

PACCAR INC
Form DEF 14A
March 12, 2009

Table of Contents

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.

- (1) Title of each class of securities to which transaction applies:

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

- (3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

- (4) Proposed maximum aggregate value of transaction:

- (5) Total fee paid:

- o Fee paid previously with preliminary materials.

Edgar Filing: PACCAR INC - Form DEF 14A

- o Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

Table of Contents

March 12, 2009

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 28, 2009.

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** Item 1 and **AGAINST** Items 2 and 3.

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

Table of Contents

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 28, 2009, at the Meydenbauer Center, 11100 N.E. 6th Street, Bellevue, Washington, for these purposes:

1. To elect as directors the four Class II nominees named in the attached proxy statement to serve three-year terms ending in 2012.
2. To vote on a stockholder proposal regarding the annual election of all directors.
3. To vote on a stockholder proposal regarding a director vote threshold; and
4. 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 March 2, 2009.

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 12, 2009

TABLE OF CONTENTS

	Page
<u>General Information</u>	1
<u>Voting Rights</u>	1
<u>Voting by Proxy</u>	1
<u>Proxy Voting Procedures</u>	1
<u>Online Availability of Annual Meeting Materials</u>	2
<u>Multiple Stockholders Sharing the Same Address</u>	2
<u>Vote Required and Method of Counting Votes</u>	2
<u>Item 1: Election of Directors</u>	2
<u>Items 2 and 3: Stockholder Proposals</u>	2
<u>Stock Ownership of Certain Beneficial Owners</u>	3
<u>Stock Ownership of Officers and Directors</u>	3
<u>Expenses of Solicitation</u>	4
<u>Item 1: Election of Directors</u>	5
<u>Board Governance</u>	7
<u>Compensation of Directors</u>	9
<u>Policies and Procedures for Transactions with Related Persons</u>	10
<u>Compensation of Executive Officers</u>	11
<u>Compensation Discussion and Analysis (CD&A)</u>	11
<u>Compensation Committee Report</u>	19
<u>Summary Compensation</u>	19
<u>Grants of Plan-Based Awards</u>	20
<u>Outstanding Equity Awards at Fiscal Year-End</u>	21
<u>Option Exercises and Stock Vested</u>	22
<u>Pension Benefits</u>	22
<u>Nonqualified Deferred Compensation</u>	23
<u>Potential Payments Upon Termination or Change in Control</u>	24
<u>Independent Auditors</u>	26
<u>Audit Committee Report</u>	26
<u>Stockholder Return Performance Graph</u>	28
<u>Stockholder Proposals</u>	29
<u>Item 2: Stockholder Proposal Regarding the Annual Election of All Directors</u>	29
<u>Board of Directors Response</u>	30
<u>Item 3: Stockholder Proposal Regarding a Director Vote Threshold</u>	31
<u>Board of Directors Response</u>	31
<u>Stockholder Proposals and Director Nominations for 2010</u>	32
<u>Other Business</u>	33
<u>Map to the Stockholder Meeting</u>	

Table of Contents

PROXY STATEMENT

The Board of Directors of PACCAR Inc issues this proxy statement to solicit proxies for use at the Annual Meeting of Stockholders at 10:30 a.m. on April 28, 2009, 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 12, 2009.

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, March 2, 2009. Each outstanding share of common stock is entitled to one vote on all items presented at the meeting. At the close of business on March 2, 2009, the Company had 363,167,129 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 2009 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 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.

Edgar Filing: PACCAR INC - Form DEF 14A

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.

Table of Contents

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 Availability of Annual Meeting Materials

Important Notice Regarding the Availability of Proxy Materials for the Stockholder Meeting to be held at 10:30 a.m. on April 28, 2009, at Meydenbauer Center, Bellevue, Washington. The 2009 proxy statement and the 2008 Annual Report to stockholders are available on the Company's Website at www.paccar.com/2009annualmeeting/.

