PACCAR INC
Form DEF 14A
March 14, 2006

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

PACCAR 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.

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

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(1) Amount Previously Paid:

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March 14, 2006

Dear Stockholder:

You are cordially invited to attend the Annual Meeting of Stockholders of PACCAR Inc, which will be held at the Meydenbauer Center, 11100 N.E. 6th Street, Bellevue, Washington, at 10:30 a.m. on April 25, 2006.

The principal business of the Annual Meeting is stated on the attached Notice of Annual Meeting of Stockholders. We will also provide an update on the Company s activities. The Board of Directors recommends a vote **FOR** Items 1, 2 and 3 and **AGAINST** Items 4 and 5.

Your **VOTE** is important. Whether or not you plan to attend the Annual Meeting, please vote your proxy either by mail, telephone or over the Internet.

Sincerely,

/s/ Mark C. Pigott

Mark C. Pigott
Chairman of the Board and
Chief Executive Officer

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Notice of Annual Meeting of Stockholders

The Annual Meeting of Stockholders of PACCAR Inc will be held at 10:30 a.m. on Tuesday, April 25, 2006, at the Meydenbauer Center, 11100 N.E. 6th Street, Bellevue, Washington, for these purposes:

1. To elect three directors to serve three-year terms ending in 2009.

2. To approve the amendment and restatement of the PACCAR Inc Long Term Incentive Plan.

3. To approve the amendment and restatement of the PACCAR Inc Senior Executive Yearly Incentive Compensation Plan.

4. To vote on a stockholder proposal regarding annual election of all directors.

5. To vote on a stockholder proposal regarding a director vote threshold.

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

Stockholders entitled to vote at this meeting are those of record as of the close of business on February 28, 2006.

IMPORTANT: The vote of each stockholder is important regardless of the number of shares held. Whether or not you plan to attend the meeting, please complete and return your proxy form.

Directions to the Meydenbauer Center can be found on the back cover of the attached Proxy Statement.

By order of the Board of Directors

/s/ J.M. D Amato

J. M. D Amato
Secretary

Bellevue, Washington
March 14, 2006

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PROXY STATEMENT

The Board of Directors of PACCAR Inc issues this proxy statement to solicit proxies for use at the Annual Meeting of Stockholders on April 25, 2006, at the Meydenbauer Center in Bellevue, Washington. This proxy statement includes information about the business matters that will be voted upon at the meeting. The proxy statement and proxy form were first sent to stockholders on or about March 14, 2006.

GENERAL INFORMATION

Voting Rights

Stockholders eligible to vote at the meeting are those identified as owners at the close of business on the record date, February 28, 2006. Each outstanding share of common stock is entitled to one vote on all items presented at the meeting. At the close of business on February 28, 2006, the Company had 169,702,949 shares of common stock outstanding and entitled to vote.

Stockholders may vote in person at the meeting or by proxy. Execution of a proxy does not affect the right of a stockholder to attend the meeting. **The Board recommends that stockholders exercise their right to vote by promptly completing and returning the proxy form either by mail, telephone, or the Internet.**

Voting by Proxy

Mark C. Pigott and John M. Fluke, Jr. are designated proxy holders to vote shares on behalf of stockholders at the 2006 Annual Meeting. The proxy holders are authorized to:

- vote shares as instructed by the stockholders who have properly completed and returned the proxy form;
- vote shares as recommended by the Board when stockholders have executed and returned the proxy form, but have given no instructions; and
- vote shares at their discretion on any matter not identified in the proxy form that is properly brought before the Annual Meeting.

The Trustee for the PACCAR Inc Savings Investment Plan (the SIP) votes shares held in the SIP according to each member s instructions on the proxy form. If the proxy form is not returned or is returned without voting instructions, the Trustee will vote the shares in direct proportion to the shares for which it has received timely voting instructions, as provided for in the SIP.

Proxy Voting Procedures

The proxy form allows registered stockholders to vote in one of three ways:

Mail. Stockholders may complete, sign, date, and return the proxy form in the pre-addressed, postage-paid envelope provided.

Telephone. Stockholders may call the toll-free number listed on the proxy form and follow the voting instructions given.

Internet. Stockholders may access the Internet address listed on the proxy form and follow the voting instructions given.

Telephone and Internet voting procedures authenticate each stockholder by using a control number. The voting procedures will confirm that your instructions have been properly recorded. Stockholders who vote by telephone or Internet should not return the proxy form.

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Stockholders who hold shares through a broker or agent should follow the voting instructions received from that broker or agent.

Revoking Proxy Voting Instructions. A proxy may be revoked by a later-dated proxy or by written notice to the Secretary of the Company at any time before it is voted. Stockholders who hold shares through a broker should contact the broker or other agent if they wish to change their vote after executing the proxy.

Online Delivery of Annual Meeting Materials

PACCAR s 2005 annual report and the 2006 proxy statement are available on PACCAR s website at www.paccar.com/financials.asp. Registered stockholders who previously elected to receive these documents electronically and now wish to receive paper copies of the annual report and proxy statement may contact the Company s transfer agent, Wells Fargo Shareowner Services, at 1.800.468.9716 or visit www.econsent.com/pcar/. Stockholders who hold PACCAR stock in street name must contact their bank or broker to change their election and receive paper copies of the annual report and proxy statement.

Registered stockholders can receive future proxy statements and annual reports in electronic format, instead of receiving paper documents, by registering at www.econsent.com/pcar/. Stockholders who hold PACCAR stock in street name may inquire of their bank or broker about the availability of electronic receipt of future annual meeting materials.

Stockholders who choose electronic receipt of annual meeting materials will receive a notice when the proxy materials become available with instructions on how to access them over the Internet.

Multiple Stockholders Sharing the Same Address

Registered stockholders at a shared address who would like to discontinue receipt of multiple copies of the annual report and proxy statement in the future should contact Wells Fargo Shareowner Services at 1.877.602.7615 or P.O. Box 64854, St. Paul, Minnesota 55164-0854. Street name stockholders at a shared address who would like to discontinue receipt of multiple copies of the annual report and proxy statement in the future should contact their bank or broker.

Some street name stockholders elected to receive one copy of the 2005 Annual Report and 2006 Proxy Statement at a shared address prior to the 2006 Annual Meeting. If those stockholders now wish to change that election, they may do so by contacting their bank, broker, or PACCAR at 425.468.7520, P.O. Box 1518, Bellevue, Washington 98009.

Vote Required and Method of Counting Votes

The presence at the Annual Meeting, in person or by duly authorized proxy, of a majority of all the stock issued and outstanding and having voting power shall constitute a quorum for the transaction of business.

Item 1: Election of Directors

Directors are elected by a plurality of the votes cast for the election of directors. If a stockholder does not vote for the election of directors because the authority to vote is withheld, because the proxy is not returned, because the broker holding the shares does not vote, or because of some other reason, the shares will not count in determining the total number of votes for each nominee. The Company s Certificate of Incorporation does not provide for cumulative voting. Proxies signed but returned unmarked will be voted **FOR** the nominees for Class II Director.

If any nominee is unable to act as director because of an unexpected occurrence, the proxy holders may vote the proxies for another person or the Board of Directors may reduce the number of directors to be elected.

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Items 2, 3, 4 and 5

To be approved, each item must receive the affirmative vote of a majority of shares present in person or by proxy and entitled to vote at the Annual Meeting. Abstentions will count as a vote against each item. Broker nonvotes do not affect the voting calculations. Proxies that are signed and returned unmarked will be voted **FOR** Items 2 and 3 and **AGAINST** Items 4 and 5.

Expenses of Solicitation

Expenses for solicitation of proxies will be paid by the Company. Solicitation will be by mail, except for any facsimile, telephone, or personal solicitation by directors, officers, and employees of the Company, which will be made without additional compensation. The Company will request banks and brokers to solicit proxies from their customers and will reimburse those banks and brokers for reasonable out-of-pocket costs for this solicitation.

STOCK OWNERSHIP

The following list shows the shares of common stock beneficially owned by (a) each director, (b) the Chief Executive Officer and the other four most highly compensated executive officers (collectively the Named Officers) and (c) by all directors and executive officers as a group as of December 31, 2005 (amounts shown are rounded to whole share amounts):

Name	Shares Beneficially Owned	Percent of Class
James G. Cardillo	55,226(a)	*
Alison J. Carnwath	1,500(b)	*
John M. Fluke, Jr.	9,871(b)	*
Kenneth R. Gangl	25,777(a)	*
David K. Newbigging	4,771(b)	*
Stephen F. Page	4,476(b)	*
Robert T. Parry	2,238(b)	*
James C. Pigott	8,238,473(b)(c)	4.9
Mark C. Pigott	2,752,075(d)(e)	1.6
Thomas E. Plimpton	147,687(a)	*
William G. Reed, Jr.	300,367(b)(d)	*
Michael A. Tembreull	314,297(a)	*
Harold A. Wagner	21,881(b)	*
Total of all directors and executive officers as a group (16 individuals)	11,924,790	7.0

* Does not exceed one percent.

(a) Includes shares allocated in the Company s SIP for which the participant has sole voting power over all shares and investment power as follows: J. G. Cardillo (10,001 total/0 investment), K. R. Gangl (1,906 total/0 investment), T. E. Plimpton (17,562 total/1,914 investment) and M. A. Tembreull (35,811 total/9,001 investment). Includes deferred cash awards accrued as stock units without voting rights under the Deferred Incentive Compensation Plan (the DIC Plan) and the Long Term Incentive Plan (the LTIP) as follows: T. E. Plimpton (4,587) and M. A. Tembreull (52,815). Also includes options to purchase shares exercisable within sixty (60) days of December 31, 2005, as follows: J. G. Cardillo (45,225), K. R. Gangl (19,860), T. E. Plimpton (125,538) and M. A. Tembreull (204,848).

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(b) Includes shares in the Restricted Stock and Deferred Compensation Plan for Non-Employee Directors (the RSDC Plan) over which the participant has sole voting but no investment power. Also includes deferred cash accrued as stock units without voting rights as follows: S. F. Page (1,990) and H. A. Wagner (12,610).

(c) Includes 3,374,547 shares held by charitable trusts of which he is a co-trustee and shares voting and investment power.

(d) Includes shares held in the name of a spouse and/or children to which beneficial ownership is disclaimed.

(e) Includes 25,242 shares allocated in the Company s SIP for which he has sole voting power over all shares and investment power over 4,454; deferred cash awards accrued as 46,666 stock units under the DIC Plan and the LTIP, and 581,730 shares owned by a corporation over which he has no voting or investment power. Also includes options to purchase 987,191 shares exercisable within sixty (60) days of December 31, 2005.

ITEM 1: ELECTION OF DIRECTORS

Three Class II Directors are to be elected at the meeting. The persons named below have been designated by the Board as nominees for election as Class II Directors for a term expiring at the Annual Meeting of Stockholders in 2009. All of the nominees are currently serving as Directors of the Company.

BOARD NOMINEES FOR CLASS II DIRECTORS
(TERMS EXPIRE AT THE 2009 ANNUAL MEETING)

JAMES C. PIGOTT, age 69, is president of Pigott Enterprises, Inc., a private investment company, and has held that position since 1983. He was chairman and chief executive officer of Management Reports and Services, Inc., a provider of business services, from 1986 until December 1999. He is the uncle of Mark C. Pigott, a director of the Company. He has served as a director of the Company since 1972.

MARK C. PIGOTT, age 52, is Chairman and Chief Executive Officer of the Company and has held that position since January 1997. He was a Vice Chairman of the Company from January 1995 to December 31, 1996, Executive Vice President from December 1993 to January 1995, Senior Vice President from January 1990 to December 1993 and Vice President from October 1988 to December 1989. He is the nephew of James C. Pigott, a director of the Company. He has served as a director of the Company since 1994.

WILLIAM G. REED, JR., age 67, was chairman of Simpson Investment Company, a forest products holding company and the parent of Simpson Timber Company, from 1971 through June 1996. He served as chairman of the board of Safeco Corporation from January 2001 through December 2002 and as lead independent director from 2000 to 2004. He is a director of Safeco Corporation, Green Diamond Resource Company, The Seattle Times Company and Washington Mutual, Inc. He has served as a director of the Company since 1998.

