

ECHELON CORP  
Form 8-K  
November 25, 2005

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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

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**FORM 8-K**

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**CURRENT REPORT**

**Pursuant to Section 13 or 15(d) of**  
**The Securities Exchange Act of 1934**

**Date of Report (Date of earliest event reported)**

November 18, 2005

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**ECHELON CORPORATION**

(Exact name of registrant as specified in its charter)

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**Delaware**  
(State or other jurisdiction  
of incorporation)

**000-29748**  
(Commission File Number)

**77-0203595**  
(IRS Employer  
Identification No.)

**550 Meridian Avenue**

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San Jose, California 95126

(Address of principal executive offices, including zip code)

(408) 938-5200

(Registrant's telephone number, including area code)

(Former name or former address, if changed since last report)

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Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- .. Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
  - .. Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
  - .. Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
  - .. Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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**ITEM 1.01. Entry into a Material Definitive Agreement**

On November 18, 2005, the Board of Directors of Echelon Corporation ( Echelon ) approved accelerating the vesting of approximately 1,200,342 out-of-the-money unvested common stock options previously awarded to employees and officers under Echelon s stock option plans. The exercise prices of the accelerated common stock options range from \$8.34 per share to \$20.34 per share and have a weighted average exercise price of \$10.905 per share. The closing price of Echelon s common stock on November 18, 2005 was \$8.06 per share.

The purpose of the acceleration of these common stock options is to eliminate future stock compensation expense that Echelon would otherwise have been required to recognize in its statement of operations with respect to these common stock options after the adoption of Statement of Financial Accounting Standard No. 123R Share-Based Payment, in January 2006. SFAS 123R will be effective for Echelon beginning in the first quarter of 2006, and will require that compensation expense associated with stock options be recognized in the statement of operations, rather than as footnote disclosure in its consolidated financial statements. The maximum reduction in future stock compensation expense has not yet been estimated.

The number of out-of-the-money unvested common stock options being accelerated that are held by executive officers and outstanding as of November 18, 2005 were as follows: Anders B. Axelsson, 160,001 options, Kathleen B. Bloch, 118,099 options, Frederik H. Bruggink, 74,377 options and Russell Harris, 104,793.

**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

ECHELON CORPORATION

By: /s/ Oliver R. Stanfield

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Oliver R. Stanfield

Executive Vice President and

Chief Financial Officer

Date: November 25, 2005