Stockholders who hold shares in a bank or brokerage account who previously elected to receive the annual meeting materials electronically and now wish to change their election and receive paper copies may contact their bank or broker to change their election.

Stockholders who receive annual meeting materials electronically 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 2008 Annual Report and 2009 Proxy Statement at a shared address prior to the 2009 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 or 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 and 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.

Items 2 and 3: Stockholder Proposals

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 **AGAINST** Items 2 and 3.

Table of Contents**STOCK OWNERSHIP OF CERTAIN BENEFICIAL OWNERS**

The following persons are known to the Company to be the beneficial owners of more than five percent of the Company's common stock as of December 31, 2008 (amounts shown are rounded to whole shares):

<u>Name and Address of Beneficial Owner</u>	Shares Beneficially Owned	Percent of Class
James C. Pigott 1405 42 nd Avenue East Seattle, WA 98112	18,384,751(a)	5.07
Mary Ellen Hughes 701 5 th Avenue, Suite 5500 Seattle, WA 98104	25,342,282(b)	6.99

- (a) Includes 10,838,696 shares over which he has sole voting power and 10,906,553 shares over which he has sole investment power. He has shared voting power over 7,471,539 shares held by charitable trusts of which he is a co-trustee and shares investment power over 7,400,478 of those shares.
- (b) Includes 17,803,477 shares over which she has sole voting and investment power, 138,327 shares over which she has shared voting and investment power and the same 7,400,478 shares referenced in note (a) held by a charitable trust of which she is a co-trustee and shares voting and investment power.

STOCK OWNERSHIP OF OFFICERS AND DIRECTORS

The following list shows the shares of common stock beneficially owned by (1) each director and director nominee, (2) the Chief Executive Officer and the other four most highly compensated executive officers (collectively the Named Executive Officers), and (3) by all directors and executive officers as a group as of March 2, 2009 (amounts shown are rounded to whole share amounts):

<u>Name</u>	Shares Beneficially Owned	Percent of Class
James G. Cardillo	202,356(a)	*
Alison J. Carnwath	10,069(b)	*
John M. Fluke, Jr.	28,903(b)	*
Kirk S. Hachigian	3,658(b)	*
Stephen F. Page	27,733(b)	*
Robert T. Parry	11,767(b)	*
James C. Pigott	18,387,666(c)(d)	5.07
John M. Pigott	2,290,311(d)	*
Mark C. Pigott	6,238,281(d)(e)	1.72
Thomas E. Plimpton	359,563(a)	*

Edgar Filing: PACCAR INC - Form DEF 14A

William G. Reed, Jr	682,518(b)(d)	*
Daniel D. Sobic	81,094(a)	*
Gregory M. E. Spierkel	4,385(b)	*
Warren R. Staley	3,656(b)	*
Michael A. Tembreull	582,525(a)(f)	*
Charles R. Williamson	16,539(b)	*
Total of all directors and executive officers as a group (21 individuals)	29,188,997	8.05

*Does not exceed one percent.

Table of Contents

- (a) Includes shares allocated in the Company's SIP for which the participant has sole voting and investment power as follows: J. G. Cardillo 34,507; T. E. Plimpton 44,454; D. D. Sobic 20,858; M.A. Tembreull 89,748. Includes restricted shares for which the participant has voting power as follows: J. G. Cardillo 15,813; T. E. Plimpton 28,892; D. D. Sobic 7,669. Also includes options to purchase shares exercisable as of March 2, 2009, as follows: J. G. Cardillo 144,664; T. E. Plimpton 253,727; D. D. Sobic 51,139; M. A. Tembreull 197,955. Includes deferred cash awards accrued as stock units without voting rights under the Deferred Compensation Plan (the DC Plan) and the Long Term Incentive Plan (the LTIP) as follows: T. E. Plimpton 11,691; M. A. Tembreull 134,625.
- (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 stock units without voting rights as follows: K. S. Hachigian 3,658; S. F. Page 20,059; G. M. E. Spierkel 4,385; R. T. Parry 4,650; C. R. Williamson 8,621.
- (c) Includes the 18,384,751 shares described in footnote (a) to the Stock Ownership of Certain Beneficial Owners table and 2,915 shares awarded January 2, 2009, under the RSDC Plan.
- (d) Includes shares held in the name of a spouse and/or children to which beneficial ownership is disclaimed.
- (e) Includes 63,516 shares allocated in the Company's SIP for which he has sole voting and investment power; 254,373 restricted shares for which he has sole voting power; and 1,308,892 shares owned by a corporation over which he has no voting or investment power. Also includes options to purchase 1,682,241 shares exercisable as of March 2, 2009 and deferred cash awards accrued as 144,902 stock units under the DC Plan and the LTIP.
- (f) M. A. Tembreull retired as Vice Chairman and a director of the Company effective January 2, 2009.