CLASS III DIRECTORS (TERMS EXPIRE AT THE 2007 ANNUAL MEETING)

ALISON J. CARNWATH, age 53, is an adviser to Lexicon Partners, an independent corporate finance advisory firm, and chairman of the management board and investment committees at ISIS Equity Partners, LLP, a private equity firm, both based in the United Kingdom. She was chairman of The Vitec Group plc, a British supplier of products and services to the broadcast and media industries, from April 1999 to October 2004 and was its chief executive officer during 2001. She was a managing director of Donaldson Lufkin & Jenrette, Inc., a New York based investment bank, from 1997-2000. She is a director of Friends Provident plc, Gallaher Group Plc, Land Securities Group PLC and Man Group plc, all United

Kingdom listed companies, and Glas Cymru Cyfyngedig, one of the largest regulated water and sewerage companies in the U.K. She has served as a director of the Company since 2005.

ROBERT T. PARRY, age 66, was president and chief executive officer of the Federal Reserve Bank of San Francisco from 1986 until his retirement in June 2004. In that position, he served on the Federal Open Market Committee of the Federal Reserve System, the governmental body that sets monetary policy and interest rates. He is also a director of Countrywide Financial Corporation, Countrywide Bank and Janus Capital Group Inc. He has served as a director of the Company since 2004.

HAROLD A. WAGNER, age 70, is non-executive chairman of Agere Systems Inc., a provider of communications components. He has served in that position since 2001. He served as chairman and chief executive officer of Air Products and Chemicals, Inc., a supplier of industrial gases, related equipment and chemicals, from 1992 to 2000, and as its chairman, chief executive officer and president from 1992 to 1998. He is a director of Agere Systems, Inc., CIGNA Corporation, Maersk Inc., and United Technologies Corporation. Mr. Wagner also serves on the Business Advisory Council of A. P. Moller, Inc. He has served as a director of the Company since 1999.

Retiring Class III Director

DAVID K. NEWBIGGING, OBE, age 72, is chairman of Talbot Holdings Ltd, a Bermuda registered company, and of its operating subsidiaries which are based in the United Kingdom; he has held that position since 2003. He served as chairman of Friends Provident plc, a life assurance and asset management company, and of its predecessor Friends Provident Life Office, from 1998-2005. He served as chairman of Faupel Plc, also of the United Kingdom, from 1994 until 2005. He is also a director at Merrill Lynch & Co., Inc. He has served as a director of the Company since 1999 and will retire from the Board of Directors effective April 24, 2006.

CLASS I DIRECTORS (TERMS EXPIRE AT THE 2008 ANNUAL MEETING)

JOHN M. FLUKE, JR., age 63, is chairman of Fluke Capital Management, L.P., a private investment company, and has held that position since 1990. He is a director of American Seafoods Group LLC, Primus International Inc. and Tully s Coffee Corporation. He has served as a director of the Company since 1984.

STEPHEN F. PAGE, age 66, served as vice chairman and chief financial officer and a director of United Technologies Corporation (UTC), a provider of high technology products and services to the building systems and aerospace industries, from 2002 until his retirement in April 2004. From 1997 to 2002 he was president and chief executive officer of Otis Elevator Co., a subsidiary of UTC. He is also a director of Lowe s Companies, Inc. and Liberty Mutual Holding Company Inc. He has served as a director of the Company since 2004.

MICHAEL A. TEMBREULL, age 59, is Vice Chairman of the Company and has held that position since January 1995. He was Executive Vice President from January 1992 to January 1995 and Senior Vice President from September 1990 to January 1992. He has served as a director of the Company since 1994.

THE BOARD RECOMMENDS A VOTE FOR EACH OF THE NOMINEES.

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BOARD GOVERNANCE

The Board of Directors has determined that the following persons are independent directors as defined by NASDAQ Rule 4200: Alison J. Carnwath, John M. Fluke, Jr., David K. Newbigging, Stephen F. Page, Robert T. Parry, James C. Pigott, William G. Reed, Jr. and Harold A. Wagner.

Stockholders may contact the Board of Directors by writing to: The Board of Directors, PACCAR Inc, 11th Floor, P.O. Box 1518, Bellevue, WA 98009 or by e-mailing PACCAR.Board@paccar.com. The Corporate Secretary will receive, process, and acknowledge receipt of all written communications. Suggestions or concerns involving accounting, internal controls or auditing matters will be directed to the audit committee chairman. Concerns regarding other matters will be directed to the individual director or committee named. If no identification is made, the matter will be directed to the executive committee of the Board.

The Board of Directors met four times during 2005. Each member attended at least 75% of the combined total of meetings of the Board of Directors and the committees of the Board on which each served. All PACCAR directors are expected to attend each annual stockholder meeting. All sitting directors attended the annual stockholder meeting in April 2005. The Board has four standing committees. The members of each committee are listed below with the chairman of each committee listed first:

Audit Committee	Compensation Committee	Executive Committee	Nominating and Governance Committee
W. G. Reed, Jr.	D. K. Newbigging	M. C. Pigott	J. C. Pigott
J. M. Fluke, Jr.	A. J. Carnwath	J. C. Pigott	D. K. Newbigging
S. F. Page	J. M. Fluke, Jr.	W. G. Reed, Jr.	S. F. Page
H. A. Wagner	R. T. Parry		

The Audit Committee selects and evaluates the independent auditors and approves all services they provide, reviews reports of independent auditors, internal auditors, and the annual financial statements and monitors the effectiveness of the audit process, financial reporting and the corporate compliance programs. The Committee met twice in 2005.

The Compensation Committee reviews and approves salaries and other compensation matters for executive officers. It administers the LTIP, the Senior Executive Yearly Incentive Compensation Plan, and the DIC Plan. The Committee met eleven times in 2005.

The Executive Committee acts on routine Board matters when the Board is not in session. The Committee took action twice in 2005.

The Nominating and Governance Committee selects candidates for election to the Board of Directors and considers nominees recommended by stockholders. All director nominees must be approved by a majority of the Board s independent directors. The Committee met four times in 2005.

COMPENSATION OF DIRECTORS

In 2005, each director who was not an employee was entitled to an annual cash retainer of $60,000. In addition, $60,000 is paid in restricted stock under the RSDC Plan. Effective January 1, 2006, the cash retainer and the grant under the RSDC Plan have been raised to $75,000 and $90,000 per year respectively. The retainer and restricted stock are paid on a prorated basis to directors elected during the calendar year. The Company also paid non-employee directors a fee of $7,500 for each Board meeting attended and $5,000 for each committee meeting attended (including four meetings held by telephone). A single meeting attendance fee was paid when a board and committee meeting were held on the same day. Non-employee directors may elect to defer all or a part of their cash retainer and fees to an income account or to a stock unit account under the RSDC Plan.

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COMPENSATION OF EXECUTIVE OFFICERS

The Named Officers received the following compensation for each of the last three fiscal years ended December 31, 2005.

Summary Compensation

					Long Term Compensation		
					Awards	Payouts	
		Annual Compensation			Securities Underlying	Long Term	
Name and Principal Position	Year	Salary	Bonus(a)	Other Annual Compensation(b)	Options/SARs (Shares)	Incentive Payouts(c)	All Other Compensation(d)
M. C. Pigott	2005	$ 1,250,000	$ 1,966,667		76,908	$ 1,237,500	$ 10,650
Chairman & Chief	2004	1,215,577	1,128,000		60,030	1,237,500	10,488
Executive Officer	2003	1,100,000	1,056,000		110,412	1,068,750	10,489
M. A. Tembreull	2005	840,000	1,047,200		37,326	703,125	14,330
Vice Chairman	2004	836,135	645,000		36,156	703,125	14,394
	2003	795,000	636,000		66,498	656,250	15,234
T. E. Plimpton	2005	640,000	742,400		28,440	393,750	13,720
President	2004	629,231	461,067		24,558	375,000	14,155
	2003	596,538	456,000		45,168	312,188	15,842
J. G. Cardillo	2005	403,750	332,627	$ 17,248	12,306	157,500	12,405
Senior Vice President	2004	387,462	227,010	276,484	8,661	141,041	12,725
	2003	324,231	184,511	329,929	14,755	124,740	14,080
K. R. Gangl	2005	380,865	259,974		7,736	138,600	10,500
Senior Vice President	2004	353,077	181,305		8,661	125,528	10,250
	2003	324,231	191,589		14,755	57,750	10,000

(a) Bonuses earned in 2005 are determined and paid in 2006.

(b) Amounts for J. G. Cardillo represent compensation related to an overseas assignment through May 31, 2004 including, but not limited to the following amounts. 2005: tax equalization $17,248. 2004: housing $68,578; relocation allowance $111,685; tax equalization $75,621. 2003: housing $54,423; automobile $24,496; tax equalization $233,716. The aggregate amount of the perquisites and other personal benefits for the other Named Officers was less than the required reporting threshold (the lesser of $50,000 or 10% of the total of annual salary and bonus for the Named Officer).

(c) Represents cash awards paid, or payable but deferred at the executive s election during 2003, 2004, and 2005, that were earned during the 2000-2002 performance cycle, the 2001-2003 performance cycle, and the 2002-2004 performance cycle, respectively.

(d) 2005 amounts represent: (i) the Company matching contributions to the SIP of $10,500; (ii) interest on deferred bonus payments and deferred payments under the LTIP in excess of 120% of the applicable federal long-term rate prescribed under section 1274(d) of the Internal Revenue Code as follows: M. C. Pigott: $150; M. A. Tembreull: $3,830; T. E. Plimpton: $3,220; J. G. Cardillo: $1,905; and K. R. Gangl: $0.

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2005 OPTION GRANTS

Stock options granted in 2005 pursuant to the LTIP to the Named Officers are as follows:

	Individual Grants				
Name	Number of Securities Underlying Options Granted(a)	Percent of Total Options Granted to Employees in Fiscal Year	Exercise or Base Price	Expiration Date	Grant Date Present Value(b)
M. C. Pigott	76,908	18.5%	$ 72.25	1/20/2015	$ 1,634,118
M. A. Tembreull	37,326	9.0%	72.25	1/20/2015	793,092
T. E. Plimpton	28,440	6.9%	72.25	1/20/2015	604,285
J. G. Cardillo	12,306	3.0%	72.25	1/20/2015	261,474
K. R. Gangl	7,736	1.9%	72.25	1/20/2015	164,372

Individual grants were awarded in the form of Stock Options only without tandem SARs.

(a) Options granted in 2005 become exercisable on January 1, 2008. This date may be accelerated in the event of a Change in Control of the Company (as defined in the LTIP).

(b) Grant Date Present Value dollar amount was calculated using a variation of the Black-Scholes option pricing model using the following assumptions: (i) 39.06% expected share price volatility, (ii) 3.73% risk-free rate of return, (iii) an expected dividend yield of 3.22%, and (iv) a five-year expected time of exercise.

AGGREGATED OPTION EXERCISES AND FISCAL YEAR-END VALUES

Shown below is information about the exercise of stock options and stock appreciation rights under the LTIP by the Named Officers in 2005 and the value of unexercised options on December 31, 2005.

Name	Shares Acquired on Exercise	Value Realized	Number of Securities Underlying Unexercised Options at FY-End Exercisable/Unexercisable	Value of Unexercised In-the-Money Options at FY-End Exercisable/Unexercisable
M. C. Pigott	51,392	$ 3,168,209	876,779/247,350	$ 42,331,171/$4,913,856
M. A. Tembreull	0	0	138,350/139,980	6,025,400/ 2,959,496
T. E. Plimpton	1,000	48,856	80,370/ 98,166	3,508,182/ 2,010,197

J. G. Cardillo	5,000	229,954	30,470/ 35,722	1,325,607/ 664,510
K. R. Gangl	11,000	472,317	5,105/ 31,152	209,435/ 664,510

LONG TERM INCENTIVE PLAN AWARDS IN LAST FISCAL YEAR

All stock-based awards under the LTIP are shown in the Option Grant and Option Exercise tables above. Shown below is information with respect to the contingent cash awards for the 2005-2007 cycle under the LTIP:

			Estimated Future Payouts		
Name	**Performance Period**		**Threshold**	**Target**	**Maximum**
M. C. Pigott	1/1/2005	12/31/2007	$ 83,250	$ 750,000	$ 1,500,000
M. A. Tembreull	1/1/2005	12/31/2007	46,620	420,000	840,000
T. E. Plimpton	1/1/2005	12/31/2007	31,968	288,000	576,000
J. G. Cardillo	1/1/2005	12/31/2007	6,600	120,000	240,000
K. R. Gangl	1/1/2005	12/31/2007	5,571	100,375	200,750

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Awards are tied to achieving Company, business unit and individual goals over a three-year performance period. Company performance goals are based on the Company s financial performance relative to a select group of companies with similar business characteristics. Business unit and individual performance goals are based on financial and strategic objectives approved by the Compensation Committee on an individual basis.

