

ATHEROS COMMUNICATIONS INC  
Form DEF 14A  
April 06, 2009  
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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**  
**Washington, D.C. 20549**

**SCHEDULE 14A**

**Proxy Statement Pursuant to Section 14(a) of the**  
**Securities Exchange Act of 1934**  
**(Amendment No. )**

Filed by the Registrant "

Filed by a Party other than the Registrant "

Check the appropriate box:

" Preliminary Proxy Statement

" **Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**

x Definitive Proxy Statement

" Definitive Additional Materials

" Soliciting Material Pursuant to §240.14a-12

**Atheros Communications, 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):

- No fee required.
- 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 the transaction applies:

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

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(3) Per unit price or other underlying value of the 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):

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(1) Amount Previously Paid:

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

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(3) Filing Party:

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(4) Date Filed:

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**Atheros Communications, Inc.**

**5480 Great America Parkway**

**Santa Clara, CA 95054**

**(408) 773-5200**

**NOTICE OF ANNUAL MEETING OF STOCKHOLDERS**

**To Be Held on Thursday, May 21, 2009**

To our Stockholders:

You are cordially invited to attend the Annual Meeting of Stockholders of Atheros Communications, Inc., which will be held at 10:00 a.m., Pacific Time, on Thursday, May 21, 2009, at our offices at 5480 Great America Parkway, Santa Clara, California 95054.

We are holding this meeting for the following purposes:

to elect three Class III directors to serve until the 2012 Annual Meeting or until their successors are duly elected and qualified; and

to transact such other business as may properly come before the Annual Meeting and any adjournments or postponements of the Annual Meeting.

Only stockholders of record at the close of business on April 2, 2009, are entitled to notice of, and to vote at this meeting and any adjournments or postponements of the Annual Meeting. For ten days prior to the meeting, a complete list of stockholders entitled to vote at the Annual Meeting will be available at the Secretary's office, 5480 Great America Parkway, Santa Clara, California.

We are pleased to take advantage of U.S. Securities and Exchange Commission rules that allow issuers to furnish proxy materials to their stockholders on the Internet. As a result, we are mailing to our stockholders a Notice Regarding the Availability of Proxy Materials instead of a paper copy of this proxy statement and our 2008 Annual Report. We believe this will allow us to provide our stockholders with the information they need, while lowering the costs of delivery and reducing the environmental impact of our Annual Meeting.

**It is important that your shares are represented at this meeting. Even if you plan to attend the meeting, we hope that you will promptly vote by proxy over the Internet or by telephone. If you requested a paper copy of a proxy card by mail, you may submit your proxy or voting instruction card for the annual meeting by completing, signing, dating and returning your proxy card in the pre-addressed envelope provided. This will not limit your rights to attend or vote at the meeting.**

By Order of the Board of Directors

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Jack R. Lazar  
*Chief Financial Officer,*

*Vice President of Corporate Development, and Secretary*

Santa Clara, California

April 7, 2009

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**Atheros Communications, Inc.**

**PROXY STATEMENT**

**Information Concerning Voting and Solicitation**

This Proxy Statement is being furnished to you in connection with the solicitation by the Board of Directors of Atheros Communications, Inc., a Delaware corporation, of proxies to be used at the 2009 Annual Meeting of Stockholders to be held at our offices at 5480 Great America Parkway, Santa Clara, California, at 10:00 a.m., Pacific Time, on Thursday, May 21, 2009 and any adjournments or postponements thereof. This Proxy Statement and the 2008 Annual Report to Stockholders are being released to our stockholders on April 7, 2009. If a stockholder requests printed versions of these materials by mail, these materials will also include the proxy card for the Annual Meeting.

**Appointment of Proxy Holders**

Your Board of Directors asks you to appoint Craig H. Barratt, Jack R. Lazar and Bruce P. Johnson as your proxy holders to vote your shares at the 2009 Annual Meeting of Stockholders. You make this appointment by voting using one of the voting methods described below.

If appointed by you, the proxy holders will vote your shares as you direct on the matters described in this Proxy Statement. In the absence of your direction, they will vote your shares as recommended by your Board (**FOR** the election of the nominees for Class III directors).

By voting as provided below, you also authorize your proxy holders to vote your shares on any matters not known by your Board at the time this Proxy Statement was made available on the Internet and which, under our Bylaws, may be properly presented for action at the Annual Meeting.

**Internet Availability of Proxy Materials**

Under the rules adopted by the U.S. Securities and Exchange Commission (SEC), we are now furnishing proxy materials to our stockholders on the Internet, rather than mailing printed copies of those materials to each stockholder. You will not receive a printed copy of the proxy materials unless you request one. If you would like to receive a printed copy of our proxy materials, please follow the instructions included in the Notice.

We anticipate that the Notice Regarding the Availability of Proxy Materials will be mailed to stockholders on or about April 7, 2009.

**Access of Proxy Materials over the Internet**

Your Notice Regarding the Availability of Proxy Materials or proxy card will contain instructions on how to view our proxy materials for the Annual Meeting on the Internet. Our proxy materials are also available at [www.edocumentview.com/ATHR](http://www.edocumentview.com/ATHR) and on our website at [www.atheros.com](http://www.atheros.com).

**Who Can Vote**

Only stockholders who owned shares of our common stock at the close of business on April 2, 2009, the record date for the Annual Meeting, can vote at the Annual Meeting. As of the close of business on April 2, 2009, we had 61,037,161 shares of common stock outstanding and entitled to vote. Each holder of common stock is entitled to one vote for each share held as of April 2, 2009. There is no cumulative voting in the election of directors.