EXPENSES OF SOLICITATION

Expenses for solicitation of proxies will be paid by the Company. Solicitation will be by mail, except for any electronic, telephone or personal solicitation by directors, officers and employees of the Company, which will be made without additional compensation. The Company has retained Laurel Hill Advisory Group to aid in the solicitation of stockholders for a fee of approximately \$8,000 plus reimbursement of expenses. The Company will request banks and brokers to solicit proxies from their customers and will reimburse those banks and brokers reasonable out-of-pocket costs for this solicitation.

Table of Contents

ITEM 1: ELECTION OF DIRECTORS

Four 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 2012. All of the nominees are currently serving as directors of the Company.

**BOARD NOMINEES FOR CLASS II DIRECTORS
(TERMS EXPIRE AT THE 2012 ANNUAL MEETING)**

MARK C. PIGOTT, age 55, 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 retiring director James C. Pigott and the brother of director John M. Pigott. He has served as a director of the Company since 1994.

WILLIAM G. REED, JR., age 70, 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 has served as a director of the Company since 1998.

WARREN R. STALEY, age 66, served as chairman and chief executive officer of Cargill, Incorporated, an international marketer, processor and distributor of agricultural, food, financial and industrial products, from 2000 until his retirement in 2007. He joined Cargill in 1969 and was elected president and chief operating officer in 1998, chief executive officer in 1999 and chairman in 2000. He has served as a director of the Company since 2008.

CHARLES R. WILLIAMSON, age 60, was chairman and chief executive officer of Unocal Corporation, the California-based energy company, from 2001 until Unocal merged with Chevron Corporation in August 2005. He served as executive vice president of Chevron from August 2005 until his retirement in December 2005. He served as a director of Unocal from 2000 to 2005. He held a variety of technical and management positions with Unocal around the world. Mr. Williamson was the chairman of the US-ASEAN Business Council from 2002 to 2005. He is a director of the Weyerhaeuser Company and Talisman Energy Inc. He has served as a director of the Company since 2006.

Retiring Class II Director

JAMES C. PIGOTT, age 72, 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 and John M. Pigott, both directors of the Company. He has served as a director of the Company since 1972 and is retiring from the Board of Directors effective April 27, 2009.

CLASS III DIRECTORS (TERMS EXPIRE AT THE 2010 ANNUAL MEETING)

ALISON J. CARNWATH, age 56, is chairman of MF Global Limited, a Bermuda-based financial services firm. She is also Chairman of Land Securities plc, the largest property company listed on the London Stock Exchange, an adviser to Lexicon Partners, an independent corporate finance advisory firm, and chairman of the management board and investment committee at ISIS Equity Partners, LLP, a private equity firm, both based in the United Kingdom. She was chairman of 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 is a director of the Man Group

plc, a FTSE 100 Index member. She has served as a director of the Company since 2005.

Table of Contents

ROBERT T. PARRY, age 69, 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 the Janus Capital Group Inc. He has served as a director of the Company since 2004.

