 was recorded in general and administrative expense and the reinstated options were subsequently cancelled. A total of 53,000 shares of common stock were returned and retired from shares outstanding as of December 31, 2001, and \$107,000 was refunded to the individuals.