The target amount will be earned if Company financial performance ranks above at least half of the peer companies and individual and business unit performance are at 100% of goal. The maximum award amount will be earned if Company financial performance ranks above all of the peer companies and business unit and individual performance are at least 150% of goal. No award will be earned if the Company s financial performance ranks below 75% of the peer companies and business unit and individual performance are below 75% of goal.

PENSION PLAN

The following table shows the estimated annual retirement benefit payable to participating employees, including the Named Officers, under the Company s noncontributory retirement plan and Supplemental Retirement Plan:

	Years of Service				
Remuneration	**15**	**20**	**25**	**30**	**35**
$ 500,000	$ 108,848	$ 145,130	$ 181,413	$ 217,696	$ 253,978
1,000,000	221,348	295,130	368,913	442,696	516,478
1,750,000	390,098	520,130	650,163	780,196	910,228
2,500,000	558,848	745,130	931,413	1,117,696	1,303,978
3,500,000	783,848	1,045,130	1,306,413	1,567,696	1,828,978

The Company s noncontributory retirement plan has been in effect since 1947. The Named Officers participate in this plan on the same basis as other salaried employees. The plan provides benefits based on years of service and salary. The benefit for each year of service, up to a maximum of 35 years, is equal to 1% of salary plus 0.5% of salary in excess of the Social Security Covered Compensation level. Salary is defined as the average of the highest 60 consecutive months of an employee s cash compensation, which includes those amounts reported in the Salary and Bonus columns of the Summary Compensation Table, but it excludes compensation under the LTIP. Years of credited service as of December 31, 2005 for the Named Officers are: M. C. Pigott, 27 years; M. A. Tembreull, 35 years; T. E. Plimpton, 29 years; J. G. Cardillo, 15 years; and K. R. Gangl, 6 years. Under his hiring agreement, if Mr. Gangl remains employed for eight years, he will receive seven additional service years under the plan.

The Company s unfunded Supplemental Retirement Plan provides a retirement benefit to those affected by the maximum benefit limitations permitted for qualified plans by the Internal Revenue Code and to those deferring incentive compensation bonuses. The benefit is equal to the amount of normal pension benefit reduction resulting from the application of maximum benefit and salary limitations and the exclusion of deferred incentive compensation bonuses from the retirement plan benefit formula.

The Pension Plan Table illustrates approximate retirement benefits at age 65, based on single life annuity amounts. The benefit listed is not subject to any deduction for Social Security or other offset amounts.

EQUITY COMPENSATION PLAN INFORMATION

Plan Category	(a) Number of Securities to be issued upon exercise of outstanding options, warrants, and rights(1)	(b) Weighted-average exercise price of outstanding options, warrants, and rights	(c) Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))(2)
Equity compensation plans approved by security holders	3,406,954	$ 35.19	9,529,261
Equity compensation plans not approved by security holders	None		None
Total	3,406,954	$ 35.19	9,529,261

(1) The number of securities reported includes the PACCAR Inc Long Term Incentive Plan (LTIP) and the Restricted Stock and Deferred Compensation Plan for Non-Employee Directors (RSDC Plan). Included in this total are 237,377 shares which represent deferred cash awards payable in stock. The weighted-average exercise price does not include the deferred stock account balances referenced above.

(2) The number of securities remaining is comprised of shares authorized under the following two plans: (a) 9,083,242 shares under the LTIP, which provides for annual awards in the form of Restricted Shares, Stock Units, Options (which may constitute incentive stock options or nonstatutory stock options), stock appreciation rights or cash, as well as deferred cash awards payable in stock and (b) 446,019 shares under the RSDC Plan that provides for annual grants of restricted stock, as well as deferred cash awards payable in stock.

COMPENSATION COMMITTEE REPORT ON EXECUTIVE COMPENSATION

The Compensation Committee of the Board of Directors (the Committee) has furnished the following report on executive compensation.

The Committee is responsible for reviewing and approving total compensation programs and levels for the Company s Chief Executive Officer and its executive officer group, which includes (but is not limited to) the Named Executive Officers shown in the Summary Compensation Table on page 7. The Committee s responsibilities are specified in the Compensation Committee Charter, and can be found on the Company s website (at www.paccar.com/bc/committeescharters.asp).

Total Compensation Approach and Guiding Principles

The Board of Directors believes that the Company s executive compensation should be competitive with companies that operate in the same lines of business in the U.S. and internationally. The Board also believes that the Company s compensation program should attract and retain high-quality executives with incentives linked to performance, which align the interests of management with those of stockholders. Our goal is to achieve superior performance which can be measured against our industry peers, and our compensation programs should reflect this intent.

Under the supervision of the Committee, which is composed exclusively of independent non-management Directors, the Company has utilized compensation programs which have sought to meet these objectives for many years. They have comprised three main components:

- Base salaries;
- Annual cash bonuses which focus on the attainment of profitability, individual objectives and the highest level of product quality; and

An equity and cash based Long-Term Incentive Plan (LTIP) focusing on long-term growth in overall shareholder value creation, including total shareholder return as well as net income, return on sales and return on capital.

A description of PACCAR s unfunded Supplemental Retirement Plan can be found on page 9 (the plan provides a retirement benefit to those senior managers affected by the maximum benefit limitations permitted for qualified plans by the Internal Revenue Code and other qualified plan benefit limitations). Apart from these programs, the Company does not provide any other significant perquisites or executive benefits. The Committee believes that these programs have served the Company and its stockholders well.

Compensation Comparison Groups

The Committee considers a number of factors when reviewing and determining target and actual compensation, including Company performance, individual performance and pay practices for executive talent among similar organizations. To determine whether compensation for the Chief Executive Officer and other executive officers is competitive with the external market, the Committee receives information from published compensation surveys (including surveys provided by outside consultants). This information is used to compare pay levels to comparable positions at companies with which the Company competes for executive talent.

The surveys include data from a wide variety of *Fortune*-500 capital goods and large manufacturing companies, including all of the selected companies (the Peer Companies) that comprise the index used in the stock performance graph set forth later in this proxy statement: ArvinMeritor Inc., Caterpillar Inc., Cummins Inc., Dana Corporation, Deere & Company, Eaton Corporation, Ingersoll-Rand Company Limited, Navistar International Corporation, and Oshkosh Truck Corporation. The Peer Companies are chosen because, in the judgment of the Committee (and the Company s outside consultants), they are the most directly comparable to the Company in size and nature of business; the group may vary from time to time based on the Committee s regular review. The Committee believes it is important to include companies that make up the Peer Group Index as well as organizations with which the Company competes in the broader market for executive talent.

Base Salaries

Salaries for the CEO and other officers are reviewed each year. The Committee may or may not approve changes to base salaries based on an assessment of individual and company performance, as well as competitive pay levels. According to the surveys mentioned above, base salaries of the Company s executive officers, including its Chief Executive Officer, are within the median range of the salaries paid to executives at the companies included in the surveys.

Annual Cash Bonuses

Chief Executive Officer and Other Named Executive Officers. Cash bonuses are awarded under the Senior Executive Yearly Incentive Compensation Plan (the Senior Executive Plan) (approved by stockholders) based on Company performance relative to an overall net profit goal established annually by the Committee. The Committee in its sole discretion may reduce or eliminate any award otherwise earned by the Chief Executive Officer or a Named Executive Officer based on an assessment of individual performance.

All Other Executive Officers. Annual cash bonuses are awarded based upon Company performance relative to an overall net profit goal approved by the Committee and the attainment of one or more individual goals approved by the Chief Executive Officer. In general, these goals involve targets such as the financial performance of the business units for which the executive has direct responsibility, profitability or return on investment, as well as non-financial performance criteria such as market share improvement, product quality, new product development, production efficiencies and similar specific individual assignments. The individual goals are changed annually, and a level of importance is assigned to each goal on a percentage basis. The calculation of the bonus takes into account both the level of achievement and the assigned importance of the goal. The achievement of each goal is determined separately, and no bonus for a specific goal is paid unless at least 70% of that goal is achieved.

2005 Annual Cash Bonuses. Annual cash bonus opportunities for 2005 ranged from 0% up to 157% of the executive officer s base salary. This range reflected an increase to the target and maximum award percentages approved by the Committee (and effective in 2005) as a result of competitive survey information provided by an outside consultant. The analyses concluded that the annual bonuses for the executive officers as a group were below market levels. The maximum annual bonus award under the Senior Executive Plan was increased from $2,000,000 to $4,000,000, subject to stockholder approval of the amendments at the 2006 annual meeting. The bonuses earned by executive officers in 2005 and paid in 2006 reflect achievement greater than 100% of the Company s overall profit goal for 2005.

Long-Term Incentive Plan (LTIP)

Given the cyclical nature of the Company s business, long-term incentives are awarded under the LTIP based on a three-year performance period and are provided through annual grants of stock options and cash incentive awards. The Committee determines a target award for each executive officer, expressed as a percentage of salary on the date the award is granted.

Stock options. The portion of the target LTIP award allocated to stock options varies from 71% to 79%. Stock options become exercisable at the end of the three-year performance period and are intended to link the interests of key employees directly with stockholders interests through increased individual stock ownership. The exercise price of the stock options is the market price at the time of grant.

Long-Term Cash Incentive. The remaining portion of the target LTIP award is allocated to the long-term cash incentive. The long-term cash incentive award for the Chief Executive Officer and the other Named Executive Officers is subject to satisfaction of an overall net profit goal established by the Committee. In addition, the Committee may reduce or eliminate any award otherwise earned based on an assessment of individual performance and other factors. A portion (25% to 100%) of the award is based on overall Company performance measured in terms of the Company s rank in three-year compound growth of net income, return on sales, and return on capital (weighted equally) when compared to the Peer Companies. As described in Compensation Comparison Groups above, the Peer Companies are the same nine companies that make up the Peer Group Index in the stock performance graph set forth below.

The remaining portion of the long-term cash incentive award is based upon individual and business unit objectives that involve factors similar to those described above for the annual cash bonus, measured over a three-year performance cycle. The cash incentive award is based on the Committee s evaluation of each executive s achievement of individual performance objectives during the preceding three years.

The target amount will be earned if the Company s financial performance ranks above at least half of the Peer Companies (the Comparative Performance Goal) and business unit and individual performance are at 100% of goal. The maximum cash award amount will be earned if the Company s financial performance ranks above all of the Peer Companies and business unit and individual performance are at least 150% of goal. No award will be earned if the Company s financial performance ranks below 75% of the Peer Companies and business unit and individual performance are below 75% of goal.

Long-Term Cash Awards Paid in 2005. The long-term cash incentive awards paid in 2005, for the three-year cycle 2002-2004, reflect an achievement greater than 100% of the Comparative Performance Goal. The cash incentive awards for each Executive Officer for the three-year cycle ended in 2005 had not been determined on the date this proxy statement was prepared.

LTIP Changes for 2006. The survey information by an outside consultant concluded that long-term incentives were below the median market levels. As a result, the Committee approved an increase to the LTIP target award percentage for executive officers effective for the 2006-2008 performance cycle. A more detailed description of proposed changes to the 2006 LTIP program can be found under 2005 Compensation Review and Proposed Changes for 2006 below.

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Chief Executive Officer s Compensation.

The Chief Executive Officer s 2005 compensation was comprised of the same components as other executives: (i) base salary; (ii) an annual cash bonus; and (iii) a long-term incentive in the form of stock options and a cash award.

Base Salary. The Chief Executive Officer s base salary did not change during 2005.

Annual Cash Bonus. The Chief Executive Officer s 2005 annual cash bonus was based entirely on the Company s net profit goal. The annual bonus earned in 2005 and paid in 2006 reflects the Company s record profit achievement, which was greater than 100% of the goal for 2005.