JOHN M. PIGOTT, age 45, is a partner in Beta Business Ventures, LLC, a private investment company formed in 2008, and was a partner in the predecessor company Beta Capital Group, LLC since 2003. He previously served in various management positions within PACCAR from 1992 to 2003. He is the brother of Mark C. Pigott and the nephew of James C. Pigott, both directors of the Company. He was elected by the Board to serve as a director of the Company, effective April 27, 2009.

GREGORY M. E. SPIERKEL, age 52, is chief executive officer of Ingram Micro Inc., a leading California-based technology distributor, and has held that position since June 2005. He previously served as president from March 2004 to June 2005. During his eleven year tenure with the company he held other senior positions including executive vice president. He is also a director of Ingram Micro. He has served as a director of the Company since 2008.

CLASS I DIRECTORS (TERMS EXPIRE AT THE 2011 ANNUAL MEETING)

JOHN M. FLUKE, JR., age 66, is chairman of Fluke Capital Management, L.P., a private investment company, and has held that position since 1990. He is a director of Tully's Coffee Corporation. He has served as a director of the Company since 1984.

KIRK S. HACHIGIAN, age 49, is chairman, president and chief executive officer of Cooper Industries Ltd., manufacturer of electrical products and tools. He was named chairman in February 2006, president and chief executive officer in May 2005 and president and chief operating officer in August 2004. He is a director of Cooper Industries Ltd. He has served as a director of the Company since 2008.

STEPHEN F. PAGE, age 69, 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.

THOMAS E. PLIMPTON, age 59, is Vice Chairman of the Company and has held that position since September 2008. He also serves as the Company's principal financial officer. He was President from January 2003 to September 2008, Executive Vice President from August 1998 to January 2003 and Senior Vice President from August 1996 to August 1998. He was elected by the Board to serve for the remainder of Michael A. Tembreull's term as a Class I director, effective January 2, 2009.

THE BOARD RECOMMENDS A VOTE FOR EACH OF THE NOMINEES.

Table of Contents**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., Kirk S. Hachigian, Stephen F. Page, Robert T. Parry, James C. Pigott, William G. Reed, Jr., Gregory M. E. Spierkel, Warren R. Staley, Harold A. Wagner and Charles R. Williamson.

The Board of Directors maintains a corporate governance section on its Website which includes key information about its governance practices. The Company's Corporate Governance Guidelines, its Board committee charters and its Code of Business Conduct and Code of Ethics for Senior Financial Officers are located at www.paccar.com/company/corporateresponsibility/boardofdirectors.asp.

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 stockholder 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 in the correspondence. 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 2008. Each member attended at least 75 percent of the combined total of meetings of the Board of Directors and the committees of the Board on which each served. All Company directors are expected to attend each annual stockholder meeting. All directors attended the annual stockholder meeting in April 2008.

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
J. M. Fluke, Jr.	C. R. Williamson	M. C. Pigott	J. C. Pigott
S. F. Page	A. J. Carnwath	J. C. Pigott	A. J. Carnwath
W. R. Reed, Jr.	K. S. Hachigian	W. G. Reed, Jr.	J. M. Fluke, Jr.
C. R. Williamson	R. T. Parry		S. F. Page
	G. M. E. Spierkel		W. R. Staley

Audit Committee

The Audit Committee has responsibility for the selection, evaluation and compensation of the independent auditors and approval of all services they provide. The Committee reviews the Company's annual and quarterly financial statements, monitors the integrity and effectiveness of the audit process, and reviews the corporate compliance programs. It monitors the Company's system of internal controls over financial reporting and oversees the internal audit function. The Audit Committee charter describes the Committee's responsibilities. It is posted at www.paccar.com/company/corporateresponsibility/auditcommittee.asp. All four members of the Audit Committee meet the independence and financial literacy requirements of the SEC and NASDAQ rules. The Board of Directors

designated independent director John M. Fluke, Jr., as Audit Committee financial expert. The Committee met five times in 2008.

Compensation Committee

The Compensation Committee has responsibility for reviewing and approving salaries and other compensation matters for executive officers. It administers the LTIP, the Senior Executive Yearly Incentive Compensation Plan and the DC Plan. The Committee establishes base salaries, and annual and long-term performance goals for executive officers. It also evaluates the CEO's performance annually in executive session. It approves the attainment of annual and long-term goals by the executive officers. The Committee has authority to

Table of Contents

employ a compensation consultant to assist in the evaluation of the compensation of the Company's CEO or other executive officers. The Committee does not retain a compensation consultant on an annual basis and did not retain one in 2008. The Compensation Committee charter describes the Committee's responsibilities. It is posted at www.paccar.com/company/corporateresponsibility/compensationcommittee.asp. All five members of the Compensation Committee meet the director independence requirements of the NASDAQ rules and the outside director requirements of Section 162(m) of the Internal Revenue Code. The Committee met five times in 2008.

Nominating and Governance Committee

The Nominating and Governance Committee is responsible for evaluating director candidates and selecting nominees for approval by the independent members of the Board of Directors. It also makes recommendations to the Board on corporate governance matters including director compensation.

The Committee has established written criteria for the selection of new directors, which is available at www.paccar.com/company/corporateresponsibility/boardguidelines.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 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. Nominations by stockholders must comply with the Company Bylaws requiring advance notice and meet the requirements described in the section on Stockholder Proposals and Director Nominations of this proxy statement. The Committee engages 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. Mr. Charles R. Williamson and Mr. Warren R. Staley are directors and nominees for election in this proxy statement and were recommended to the Committee by a third-party search firm.

The Nominating and Governance Committee charter describes the Committee's responsibilities. It is posted at www.paccar.com/company/corporateresponsibility/nominatingcommittee.asp. Each of the five Committee members meets the independence requirements of the NASDAQ rules. The Committee met four times in 2008.

Executive Committee

The Executive Committee acts on routine Board matters when the Board is not in session. The Committee took action twice in 2008.

Table of Contents**COMPENSATION OF DIRECTORS**

The following table provides information on compensation for non-employee directors who served during the fiscal year ending December 31, 2008:

Summary Compensation

Name	Fees Earned or	Stock	All Other	Total (d)
	Paid in Cash (a)	Awards (b)	Compensation	
	(\$)	(\$)	(\$)	(\$)
A. J. Carnwath	\$ 125,000	\$ 93,713		\$ 218,713
J. M. Fluke, Jr	135,000	90,086		225,086
K. S. Hachigian	26,250	453		26,703
S. F. Page	130,000	90,086	\$ 5,000	225,086
R. T. Parry	125,000	90,086	5,000	220,086
J. C. Pigott	120,000	180,587		300,587
W. G. Reed, Jr	115,000	90,086	5,000	210,086
G. M. E. Spierkel	96,924	15,598		112,522
W. R. Staley	26,250	453		26,703
H. A. Wagner	28,076	180,587		208,663
C. R. Williamson	130,000	74,912		204,912

- (a) Fees for non-employee directors include the 2008 annual retainer of \$75,000, board meeting fees of \$7,500 per meeting and committee meeting fees of \$5,000 per meeting. If elected or retired during the calendar year, the non-employee director receives a prorated retainer. A single meeting attendance fee is paid when a board and committee meeting are held on the same day. S. F. Page, H. A. Wagner and C. R. Williamson elected to defer retainer and meeting fees into stock units pursuant to the terms of the RSDC Plan described in the Narrative below.
- (b) The fair value of restricted stock awards to each non-employee director under the RSDC Plan is determined based on the number of shares granted and the quoted price of the Company's common stock on the grant date, and compensation expense is recognized over the requisite service period as defined in FAS 123R. Amounts shown above represent compensation expense recognized in 2008 related to restricted stock awards made under the RSDC Plan for 2005, 2006, 2007 and 2008 calculated in accordance with FAS 123R. Expense recognized for K. S. Hachigian, G. M. E. Spierkel, W. R. Staley and C. R. Williamson is prorated based on the date of their initial Board membership. Expense recognized for H. A. Wagner and J. C. Pigott includes the value of all remaining restricted shares due to reaching mandatory retirement age. See Note R to the Consolidated Financial Statements included in the Company's Annual Report on Form 10-K for the year ended December 31, 2008.