Long-Term Incentive Plan (LTIP): Stock Options. Based on the portion of the Chief Executive Officer s target LTIP to be allocated to stock options, he received an award of 76,908 stock options in 2005. This represented approximately 18.5% of all stock options granted by the Company during the year.

Long-Term Incentive Plan (LTIP): Cash Incentive. The cash portion of the long-term incentive was based 100% on the Company s performance during the three-year cycle as compared to the Peer Companies. For the three-year cycle 2002-2004, Company performance resulted in goal achievement greater than 100% of the Comparative Performance Goal. The cash incentive award for the three-year cycle ended in 2005 had not been determined on the date this proxy statement was prepared.

Chief Executive Officer s Compensation Changes for 2006. A description of proposed changes to the CEO s 2006 compensation program can be found under 2005 Compensation Review and Proposed Changes for 2006 below.

2005 Compensation Review and Proposed Changes for 2006

In early 2005 the Company s centennial year it was apparent that PACCAR had achieved a consistent level of superior performance for nearly a decade, both in absolute terms and when compared to its industry peers. Accordingly, the Committee decided to undertake a detailed review of the Company s executive compensation programs to determine whether they were still competitive and, if not, to introduce improvements and new features which would meet the Board s objectives going forward. To assist the Committee in this work, experienced independent professional consultants were retained who had no previous relationship with the Company, thus ensuring an independent and objective process.

For the first phase of the process, the consultants reviewed the Company s historical performance and the Chief Executive Officer s and senior executive pay levels. This demonstrated that:

Over the past 10 years the Company s total shareholder return and operating performance had been at or near the top of the Company s peer group, and that of a broader group of motor vehicle companies.

Over the previous 1, 3 and 5 years in particular, the Company s performance had been exceptional when compared with the competition.

Total compensation for the Company s Chief Executive Officer had been significantly below the competitive 50th and 75th percentiles over the previous 3 years.

The Chief Executive Officer s pay gap was primarily due to ongoing target bonus and long-term incentive opportunities being below competitive levels.

In summary, while the Company had delivered consistently excellent results which outperformed the competition, the Chief Executive Officer s compensation had become increasingly uncompetitive. Although the compensation of the remainder of the senior executive team had remained reasonably competitive, it also did not truly reflect the Company s consistently superior performance.

A review of the three main components of executive compensation outlined above resulted in the following conclusions and recommendations:

The structure of base salaries, annual cash bonuses and the Long-Term Incentive Plan (LTIP) was sound.

Base salaries for the Chief Executive Officer and other senior executives were competitive.

The target annual bonus opportunity as a percentage of base salary should be improved, particularly for the Chief Executive Officer who should be moved up to the competitive 75th percentile.

The long-term incentives, and particularly for the Chief Executive Officer, should be increased with the Chief Executive Officer being positioned at the competitive 75th percentile and that:

Stock options and cash should continue to be used in the LTIP program; and

Restricted stock grants should be introduced into the LTIP program.

Restricted stock grants would be made annually subject to achievement of an annual performance hurdle determined in advance by the Compensation Committee (based on return on sales for the first cycle). Restricted stock grants would vest 25% per year over a four-year period starting in 2007.

The Committee has recognized the shortfall in the Chief Executive Officer s annual bonus opportunity and long-term incentives over several years when compared with the competition both the Peer Companies and a wider industry group. After consultation with the independent consultants, the Committee plans to introduce a new feature of an Ownership Initiative linked to performance which would align the interests of the participants with those of the stockholders.

Under the Ownership Initiative, an award of Restricted Shares can be made each quarter as part of a Share Match program. If a participant acquires shares at full market value either by exercising stock options or through open market purchases, Restricted Shares will be awarded equal to the number of shares acquired subject to the following conditions:

A maximum of 250,000 Restricted Shares may be awarded as Match Shares to a single individual under the program.

A maximum of 100,000 Restricted Match Shares may be awarded to a single individual in any one calendar year.

Restricted Match Shares would vest after 5 years subject to an earnings per share growth performance threshold over the five-year period determined by the Compensation Committee in advance being achieved relative to the Peer Group.

All Restricted Match Shares will be forfeited if the performance threshold is not achieved or if the individual terminates employment with the Company during the vesting period (with certain exceptions). If the committed (matched) shares are sold before vesting an equal number of Restricted Match Shares will be forfeited.

For 2006, only the Chief Executive Officer will be eligible to participate in the Share Match Program.

The Peer Group referred to above currently consists of the nine Peer Companies described in Compensation Comparison Groups above. All performance goals and thresholds will be determined in advance by the Committee, who will also verify whether these have been achieved.

Both the annual performance-based restricted stock program and the Share Match Program are subject to stockholder approval of the LTIP proposal at the 2006 annual stockholders meeting.

The Committee believes that the initiatives described in this report and the enhanced compensation opportunities introduced into the Senior Executive Plan and the LTIP, linked as they are to company and individual performance, will motivate management in its endeavors to sustain the Company s outstanding performance over the past 10 years that culminated in a record centennial year.

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The Committee s policy is to structure compensation arrangements that are intended to fully preserve tax deductions for executive compensation under Section 162(m) of the Internal Revenue Code. However, the Committee retains the flexibility to exceed the limitations of Section 162(m) when it determines that such action is in the best interests of the Company and its stockholders in order to attract, retain and reward outstanding executives.

THE COMPENSATION COMMITTEE

D. K. Newbigging, Chairman
A. J. Carnwath
J. M. Fluke Jr
R. T. Parry

ITEM 2: PROPOSAL TO APPROVE THE AMENDMENT AND RESTATEMENT OF THE LONG TERM INCENTIVE PLAN (LTIP) INCLUDING APPROVAL OF THE PLAN S PERFORMANCE GOALS.

Introduction

The Board of Directors **RECOMMENDS** the approval of the amended and restated LTIP. Stockholders approved the LTIP in 1991 and approved amendments to the Plan in 1997 and 2002. The LTIP is designed to encourage key employees of the Company and its subsidiaries to focus on long range objectives, to attract and retain key employees with exceptional qualifications, and to link key employees to stockholder interests through equity ownership and cash awards. There are approximately 190 key employees designated by the Compensation Committee who participate in the LTIP, including the Named Officers identified earlier in this proxy statement.

Description of the Proposal

Under the Internal Revenue Code (the Code), publicly held companies may not deduct compensation over $1 million paid to certain executive officers in any one year. Section 162(m) of the Code provides an exception for performance-based compensation when the material terms of the performance goals are approved by stockholders every five years. The stockholders last approved the LTIP performance goals in 2002. The stockholders are being asked to approve the amended and restated LTIP and to approve the material terms of the LTIP performance goals for purposes of Section 162(m) of the Code.

Major changes made by the amended and restated LTIP include:

- Authorizes the award of performance-based restricted stock and/or stock units and sets forth the range of performance goals.
- Limits the award of restricted shares and/or stock units to 200,000 shares per employee per year.
- Increases the maximum amount of the long-term performance cash award that may be paid to any participant in any year from $2,000,000 to $6,000,000.
- Adds earnings per share to the list of criteria upon which performance goals for the long-term performance cash award may be based.

The proposal does not seek to increase the number of shares available for issuance under the LTIP.

Description of the Long Term Incentive Plan

The complete text of the amended and restated LTIP is attached to this Proxy Statement as Appendix A. The following summary of the Plan s principal features does not purport to be complete. It is subject to, and qualified in its entirety by, the full text in Appendix A.

Administration. The LTIP is and will continue to be administered by the Compensation Committee of the Board of Directors (the Committee). All Committee members are outside directors for purposes of Section 162(m) of the Code and nonemployee directors under the Securities and Exchange Commission s Rule 16b-3. The Committee selects the key employees who will receive awards, determines the amount, vesting requirements and other conditions of each award, interprets the provisions of the LTIP and makes all other decisions regarding the operation of the LTIP. The Committee adopts the policies and procedures for implementing the LTIP.

Limitation on Awards. The total number of shares of common stock authorized for awards of restricted shares, stock units and options under the LTIP is limited to 20,250,000 (subject to adjustment for dilution under the terms of the LTIP). If any restricted shares, stock units or options awarded under the LTIP are forfeited, or if options terminate for any other reason prior to exercise (other than exercise of a related SAR), then they again become available for awards.

Eligibility. The Committee determines the managerial and key employees of the Company and its subsidiaries, including employees who are also Directors, eligible for awards under the LTIP. Nonemployee directors are not eligible for awards under the LTIP.

Types of Awards and Terms. Awards under the LTIP may take the form of restricted shares, stock units, options and cash. Options may be either nonstatutory stock options (NSOs) or incentive stock options (ISOs) intended to qualify for special tax treatment as determined by the Committee. Both NSOs and ISOs may be granted in combination with stock appreciation rights (SARs), or SARs may be added to outstanding NSOs at any time after the grant. Regular SARs are exercisable at any time after the underlying NSO or ISO becomes exercisable, while limited SARs become exercisable only in the event of a Change in Control (as defined below) with respect to the Company. Any award under the LTIP may include one of these elements or a combination of several elements. Unless the Board of Directors determines that the recipient of newly issued Restricted Shares must pay their par value to the Company, no payment is required upon receipt of an award. In addition, long-term performance awards granted under other plans and stock units credited under the Company s Deferred Incentive Compensation Plan may be settled in stock issued under the LTIP. When granting awards, the Committee establishes when the awards can vest and/or be exercised. Vesting and exercisability may be accelerated in the event of the participant s death, disability or retirement or in the event of a Change in Control. Moreover, if the Committee concludes that there is a reasonable possibility of a Change in Control within six months, it may make outstanding options and SARs fully exercisable.

Stock Options. Each stock option grant is evidenced by a stock option agreement specifying the number of shares and the exercise price. No participant may be awarded an option to purchase more than 562,500 shares in any year. The exercise price for an option must not be less than the fair market value of the shares on the date of grant. No ISO may be exercisable after ten years. Except in the case of the optionee s death or as provided by the Committee in the agreement for NSOs, stock options are not transferable. The exercise price of an ISO or NSO may be paid in any lawful form permitted by the Committee, including promissory notes or the surrender of shares of common stock already owned by the optionee. The exercise price of outstanding options fixed by the Committee may not be modified except pursuant to the dilution adjustments under the provisions of the LTIP.

Stock Appreciation Rights. Under the LTIP, SARs may be granted in tandem with options; grants of SARs are therefore also limited to 562,500 per year. A SAR permits the participant to elect to receive any appreciation in the value of the optioned stock from the Company. The amount payable on exercise of a SAR is measured by the difference between the market value of the stock at exercise and the exercise price of the related option. Upon exercise of a SAR, the corresponding portion of the related option must be surrendered and cannot thereafter be exercised. Conversely, upon exercise of an option to which a SAR is attached, the corresponding portion of the SAR may no longer be exercised.

Restricted Shares and Stock Units. Restricted shares are shares of common stock that are subject to forfeiture if vesting conditions are not satisfied. They are nontransferable and subject to forfeiture prior to becoming vested. Restricted shares have the same voting and dividend rights as other shares of common

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stock. A stock unit is an unfunded bookkeeping entry representing the equivalent of one share of common stock; it is nontransferable unless the holder dies. Stock units confer no voting rights or other stockholder privileges, but the holder is entitled to receive dividend equivalents that may be converted into additional stock units or settled in the form of cash, common stock or a combination of both. The Committee determines the number of stock units or restricted shares to be awarded as well as the conditions governing vesting. When vested, stock units may be settled with shares of common stock, by a cash payment corresponding to the fair market value of an equivalent number of shares of common stock, or a combination of both.

A maximum of 200,000 shares of restricted stock and/or stock units may be awarded to any person in any year, and awards may be made subject to attaining specified performance goals over a designated performance period, in addition to time vesting and other vesting requirements. Performance goals will be set by the Committee based on objective criteria on a Company, business unit or peer group comparison basis (which may include or exclude specified items of an unusual or nonrecurring nature) based on one or more of the following: earnings per share, net income, return on assets, return on sales, return on capital, return on equity, cash flow, cost reduction, total shareholder return, economic value added, cash flow return on investment, and cash value added. The Committee may reduce or eliminate any award otherwise earned based on an assessment of individual performance, but no reduction may result in an increase of an award payable to any other participant.