The grant date fair value of the restricted stock award granted on January 2, 2008, to each non-employee director is \$90,000. On December 31, 2008, non-employee directors held the following unvested shares of restricted stock: A. J. Carnwath 6,659; J. M. Fluke, Jr., 6,659; K. S. Hachigian 741; S. F. Page 6,659; R. T. Parry 6,659; J. C. Pigott 6,659; W. G. Reed, Jr., 6,659; G. M. E. Spierkel 1,445; W. R. Staley 741; H. A. Wagner 0; C. R.

Williamson 5,003.

- (c) Directors may participate in the Company's matching gift program on the same basis as U.S. salaried employees. Under the program, the PACCAR Foundation matches donations participants make to eligible educational institutions up to a maximum annual donation of \$5,000 per participant.
- (d) K. S. Hachigian, S. F. Page, R. T. Parry, G. M. E. Spierkel, H. A. Wagner and C. R. Williamson deferred some or all of their compensation earned in 2008. None of the deferred compensation earned interest that was in excess of 120 percent of the applicable federal long-term rate as prescribed under Section 1274(d) of the Internal Revenue Code. Perquisites were less than the \$10,000 reporting threshold.

Table of Contents

Narrative to Director Compensation Table

On the first business day of the year, each non-employee director receives \$90,000 in restricted stock or restricted stock units under the RSDC Plan. The number of shares received is determined by dividing \$90,000 by the closing price of a share of Company stock on the first business day of the year. Non-employee directors elected during the calendar year receive a prorated award to reflect the number of calendar quarters the director will serve in the year of election. Restricted shares vest three years after the date of grant or upon mandatory retirement after age 72, death or disability. Directors receive dividends and voting rights on all shares during the vesting period. Effective January 1, 2008, the RSDC Plan was amended to allow non-employee directors to elect to receive a credit to the stock unit account in lieu of a grant of restricted stock. The account is credited with the number of shares otherwise applicable to the grant of restricted stock and subject to the same vesting conditions. Thereafter dividends earned are treated as if they were reinvested at the closing price of Company stock on the date the dividend is payable.

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. The income account accrues interest at a rate equal to the simple combined average of the monthly Aa Industrial Bond yield averages for the immediately preceding quarter and is compounded quarterly. Stock unit accounts are credited with the number of shares of Company common stock that could have been purchased at the closing price on the date the cash compensation is payable. Thereafter dividends earned are treated as if they were reinvested at the closing price of Company stock on the date the dividend is payable. The balances in a director's deferred accounts are paid out at or after retirement or termination in accordance with the director's deferred account election. The balance in the stock unit account is distributed in shares of the Company's common stock.

The Company provides transportation for or reimburses non-employee directors for travel and out-of-pocket expenses incurred in connection with their services. It also pays or reimburses directors for expenses incurred to participate in continuing education programs.

Stock Ownership Guidelines for Non-Employee Directors

All non-employee directors are expected to hold at least \$200,000 worth of Company stock, and/or deferred stock units while serving as a director. Directors have three years from date of appointment to attain this ownership threshold. All non-employee directors with three or more years of service meet the stock ownership guidelines.

POLICIES AND PROCEDURES FOR TRANSACTIONS WITH RELATED PERSONS

Under its Charter, the Audit Committee of the Board of Directors is responsible for reviewing and approving related person transactions as set forth in Item 404 of the Securities and Exchange Commission Regulation S-K. The Committee will consider whether such transactions are in the best interests of the Company and its stockholders. The Company has written procedures designed to bring such transactions to the attention of management. Management is responsible for presenting related person transactions to the Audit Committee for review and approval.

Table of Contents