Long-Term Performance Cash Awards. The Committee may grant long-term performance cash awards. Payment of cash awards will be based on attaining specified performance goals over a designated period in excess of one year. Performance goals for the Chief Executive Officer, the four other highest compensated executives of the Company and such other senior executives as designated by the Committee will be set based on objective criteria on a Company, business unit or peer group comparison basis. These performance goals may include or exclude specified items of an unusual or nonrecurring nature and are based on one or more of the following: earnings per share, net income, return on assets, return on sales, return on capital, return on equity, cash flow, cost reduction, total shareholder return, economic value added, cash flow return on investment and cash value added. The Committee may reduce or eliminate any award otherwise earned, but no reduction will result in an increase in the award payable to any other participant. The maximum long-term performance cash award that may be paid to any participant in any year is $6,000,000. In the event of a Change in Control, all deferred accounts would be payable at the earliest date permitted by law. A pro rata award would be made during a year in which a Change of Control occurs.

Deferral of Long-Term Cash Awards. The Committee may establish rules and procedures to allow participants to defer cash awards otherwise payable and for the payment of previously deferred amounts in cash or stock. Certain deferrals may be subject to Code Section 409A. The rules and procedures for those deferrals will comply with the Section 409A requirements, and may include provisions for crediting dividend equivalents on deferred stock unit accounts and crediting interest on deferred cash accounts. In addition, stock units credited under the Deferred Incentive Compensation Plan may be settled in the form of shares issued under the LTIP.

Protection against Dilution. In the event of a stock split, a stock dividend, an extraordinary cash dividend or similar occurrence, the Committee will make appropriate adjustments in the number of shares covered by the LTIP, the number included in an outstanding award, the exercise price of each outstanding option, and the annual per person limit on the number of shares.

Change in Control. For purposes of the LTIP, the term Change in Control means, in summary, with certain exceptions (i) the acquisition by any person of beneficial ownership of at least 15% of the then outstanding common shares or the combined voting power of the Company s outstanding securities, (ii) a change in the composition of the Board of Directors as a result of which the incumbent directors or their duly elected successors cease to constitute a majority of the Board, (iii) the consummation of a merger, consolidation or other business combination unless the Company s stockholders prior thereto retain more than 85% of the stock in the resulting corporation and at least a majority of the directors of the resulting corporation were members of the Company s Board, or (iv) the consummation of a complete liquidation or dissolution of the Company or the sale of substantially all the Company s assets. The Change in Control requirements identified in regulations implementing Section 409A(e)(2) of the Code will prevail over any conflicting provisions of the definition of Change in Control in Sections 16.4(i) to (iv) of the LTIP for those nonqualified deferred compensation plans governed by Section 409A of the Code.

Employment Rights. Neither the LTIP nor any award granted under the Plan shall be deemed to give any individual a right to remain an employee of the Company or a subsidiary. The Company and its subsidiaries reserve the right to terminate the service of any employee at any time, with or without cause, subject only to the terms of any written employment agreement.

Amendment or Termination. The LTIP became effective on August 15, 1991 and will remain in effect until it is discontinued by the Board of Directors, who may amend or terminate the LTIP at any time. ISOs may be granted under the LTIP only until December 4, 2015. An amendment to the LTIP will be subject to stockholder approval only to the extent required by applicable law, rules or regulations.

Plan Benefits

Benefits payable under the LTIP will vary depending on the Committee s discretion in granting awards and the Company s performance against selected business criteria. Consequently, the benefits that may be payable under the LTIP in the future cannot be determined in advance. The following table describes the option grants during 2005, the last completed fiscal year, and cash payouts earned in the 2002-2004 performance period and paid out in 2005 with respect to certain individuals and groups. The amounts of future awards and payouts may not be similar to the amounts listed in the table.

Name and Position	Securities Underlying Options/SARS (Shares)	Long Term Incentive Payouts (2002-2004 cycle)
M. C. Pigott Chairman and Chief Executive Officer	76,908	$ 1,237,500
M. A. Tembreull Vice Chairman	37,326	$ 703,125
T. E. Plimpton President	28,440	$ 393,750
J. G. Cardillo Senior Vice President	12,306	$ 157,500
K. R. Gangl Senior Vice President	7,736	$ 138,600
All executive officers as a group	175,372	$ 2,737,163
All other employees (including non-executive officers) as a group	239,304	$ 2,695,161

Options granted in 2005 become fully exercisable January 1, 2008 at $72.25 per share. The options were granted for a term of ten years unless employment is terminated earlier. The closing trading price for the Company s common shares on February 28, 2006 was $69.87. The Company s common shares trade on The NASDAQ Stock Market.

Federal Income Tax Consequences

Non-Statutory Options. Under the Code, the recipient of a NSO will pay no tax at the time of grant. Upon exercise of a NSO, the excess, if any, of the fair market value of the shares with respect to which the option is exercised over the total option price of such shares will be treated as ordinary income for federal tax purposes. Any profit or loss realized on the sale or exchange of any share actually received will be treated as a capital gain or loss. The Company will be entitled to deduct the amount, if any, by

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which the fair market value on the date of exercise of the shares with respect to which the option was exercised exceeds the exercise price.

Incentive Stock Options. With respect to an ISO, generally no taxable gain or loss will be recognized when the option is exercised unless the recipient elects to exercise a tandem SAR. ISOs exercised more than three months after termination of employment will be taxed in the same manner as non-statutory stock options described above. Generally, upon exercise of an ISO, the spread between the fair market value and the exercise price will be an item of tax preference for purposes of the alternative minimum tax. The tax treatment on disposition of the shares acquired upon the exercise of an ISO can be quite complex. If the shares acquired upon the exercise of an ISO are held for at least one year, (and at least two years from the date of grant of the ISO), any gain or loss realized upon their sale will be treated as long-term capital gain or loss. The Company will not be entitled to a deduction. If the shares are not held for the one-year period, generally any gain recognized on sale of the shares will be ordinary income and generally any loss recognized will be a capital loss. There are exceptions to these rules. The Company may be entitled to a deduction equal to the amount of any ordinary income so recognized upon the sale of the shares. LTIP participants with ISOs should consult their tax advisor for the exact tax treatment applicable to them.

Stock Appreciation Rights. No taxable income is realized by the holder and no deduction is available to the Company on the grant of a SAR. Upon exercise of an option through a SAR, the tax consequences to the holder and the Company are the same as for exercise of a NSO.

Exercise-Sell Election. The federal income tax consequences resulting from an exercise-sell election are the same as those resulting from making a SAR election.

Restricted Shares and Stock Units. A recipient of restricted shares or stock units generally recognizes no income upon grant unless the recipient elects to be taxed at that time. Instead, the recipient will have ordinary income at the time of vesting equal to the fair market value on the vesting date of the shares (or cash) minus any amount paid for the shares. The Company generally is entitled to a deduction equal to the amount of ordinary income recognized by the recipient.

Limits on Company Deductions. Under Section 162(m) of the Code, the annual compensation paid to the Chief Executive Officer and each of the four other most highly compensated executive officers may not be deductible to the extent that it exceeds $1 million unless the compensation qualifies as performance based under Section 162(m). The LTIP has been designed to permit the Committee to grant awards that qualify as performance based for purposes of satisfying the conditions of Section 162(m).

THE BOARD OF DIRECTORS RECOMMENDS A VOTE FOR ITEM 2.

ITEM 3: PROPOSAL TO APPROVE THE AMENDMENT AND RESTATEMENT OF THE SENIOR EXECUTIVE YEARLY INCENTIVE COMPENSATION PLAN (the PLAN) INCLUDING APPROVAL OF THE PLAN S PERFORMANCE GOALS.

Introduction

The Board of Directors **RECOMMENDS** the approval of the amendment and restatement of the Senior Executive Yearly Incentive Compensation Plan (the Plan) and the approval of performance goals under the Plan. The Plan promotes the success of the Company by focusing senior executives on achieving high quality performance, company profitability and growth. The Plan and the performance goals were approved by stockholders in 2002. The Plan is designed to preserve the Company s tax deduction under Code Section 162(m) for annual incentive compensation cash awards for the Chief Executive Officer and the Company s next four highest compensated executives. Approval of the amended and restated plan is necessary to allow awards subject to performance goals under the Plan to continue to qualify for deduction under Section 162(m) of the Code and to increase the maximum amount of compensation payable under the Plan.

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Description of the Proposal

The proposal restates the performance goals under the Plan without change. The Plan is amended to increase the maximum compensation that may be paid to any eligible participant in any year from $2,000,000 to $4,000,000.

Description of the Plan

The complete text of the amended and restated Plan is attached to this Proxy Statement as Appendix B. The following summary of the Plan s principal features does not purport to be complete. It is subject to, and qualified in its entirety by, the full text in Appendix B.

Eligibility. The Company s Chief Executive Officer, the Company s next four highest compensated executives as defined in Code Section 162(m) and other senior executives designated by the Compensation Committee are eligible for awards under the Plan.

Administration. The Plan is administered by the Compensation Committee. The Committee has the authority to interpret the Plan and adopt rules and guidelines to administer the Plan. The Committee may reduce or eliminate any award otherwise earned based on an assessment of individual performance, but no reduction may result in an increase of an award payable to any other participant.

Incentive Cash Awards. Participants are eligible to earn incentive cash awards based on the attainment of specified performance goals established by the Committee during the first 90 days of the Plan year. Performance goals will be set by the Committee based on objective criteria on a Company, business unit or peer group comparison basis (which may include or exclude specified items of an unusual and nonrecurring nature) based on one or more of the following: net income, return on assets, return on sales, return on capital, return on equity, sales growth, market share, cash flow, cost reduction, total shareholder return, economic value added, cash flow return on investment and cash value added. The Committee will certify goal attainment in writing before payout. The maximum amount that may be paid to any eligible participant in any year under the Plan is $4,000,000.

Change in Control. In the event of a Change in Control (defined in Section 10(b) of the Plan), each participant will be entitled to the maximum award opportunity prorated on the basis of the number of full or partial months completed prior to the Change in Control during the Plan year in which the Change in Control occurs.

Employment Rights. Neither the Plan nor any award under the Plan shall be deemed to give any individual a right to remain an employee of the Company for any period of time in any position or at any particular rate of compensation.

Amendment or Termination. The Board of Directors may amend or terminate the Plan at any time. An amendment of the Plan will be subject to the stockholder approval only to the extent required by applicable law, rules or regulations. No award may be earned under the Plan after the Plan is terminated.

Termination of Employment. Participants who retire, resign or are terminated before the end of the Plan year are not eligible for an award for that Plan year. In the event of death or disability, payout will be prorated based on the actual goal achievement and salary received for the portion of the year worked.

Effective Date. The amended and restated Plan will be effective as of January 1, 2006 subject to approval of the Company stockholders at the 2006 Annual Meeting.

Plan Benefits

Benefits payable under the Plan will vary depending on the Company s performance against selected business criteria. Consequently, benefits under the Plan may not be determined in advance. The following

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table sets forth the dollar amounts which were earned by certain individuals and groups under the Plan for 2005 and paid in 2006. The amount of future awards may not be similar to the amount listed in the table.

Name and Position		Plan Payout
M. C. Pigott	$	1,966,667
Chairman and Chief Executive Officer		
M. A. Tembreull	$	1,047,200
Vice Chairman		
T. E. Plimpton	$	742,400
President		
J. C. Cardillo	$	332,627
Senior Vice President		
K. R. Gangl	$	259,974
Senior Vice President		
All Executive Officers as a group	$	4,348,868
All other employees as a group		N/A

Federal Income Tax Consequences.

Awards under the Plan constitute ordinary income taxable to a participant in the year in which paid. Subject to Code Section 162(m), the Company will generally be entitled to a corresponding deduction for the year to which bonuses under the Plan relate. The Plan has been designed to allow the Committee to grant awards that qualify as performance based for purposes of Section 162(m) of the Code.

THE BOARD OF DIRECTORS RECOMMENDS A VOTE FOR ITEM 3.

INDEPENDENT AUDITORS

Ernst & Young LLP performed the audit of the Company s financial statements for 2005 and has been selected to perform this function for 2006. Partners from the Seattle office of Ernst & Young LLP will attend the Annual Meeting, and will have the opportunity to make statements if they desire and will be available to respond to appropriate questions.

AUDIT COMMITTEE REPORT

The Audit Committee of the Board of Directors has furnished the following report:

The Audit Committee is comprised of four members, each of whom meets the independence and financial literacy requirements of SEC and NASDAQ rules. It adopted a written charter outlining its responsibilities that was approved by the Board of Directors. The Board of Directors designated John M. Fluke, Jr. as audit committee financial expert.

Among the Committee s responsibilities is the selection and evaluation of the independent auditors and the review of the financial statements. The Committee reviewed and discussed the audited consolidated financial statements for the most recent fiscal year with management. In addition, the Committee discussed under SAS 61 (Codification of Statements on Auditing Standards, AU §380) all matters required to be discussed with the independent auditors Ernst & Young LLP. The Committee received from Ernst & Young LLP the written disclosures required by Independence Standards Board Standard No. 1 and discussed with them their independence from the Company. Based on the Audit Committee s review of the audited financial statements and its discussions with management and the independent auditors, the Committee recommends to the Board of Directors that the audited consolidated financial statements be included in the Company s Annual Report on Form 10-K for the year ended December 31, 2005, and be filed with the Securities and Exchange Commission.

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The Committee approved the engagement of the independent auditors, Ernst & Young LLP. The Audit Committee has also adopted policies and procedures for pre-approving all audit and non-audit work performed by Ernst & Young. The audit services engagement terms and fees and any changes to them require Audit Committee pre-approval. The Committee has also pre-approved the use of Ernst & Young for specific categories of non-audit, audit-related, and tax services up to a specific annual limit. Any proposed services exceeding pre-approved limits require specific Audit Committee pre-approval. The Company s complete pre-approval policy was attached to the Company s 2004 proxy statement as Appendix E. The Audit Committee has considered whether the provision of the non-audit services listed below is compatible with maintaining the independence of Ernst and Young LLP. The services provided for the year ended December 31, 2005, and December 31, 2004 are as follows:

	In Millions	
	2005	**2004**
Audit	$ 4.23	$ 3.86
Audit-Related	.22	.22
Tax	.36	.43
All Other	.00	.00
	$ 4.81	$ 4.52

Audit Fees

In the year ended December 31, 2005, the independent auditors, Ernst & Young LLP, charged the Company $4.23 million for professional services rendered for the audit of the Company s annual financial statements included in the Company s Annual Report on Form 10-K, audit of the effectiveness of the Company s internal control over financial reporting, reviews of the financial statements included in the Company s Quarterly Reports on Form 10-Q, and services provided in connection with statutory and regulatory filings.

Audit-Related Fees

In the year ended December 31, 2005, the independent auditors, Ernst & Young LLP, billed the Company $.22 million for audit-related professional services. These services include employee benefit plan (pension and 401(k)) audits and other assurance services not directly related to the audit of the Company s consolidated financial statements.

Tax

In the year ended December 31, 2005, the independent auditors, Ernst & Young LLP, billed the Company $.36 million for tax services, which include fees for tax return preparation for the Company, consulting on audits and inquiries by taxing authorities and the effects that present and future transactions may have on the Company s tax liabilities.

All Other Fees

In the year ended December 31, 2005, Ernst & Young LLP was not engaged to perform professional services other than those authorized above.

THE AUDIT COMMITTEE

W. G. Reed, Jr., Chairman
J. M. Fluke, Jr.
S. F. Page
H. A. Wagner

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NOMINATING AND GOVERNANCE COMMITTEE REPORT

The Nominating and Governance Committee is comprised of three members, each of whom meets the independence requirements of the NASDAQ Rules. The Committee adopted a written charter outlining its responsibilities that was approved by the Board of Directors. The Nominating and Governance Committee charter is available at www.paccar.com/bc/nominatingcommittee.asp.

The Committee considers the names of director candidates submitted by management and members of the Board of Directors. It also considers recommendations by stockholders submitted in writing to: Chairman, Nominating and Governance Committee, PACCAR Inc, 11th Floor, P.O. Box 1518, Bellevue, WA 98009. The Committee may also engage the services of a private search firm from time to time to assist in identifying and screening director candidates. The Committee evaluates qualified director candidates and selects nominees for approval by the independent members of the Board of Directors. Ms. Alison J. Carnwath, elected to the Board in 2005, was recommended to the Committee by a non-management director.

The Committee has established written criteria for the selection of new directors which are available at www.paccar.com/bc/guidelinesboardmembership.asp. To be a qualified director candidate, a person must have achieved significant success in business, education or public service, must not have a conflict of interest and must be committed to representing the long-term interests of the stockholders. In addition the candidate must have the following attributes:

- the highest ethical and moral standards and integrity;
- the intelligence, education and experience to make a meaningful contribution to board deliberations;
- the commitment, time and diligence to effectively discharge board responsibilities;
- mature judgment, objectivity, practicality and a willingness to ask difficult questions; and
- the commitment to work together as an effective group member to deliberate and reach consensus for the betterment of the stockholders and the long-term viability of the Company.

THE NOMINATING AND
GOVERNANCE COMMITTEE

J. C. Pigott, Chairman
D. K. Newbigging
S. F. Page

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STOCKHOLDER RETURN PERFORMANCE GRAPH

The following line graph compares the yearly percentage change in the cumulative total stockholder return on the Company s common stock to the cumulative total return of the Standard & Poor s Composite 500 Stock Index and the return of an industry peer group of companies identified in the graph (the Peer Group Index) for the last five fiscal years ending December 31, 2005. Standard & Poor s has calculated a return for each company in the Peer Group Index weighted according to its respective capitalization at the beginning of each period with dividends reinvested on a monthly basis. Management believes that the identified companies and methodology used in the graph for the Peer Group Index provides a better comparison than other indices available. The Peer Group Index consists of ArvinMeritor, Inc., Caterpillar Inc., Cummins Inc., Dana Corp., Deere & Co., Eaton Corp., Ingersoll-Rand Co. Ltd., Navistar International Corp., and Oshkosh Truck Corp. The comparison assumes that $100 was invested December 31, 2000, in the Company s common stock and in the stated indices and assumes reinvestment of dividends.

2000 **2001** **2002** **2003** 9,050,220 9,050,220 551,710 4.28

Total Controlled Affiliated /Restricted Securities	$14,772,145	$14,782,412	$592,108	4.59%

(1) Securities in a privately owned company.

(2) Affiliated securities due to the Fund having a director on issuer's board and/or number of shares owned by the Fund.

(3) Non-Income-Producing.

(4) Purchased 10,000 shares of Access Plans Inc. common in the open market at a cost of $11,318.

(5) Purchased 1,026,702 shares of CMSF common at a cost of $10,267. Security exempt from registration under Rule 144A of the Securities Act of 1933. Such securities may be sold in transactions exempt from registration, normally to qualified institutional buyers. At June 30, 2010 the aggregate value of the restricted securities was $7,246 representing 0.056% of net assets. These shares were purchased in numerous transactions between April 10, 2009 and June 25, 2010. These shares have discounts ranging from 0% to 16.3%.

(6) These securities or a portion of these securities are pledged as collateral against a margin loans.

(7) Percentage is calculated as a percentage of net assets.

(8) These warrants represent the ability to purchase 15,924 shares of common stock of Duoyuan Digital Printing Technology at $5.76 per share. These warrants expire on 6/30/2013.

(9) These options represent the ability to purchase 2,234 shares of common stock of Access Plans Inc. at $0.85 per share. These options were issued as compensation to Russell Cleveland for service as a Director of Access Plans Inc. Mr. Cleveland has assigned the options to RENN Global Entrepreneurs Fund, Inc. and disclaims any beneficial ownership. These options will expire 3 months after he ceases to be on the Board of Directors.

(10) Integrated Security Systems, Inc. issued 150,000 shares of common stock as payment in kind for compensation of $3,375 to Russell Cleveland for service as a Director of Integrated Security Systems, Inc. Mr. Cleveland has assigned the shares to RENN Global Entrepreneurs Fund, Inc. and disclaims any beneficial ownership. These securities are exempt from registration under Rule 144A of the Securities Act of 1933. Such securities may be sold in transactions exempt from registration, normally to qualified institutional buyers. At June 30, 2010 the aggregate value of these restricted securities was

$750, representing 0.001% of net assets.

(11) Controlled due to the number of shares owned by the Fund.

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RENN Global Entrepreneurs Fund, Inc.
Statement of Assets and Liabilities
Six-Months Period Ending June 30, 2010
(unaudited)

ASSETS

Investments at fair value, cost of $34,688,162 at June 30, 2010	$		13,799,5422
Cash and cash equivalents			100,7099
Interest and dividends receivable			197,2533
Prepaid and other assets			62,3322
	$		14,159,8366

LIABILITIES AND NET ASSETS

Liabilities:			
Due to broker	$	1,168,7777	
Accounts payable		12,3766	
Accounts payable – affiliate		87,3811	
Total liabilities	$	1,268,534	
Net assets:			
Common Stock, $1 par value, 20,000,000 shares authorized, 4,673,867 shares issued, and 4,463,967 shares outstanding		4,673,8677	
Additional paid in capital		25,799,3455	
Treasury stock at cost		(1,734,9677)	
Accumulated net realized gain on investments		5,041,678	
Net unrealized depreciation of investments		(20,888,6211)	
Net assets			12,891,3022
	$		14,159,836
Net assets value per share	$		2.89

RENN Global Entrepreneurs Fund, Inc.
Statement of Operations
Six-Months Period Ending June 30, 2010
(Unaudited)

Investment income:		
Interest income	$	122,166
Dividend income		262
Other income		1,573
		124,001
Expenses:		
General and administrative		194,275
Interest expense		18,257
Legal and professional fees		156,856
Management fee to affiliate		133,357
		502,745
Net investment loss		(378,744)
Realized and unrealized gain (loss) on investments		
Net unrealized depreciation of investments		(5,064,203)
Net realized gain on investments		167,919
Net loss on investments		(4,896,284)
Net loss		(5,275,028)
Net loss per share	$	(1.18)
Weighted average shares outstanding		4,463,967

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RENN Global Entrepreneurs Fund, Inc.
Statements of Changes in Net Assets
June 30, 2010 (Unaudited)

	Six Months Ended June 30, 2010	Year Ended December 31, 2009
From operations:		
Net investment loss	$ (378,7444)	$ (606,9355)
Net realized gain (loss) on investment	167,9199	(9,421,6433)
Net unrealized appreciation (depreciation) of investments	(5,064,2033)	9,767,8922
Net decrease in net assets resulting from operations	(5,275,028)	(260,686)
From distributions to stockholders:		
Cash dividends declared	- -	- -
Total decrease in net assets	(5,275,208)	(260,686)
Net assets:	0	
Beginning of period	18,166,330	18,427,016
End of period	$12,891,302	$18,166,330

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RENN Global Entrepreneurs Fund, Inc.
Statement of Cash Flows
Six-Months Period Ending June 30, 2010
(Unaudited)

Cash flows from operating activities:		
Net decrease in net assets resulting from operations	$$	(5,275,0288)
Adjustments to reconcile net loss to net cash used in operating activities:		
Net decrease in unrealized depreciation of investments		5,064,2033
Net realized gain on investments		(167,9199)
Decrease in interest and dividend receivable		37,4700
Decrease in prepaid and other assets		35,4900
Increase in accounts payable		8211
Decrease in accounts payable-affiliate		(1,8266)
Purchase of investments		(1,053,1400)
Proceeds from sale of investments		317,9199
Net cash used in operating activities		(1,042,0100)
Cash flows from financing activities:		
Margin proceeds		868,2388
Cash dividends		- -
Net cash provided by financing activities		868,2388
Net decrease in cash and cash equivalents		(173,7722)
Cash and cash equivalents at beginning of the period		274,4811
Cash and cash equivalents at end of the period	$$	100,7099

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RENN Global Entrepreneurs Fund, Inc.
Notes to Financial Statements
Six Months Period Ending June 30, 2010 (Unaudited)

Note 1 Organization and Business Purpose

RENN Global Entrepreneurs Fund, Inc. (the "Fund"), formerly known as Renaissance Capital Growth & Income Fund III, Inc., is a registered, non-diversified, closed-end management investment company under the Investment Company Act of 1940, as amended (the "1940 Act").

The Fund, a Texas corporation, was organized and commenced operations in 1994 and is registered under and pursuant to the provisions of Section 8(a) of the 1940 Act.

The investment objective of the Fund is to provide its stockholders primarily with long-term capital appreciation by investing substantially in privately-placed convertible and equity securities of emerging growth companies traded on U.S. securities exchanges.

RENN Capital Group, Inc. ("RENN Group"), a Texas corporation, serves as the Investment Adviser to the Fund. In this capacity, RENN Group is primarily responsible for the selection, evaluation, structure, valuation, and administration of the Fund's investment portfolio, subject to the supervision of the Board of Directors. RENN Group is a registered investment adviser under the Investment Advisers Act of 1940, as amended.

Note 2 Summary of Significant Accounting Policies

Valuation of Investments

Portfolio investments are stated at quoted market or fair value as determined by RENN Group (Note 5).

Revenue Recognition

The Fund recognizes realized gain/loss in the period of the sale based upon the identified cost basis. Change in unrealized gain/loss is reflected during the period of the change. Dividend income is recorded on the record date. Interest income is recorded as earned on an accrual basis. The Fund reserves any dividends or interest income which is deemed to be uncollectable.

Cash and Cash Equivalents

The Fund considers all highly liquid debt instruments with original maturities of three months or less to be cash equivalents. As of June 30, 2010, cash and cash equivalents are at risk to the extent that they exceed Federal Deposit Insurance Corporation insured amounts. To minimize this risk, the Fund places its cash and cash equivalents with major U.S. financial institutions.

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RENN Global Entrepreneurs Fund, Inc.
Notes to Financial Statements
Six Months Period Ending June 30, 2010 (Unaudited)

Note 2 Summary of Significant Accounting Policies, continued

Income Tax

The Fund has elected the special income tax treatment available to "regulated investment company" ("RIC") under Subchapter M of the Internal Revenue Code ("IRC") which allows the Fund to be relieved of federal income tax on that part of its net investment income and realized capital gain that it pays out to its stockholders. The requirements to qualify for RIC status include, but are not limited to certain qualifying income tests, asset diversification tests and distribution of substantially all of the Fund's taxable investment income to its stockholders. It is the intent of management to comply with all IRC requirements as they pertain to a RIC and to distribute all of the Fund's taxable investment income and realized long-term capital gain within the defined period under the IRC to qualify as a RIC. Failure to qualify as a RIC would subject the Fund to federal income tax as if the Fund were an ordinary corporation, which could result in a substantial reduction in the Fund's net assets as well as the amount of cash available for distribution to stockholders. Continued qualification as a RIC requires management to satisfy certain investment diversification requirements in future years. There can be no assurance that the Fund will qualify as a RIC in future years.

Federal income taxes payable on behalf of stockholders on realized capital gain that the Fund elects to retain are accrued and reflected as tax expense paid on behalf of stockholders on the last day of the tax year in which such gain is realized.

Net Decrease in Net Assets resulting from operations per share

Net decrease in net assets resulting from operations per share is based on the weighted average number of shares outstanding of 4,463,967 during the six months ended June 30, 2010.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts and disclosures in the financial statements. Actual results could differ from these estimates.

Note 3 Due to/from Broker

The Fund conducts business with various brokers for its investment activities. The clearing and depository operations for the investment activities are performed pursuant to agreements with these brokers. "Due from broker" represents unsettled sales transactions. "Due to broker" represents a margin loan payable to these brokers, which is secured by investments in securities maintained with the lending broker as collateral for the margin loan. The Fund is subject to credit risk to the extent the brokers are unable to deliver cash balances or securities, or clear security transactions on the Fund's behalf. The Investment Adviser actively monitors the Fund's exposure to these brokers and believes the likelihood of loss under those circumstances is remote. At June 30, 2010, "due from broker" balance was $0 and "due to broker" balance was $1,168,777.

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RENN Global Entrepreneurs Fund, Inc.
Notes to Financial Statements
Six Months Period Ending June 30, 2010 (Unaudited)

Note 3 Due to/from Broker, continued

The terms on a margin loan are governed by federal regulation and by the rules of National Association of Securities Dealers ("NASD") and the securities exchanges. In general under Federal Reserve Board Regulation T, firms can lend a customer up to 50% of the price of a security. The rules of NASD and the exchanges supplement the requirements of Regulation T by placing "maintenance" margin requirements on customer accounts. Under the rules of the broker, equity in the account must not fall below 30% of the current market value of the securities in the account that have a market value above $6.625 or $2.00 per share for securities that have a market value between $2.125 and $6.625. The failure to do so may cause the firm to force the sale of or liquidate the securities in the account in order to bring the account's equity back to the required level. The loan is not made for any specific term or duration but is due and payable at the brokerage firm's discretion. The Fund has a negotiated interest rate of 150 basis points over the Federal Funds rate. The interest will vary with any changes in the Federal Funds rate. The interest charges are added to the loan balance. At June 30, 2010 the margin interest rate was 4.50%. The margin loan balance is secured by the securities as explained on the schedule of investments. The Fund has a policy allowing it to borrow not more than 33% of the Fund's Net Asset Value as of the time of borrowing for purposes of taking advantage of investments deemed to be in the best interest of the Fund or to borrow such amounts as deemed necessary and prudent as a temporary measure for extraordinary or emergency purposes. Federal regulations under the 1940 Act require that the Fund maintain 300% asset coverage in relation to any borrowed amount.

Note 4 Management Fees and Reimbursement

Pursuant to an Investment Advisory Agreement (the "Agreement") effective May 15, 2009, RENN Group performs certain services, including certain management, investment advisory and administrative services necessary for the operation of the Fund. In addition, under the Agreement, the Investment Adviser is reimbursed by the Fund for certain directly allocable administrative expenses. A summary of fees and reimbursements paid by the Fund under either the Agreement or the prospectus is as follows:

RENN Group receives a management fee equal to a quarterly rate of 0.4375% of the Fund's net assets, as determined at the end of each quarter, each payment to be due as of the last day of the calendar quarter. The Fund incurred $133,357, during the six months ended June 30, 2010 for such management fees.

The Investment Adviser was reimbursed by the Fund for directly allocable administrative expenses paid by the Investment Adviser on behalf of the Fund. Such reimbursements were $10,814 during the six months ended June 30, 2010.

At June 30, 2010 the Fund had an account payable of $87,381 for the amount due for the fees and expense reimbursements disclosed above.

RENN Global Entrepreneurs Fund, Inc.
Notes to Financial Statements
Six Months Period Ending June 30, 2010 (Unaudited

Note 5 Valuation of Investments

Investments are carried in the statement of assets and liabilities at fair value, as determined in good faith by the Investment Adviser, subject to the approval of the Fund's Board of Directors. The convertible debt securities held by the Fund generally have maturities between five and seven years and are convertible (at the discretion of the Fund) into the common stock of the issuer at a set conversion price. The common stock underlying these securities is generally unregistered and thinly-to-moderately traded. Generally, the Fund negotiates registration rights at the time of purchase and the portfolio companies are required to register the shares within a designated period and the cost of registration is borne by the portfolio company. Interest on the convertible securities is generally payable quarterly. The convertible debt securities generally contain embedded call options giving the issuer the right to call the underlying issue. In these instances, the Fund has the right of redemption or conversion. The embedded call option will generally not vest until certain conditions are achieved by the issuer. Such conditions may require that minimum thresholds be met relating to the market price of the underlying common stock, liquidity, and other factors.

The Fund follows the provisions of Accounting Standards Codification ASC 820, Fair Value Measurements, under which, the Fund has established a fair value hierarchy that prioritizes the sources ("inputs") used to measure fair value into three broad levels: inputs based on quoted market prices in active markets (Level 1 inputs); observable inputs based on corroboration with available market data (Level 2 inputs); and unobservable inputs based on uncorroborated market data or a reporting entity's own assumptions (Level 3 inputs). The Fund's valuation policies are as follows:

On a weekly basis, RENN Group prepares a valuation to determine fair value of the investments of the Fund. The Board of Directors approves the valuation on a quarterly basis. Interim board involvement may occur if material issues arise before quarter end. The valuation principles are described below.

- Unrestricted common stock of companies listed on an exchange, NASDAQ or in the over-the-counter market is valued at the closing price on the date of valuation.

- Restricted common stock of companies listed on an exchange, NASDAQ or in the over-the-counter market is valued based on the quoted price for an otherwise identical unrestricted security of the same issuer that trades in a public market, adjusted to reflect the effect of any significant restrictions.

- The unlisted preferred stock of companies with common stock listed on an exchange, NASDAQ or in the over-the-counter market is valued at the closing price of the common stock into which the preferred stock is convertible on the date of valuation.

- Debt securities are valued at fair value. The Fund considers, among other things, whether a debt issuer is in default or bankruptcy. It also considers the underlying collateral. Fair value is generally determined to be the greater of the face value of the debt or the market value of the underlying common stock into which the instrument may be converted.

- The unlisted in-the-money options or warrants of companies with the underlying common stock listed on an exchange, NASDAQ or in the over-the-counter market are valued at fair value (the positive difference between the closing price of the underlying common stock and the strike price of the warrant or option). An out-of-the money warrant or option has no value; thus the Fund assigns no value to it.

RENN Global Entrepreneurs Fund, Inc.
Notes to Financial Statements
Six Months Period Ending June 30, 2010 (Unaudited

Note 5 Valuation of Investments, continued

Investments in privately held entities are valued at fair value. If there is no independent and objective pricing authority (i.e., a public market) for such investments, fair value is based on the latest sale of equity securities to independent third parties. If a private entity does not have an independent value established over an extended period of time, then the Investment Adviser will determine fair value on the basis of appraisal procedures established in good faith and approved by the Board of Directors.

The following table shows a summary of investments measured at fair value on a recurring basis classified under the appropriate level of fair value hierarchy as of June 30, 2010:

	June 30, 2010
Quoted Prices in Active Markets for Identical Assets (Level 1)	$ 9,621,375
Significant Other Observable Inputs (Level 2)	2,740,317
Significant Unobservable Inputs (Level 3)	1,437,850
Total Investments	$ 13,799,542

The following is a reconciliation of assets in which significant unobservable inputs (Level 3) were used in determining fair value:

Level 3	
Beginning balance - March 31, 2010	$ 2,339,384
Changes in unrealized gain or loss	(901,534)
Ending Balance - June 30, 2010	$ 1,437,850

Note 6 Income Taxes

During 2010 management has followed a policy of distributing all of the Fund's taxable investment income and realized capital gain within the defined period under the IRC to ensure that any federal income tax on such income, if any, is paid by the Fund's stockholders. During the six months ended June 30, 2010 there was no taxable investment income or realized long-term capital gain, and therefore no declaration of any distributions. Accordingly, no income tax expense was reported by the Fund for the six months ended June 30, 2010.

RENN Global Entrepreneurs Fund, Inc.
Notes to Financial Statements
Six Months Period Ending June 30, 2010 (Unaudited)

Note 7 Financial Highlights

Selected per share data and ratios for each share of common stock outstanding are as follows:

	Six Months Ended	Years Ended December 31,				
	June 30, 2010	2009	2008	2007	2006	2005
Net asset value, beginning of period	$ 4.07	$ 4.13	$ 8.46	$10.84	$12.14	$17.14
Effect of share change	0.000	0.000	0.00	0.00	0.00	(0.433)
Net investment loss	(0.08)	(0.14)	(0.17)	(0.17)	(0.93)	(0.54)
Net realized and unrealized gain (loss) on investments	(1.10)	0.08	– (3.86)	(2.11)	0.03	(3.05)
Total return from investment Operations	(1.18)	(0.06)	(4.03)3	(2.28)	(0.90)0	(3.59)
Capital share transactions	0.00	0.00	0.00	0.00	0.00	0.35
Distributions:						
From net realized capital gain on investments	0.00	0.00	(0.30)	(0.10)	(0.40)	(1.33)
Net asset value, end of period	$ 2.89	$ 4.07	$ 4.13	$ 8.46	$10.84	$12.14
Per share market value, end of period	$ 2.45	$ 2.60	$ 2.92	$ 6.15	$10.50	$11.00
Portfolio turnover rate	1.90%	8.99%	8.26%	21.27%	8.83%	8.53%
Total investment return based on market value: (a)	(5.77)%	(10.96)%	(47.64)%	(37.33)%	11.91%	(4.80)%
Ratio to average net assets: (b)						
Net investment loss	(2.30)%	(3.46)%	(2.78)%	(1.65)%	(7.75)%	(3.99)%
Expenses, excluding	3.055%		%	%	%	%
incentive fees		6.300%	4.855	3.455	3.677	3.033
Expenses, including	3.055%					%
incentive fees		6.300%	4.855%	3.455%	9.511%	5.044

(a) Total investment return is calculated by comparing the common stock price on the first day of the period to the price on the last day of the period. The calculation also assumes reinvestment of distributions at actual prices pursuant to the Fund’s dividend reinvestment plan and reflects taxes paid by the Fund for deemed distributions. Total investment return calculated for a period of less than one year is not annualized.

(b) Average net assets have been computed based on monthly valuations.

Note 8 Subsequent Events

Peter Collins, a long-term director, passed away in July 2010.

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Allocation of Assets (% of Fund's Net Assets)

Industry	%
Security and Alarm Services	10.42%
Healthcare Equipment	9.88%
Communications Equipment	9.68%
Electronic Equipment and Instruments	8.37%
Internet Software and Services	6.95%
Application Software	6.62%
Paper Products	6.48%
Consumer Finance	5.91%
Data Processing and Outsourced Services	5.64%
Healthcare Facilities	5.58%
Industrial Machinery	5.44%
Semiconductors	4.95%
Biotechnology	4.14%
Drug Retail	3.26%
Managed Healthcare	2.72%
Oil and Gas Exploration and Production	2.50%
Advertising	2.36%
Packaged Foods and Meats	1.94%
Consumer Electronics	1.34%
Pharmaceuticals	1.24%
Hotels, Resorts and Cruise Lines	0.81%
Alternative Carriers	0.50%
Systems Software	0.31%
Cash and Accruals	-7.04%
	100.00%

Allocation of Assets by Country (% of Fund's Net Assets)

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Director and Officer Compensation

The Fund has no employees, and, therefore, does not compensate any employees. Officers of the Fund receive no compensation from the Fund, and the Fund has never issued options or warrants to officers or directors of the Fund. The Fund does not have any stock option or similar retirement or pension fund for officers or directors of the Fund.

Directors who are not employees of RENN Group receive a monthly fee of $2,000 (the Chairman of the Audit Committee receives $3,000), plus $750 and reasonable out-of-pocket expenses for each quarterly valuation meeting attended. The Fund does not pay its directors who are considered “interested persons” of the Fund any fees for their directorship services or reimburse expenses to such individuals except for those incurred specifically in the performance of their duties as directors of the Fund. The aggregate compensation paid to the directors during the period covered by this Report was $60,000.

Quarterly Reports

The Fund files its complete schedule of portfolio holdings with the Securities and Exchange Commission (“SEC”) for the first and third quarters of each fiscal year on Form N-Q. A copy of each such Form N-Q is available on the SEC’s website at www.sec.gov. Such forms may also be reviewed and copied at the SEC Public Reference Room in Washington, D.C., and you may call the Public Reference Room at 1-800-SEC-0330 for information on its hours, etc.

Proxy Voting Policies and Procedures

A description of the policies and procedures that the Fund uses to determine how to vote proxies relating to portfolio securities is available, without charge, upon request by calling 1(800)687-3863. Furthermore, you can obtain the description on the Fund’s website at www.rencapital.com.
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Portfolio Proxy Voting Records

The Fund’s record of proxy voting regarding portfolio securities is presented each year for the 12-month period ended June 30. It is filed with the SEC on Form N-PX and is available without charge on the SEC’s website at www.sec.gov.

Matters Submitted for RENN Global Entrepreneurs Fund, Inc. Shareholder Votes

During the six months period covered by this report, issues were presented to the shareholders for their vote at the Annual Meeting of Shareholders on May 14, 2010.

The record date for determination of shareholders entitled to vote was March 18, 2010. As of the record date there were outstanding 4,463,967 shares of the Fund’s Common Stock, constituting all of the outstanding voting securities of the Fund. Each such share was entitled to one vote. At the Meeting the holders of 3,269,554 shares, or 73.24%, of the Fund’s Common Stock were represented in person or by proxy, constituting a quorum.

The issues presented and the results of the voting thereon are as follows:

Issue One: Election of two Class Three Directors. The nominees were Ernest C. Hill and Russell Cleveland for 3-year terms, and the number of votes received for each nominee's election constituted a majority of the votes cast. The votes were as follows:

Nominee	Votes For	Votes Withheld
Ernest C. Hill	2,856,726 (87.37%)	412,824 (12.63%)
Russell Cleveland	2,826,141 (86.44%)	443,406 (13.56%)

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The Remaining Directors are:	Term Expires at Annual Meeting to be Held In
Peter Collins	2011
J. Philip McCormick	2011
Charles C. Pierce, Jr.	2012

Issue Two: Ratification of the appointment of Malin, Bergquist & Company as the auditor of the Fund for the fiscal year ending December 31, 2010. The vote was as follows:

Votes For	Votes Against	Votes Abstaining	Broker Non-Votes
3,126,577 (95.63%)	91,072 (2.70%)	51,904 (1.59%)	-

Board Approval of the Investment Advisory Contract.

At the Board meeting held April 22, 2010, the Board of Directors reviewed the Investment Advisory Agreement entered into with RENN Group. In conjunction with that review, members of the Board of Directors noted that the quarterly rate of 0.4375% for the Adviser's management fee was at or below other closed-end funds of similar engagement. Members of the Board of Directors also reviewed the costs incurred by the Adviser on the Fund's behalf. The expense ratio was higher than desired, but deemed to be unavoidable because of shrinkage of asset valuations primarily due to the general investment environment. Upon close examination it was concluded that the expenses were properly managed. The Adviser's performance was compared to similar closed-end funds, and was found to be acceptable. Based on these factors and confidence in the Adviser's guidance toward global endeavors, the members of the Board found it appropriate to recommend renewal of the Investment Advisory Agreement with RENN Group, and following shareholder approval on May 14, 2010, the Board did renew the Investment Advisory Agreement for another one-year term.

Delivery of Shareholder Documents.

The SEC permits funds to deliver only one copy of shareholder documents, including prospectuses, proxy statements or Notices of Internet Availability of Proxy Materials and shareholder reports, to fund investors with multiple accounts at the same residential or post office box address. This practice is often called "householding" and it helps eliminate duplicate mailings to shareholders.

RENN Global Entrepreneurs Fund, Inc. may household the mailing of your documents indefinitely unless you instruct RENN Global Entrepreneurs Fund, Inc. otherwise.

If you prefer to receive multiple copies of these materials, please call American Stock Transfer & Trust Co. at 1-800-937-5449. You may also notify us in writing or via email. We will begin sending you individual copies of reports within 30 days of receiving your request to stop householding.

Dividend Reinvestment Plan

Pursuant to the Fund's Dividend Reinvestment and Cash Purchase Plan (the "Plan"), a stockholder whose shares are registered in his or her own name will be deemed to have elected to have all dividends and distributions automatically reinvested in Fund shares unless he or she elects otherwise on a current basis. Stockholders whose shares are held in nominee names will likewise be treated as having elected to have their dividends and distributions reinvested. You may elect to receive cash distributions, net of withholding tax, by requesting an election form from the Fund's Plan Agent, American Stock Transfer & Trust Co. You may terminate participation by notifying the Plan Agent in writing. If notice is received by the Plan Agent not less than 10 days prior to any dividend or distribution it will be effective immediately. Information regarding income tax consequences should be directed to your tax consultant – the Plan will furnish information by January 31 following the year of distribution as to the category of income that the distributions represent. Your questions regarding the Plan should be directed to the Fund's Plan Agent, American Stock Transfer & Trust Co., whose telephone number is 718-921-8275 and whose address is 40 Wall Street, New York, NY 10005.

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EXECUTIVE OFFICERS

Russell Cleveland	President and Chief Executive Officer
Z. Eric Stephens	Vice President
Scott E. Douglass	Vice President
Barbe Butschek	Secretary and Treasurer and Chief Financial Officer

CORPORATE INFORMATION

Registrar and Transfer Agent

American Stock Transfer & Trust Company	New York, New York

Independent Registered Public Accounting Firm

Malin, Bergquist & Company, LLP	Pittsburgh, PA

CORPORATE OFFICE

RENN Global Entrepreneurs Fund, Inc.
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Fax: (214) 891-8291
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Web-site: www.rencapital.com

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Item 2. Code of Ethics.

Not applicable for a semi-annual report.

Item 3. Audit Committee Financial Expert.

Not applicable for semi-annual reports.

Item 4. Principal Accountant Fees and Services.

Not applicable for semi-annual reports.

Item 5. Audit Committee of Listed Registrants.

Not applicable for semi-annual reports.

Item 6. Schedule of Investments.

See the Annual Report to Shareholders under Item 1 of this Form.

Item 7. Disclosure of Proxy Voting Policies and Procedures for Closed-End Management Investment Companies.

Not applicable for semi-annual reports.

Item 8. Portfolio Managers of Closed-End Management Investment Companies.

There has been no change in the Portfolio Managers since the last report.

Item 9. Purchases of Equity Securities by the Fund and Its Affiliated Purchasers.

Neither the Fund nor any Affiliated Purchaser has purchased any of the Fund's securities in the period covered by this report. The purchase of the Fund's securities is authorized under its Dividend Reinvestment Plan and Cash Purchase Plan dated February 15, 1994, but no such shares were purchased during the period covered by this report.

An "Affiliated Purchaser" is defined as a person acting directly or indirectly, in concert with the Fund in the purchase of the Fund's securities, or any person controlling, controlled by, or under common control with the Fund and thereby controlling the purchase of the Fund's shares, but does not include an officer or director of the Fund who may properly authorize repurchase of the Fund's shares pursuant to Rule 10b-18 of the Securities Exchange Act of 1934, as amended (the "Exchange Act").

Item 10. Procedures for Shareholder Submission of Director Nominees or Shareholder Proposals.

There have been no material changes to the procedures by which shareholders may recommend nominees to the Fund's Board of Directors since the Fund last provided disclosure in response to this item. The submission of shareholder proposals which require a vote of all shareholders will be handled in accordance with Rule 14a-8 of the Exchange Act.

Item 11. Controls and Procedures.

Under the supervision and with the participation of our management, including our Chief Executive Officer and our Chief Financial Officer, we evaluated the effectiveness of our disclosure controls and procedures as required by Rule 13a-15(e) under the Exchange Act as of the end of the period covered by this report. Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective as of that date to provide reasonable assurance that the information we are required to disclose in reports that we file under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in SEC rules and forms, and includes controls and procedures designed to ensure that information required to be disclosed by us in such reports is accumulated and communicated to our management, including the principal executive officer and principal financial officer, in sufficient time to allow timely decisions regarding required disclosure.

Item 12. Exhibits.

(a)(1) Not applicable to a semi-annual report.

(a)(2) Certifications by the Principal Executive Officer and Principal Financial Officer as required by Rule 30a-2(a) under the Investment Company Act of 1940.

(a)(3) Not applicable.

b) Certifications by the Principal Executive Officer and Principal Financial Officer as required by Rule 30a-2(b) under the Investment Company Act of 1940.

Pursuant to the requirements of the Securities Exchange Act of 1934 and the Investment Company Act of 1940, the Fund has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

RENN Global Entrepreneurs Fund, Inc.

By: /s/ Russell Cleveland
Russell Cleveland
Chief Executive Officer

Date: August 19, 2010

Pursuant to the requirements of the Securities Exchange Act of 1934 and the Investment Company Act of 1940, this report has been signed below by the following persons on behalf of the Fund and in the capacities and on the dates indicated.

RENN Global Entrepreneurs Fund, Inc.
By: /s/ Russell Cleveland
Russell Cleveland
Chief Executive Officer

Date: August 19, 2010

RENN Global Entrepreneurs Fund, Inc.
By: /s/ Barbe Butschek
Barbe Butschek
Chief Financial Officer

Date: August 19, 2010