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### **How You Can Vote**

You may vote your shares at the Annual Meeting either in person or as described below. If you hold shares through a bank or broker, you will receive instructions from your bank or broker that must be followed in order for your bank or broker to vote your shares per your instructions. Many banks and brokerage firms have a process for their beneficial holders to provide instructions via the Internet or over the telephone.

If your shares are registered in your own name, you may vote your shares as described below.

Voting by Mail. If you have received a copy of the proxy card by mail, you may vote by proxy by dating, signing and returning your proxy card in the enclosed postage-paid envelope.

Voting over the Internet. Stockholders may submit proxies over the Internet by following the instructions on either the Notice Regarding the Availability of Proxy Materials or the proxy card.

Voting by Telephone. Stockholders who live in the United States or Canada may submit proxies over the telephone by following the instructions on either the Notice Regarding the Availability of Proxy Materials or the proxy card.

Voting at the Annual Meeting. Voting your proxy over the Internet, by telephone or by mail will not limit your right to vote at the Annual Meeting, if you decide to attend in person. Your Board recommends that you vote over the Internet, by telephone or by mail as it is not practical for most stockholders to attend the Annual Meeting. If you hold shares through a bank or broker, you must obtain a proxy, executed in your favor, from the bank or broker to be able to vote at the Annual Meeting.

If you submit your proxy, but do not indicate your voting preference, the proxy holders will vote your shares **FOR** the election of the nominees for Class III directors. The proxy holders will also vote your shares in their discretion on any other matters that properly come before the Annual Meeting.

### **Revocation of Proxies**

Stockholders can revoke their proxies at any time before they are exercised in any of three ways:

by voting in person at the Annual Meeting;

by submitting written notice of revocation to Atheros Secretary prior to the Annual Meeting; or

by submitting another proxy of a later date that is properly executed.

### **Required Vote**

Directors are elected by a plurality vote, which means that the three nominees receiving the most affirmative votes will be elected. All other matters submitted for stockholder approval require the affirmative vote of the majority of shares present in person or represented by proxy and entitled to vote.

A quorum, which is a majority of the outstanding shares as of April 2, 2009, must be present to hold the Annual Meeting. A quorum is calculated based on the number of shares represented by the stockholders attending in person and by their proxy holders. If you indicate an abstention as your voting preference, your shares will be counted toward a quorum but they will not be voted on the matter.

Abstentions on any matters are treated as shares present or represented and entitled to vote on that matter and have the same effect as a vote against such matter.

If a broker indicates on the enclosed proxy card or its substitute that such broker does not have discretionary authority to vote on a particular matter (broker non-votes), those shares will be considered as present for purposes of determining the presence of a quorum but will not be



treated as shares entitled to vote on that matter.

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**Solicitation of Proxies**

Atheros will pay the cost of printing and mailing proxy materials. In addition to the solicitation of proxies by mail, solicitation may be made by our directors, officers and other employees by personal interview, telephone or facsimile. No additional compensation will be paid to these persons for solicitation. We will reimburse brokerage firms and others for their reasonable expenses in forwarding solicitation materials to beneficial owners of our common stock.

**IMPORTANT**

**Please promptly vote and submit your proxy over the Internet, by telephone, or by signing, dating and returning the proxy card in the postage-prepaid return envelope so that your shares can be voted. This will not limit your right to attend or vote at the Annual Meeting.**

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**Proposal 1**

**Election of Directors**

**Directors and Nominees**

Our Bylaws currently provide for a Board of Directors consisting of not less than six nor more than eleven members. We currently have authorized eight directors. Our Board of Directors is divided into three classes: Class I, Class II and Class III. The members of each class of directors serve staggered three-year terms:

Our Class III directors are John L. Hennessy, Craig H. Barratt and Christine King, and their terms will expire at the Annual Meeting. These directors have been nominated to continue to serve as Class III directors for three-year terms following the Annual Meeting.

Our Class I directors are Marshall L. Mohr and Andrew S. Rappaport, and their terms will expire at the annual meeting of stockholders to be held in 2010.

Our Class II directors are Daniel A. Artusi, Teresa H. Meng and Willy C. Shih, and their terms will expire at the annual meeting of stockholders to be held in 2011.

Accordingly, three Class III directors will be elected at the Annual Meeting to serve until the annual meeting of stockholders to be held in 2012 or until their successors are elected and qualified. If any nominee is unable or declines to serve as director at the time of the Annual Meeting, an event not now anticipated, proxies will be voted for any nominee designated by the Nominating and Corporate Governance Committee to fill the vacancy.

There are no family relationships among any of our directors or executive officers.

The names of the Board of Directors nominees, as selected by the Nominating and Corporate Governance Committee, and certain biographical information about the nominees are set forth below.

**John L. Hennessy**, one of our founders, has served as Chairman of our Board of Directors since our inception in May 1998. Since September 2000, Dr. Hennessy has served as the President of Stanford University, where he has been a member of the faculty since 1977. From 1999 to 2000, Dr. Hennessy was the Provost of Stanford. Prior to becoming Provost, from 1996 to 1999, Dr. Hennessy served as the Dean of Stanford School of Engineering. Dr. Hennessy is a member of the boards of directors of Cisco Systems, Inc., a manufacturer of networking equipment, and Google, Inc., a provider of an Internet search engine. Dr. Hennessy is a fellow of the Institute of Electrical and Electronics Engineers. Dr. Hennessy holds a Ph.D. and a Master of Science degree in computer science from the State University of New York, Stony Brook and a Bachelor of Science degree in electrical engineering from Villanova University.

**Craig H. Barratt** has served as our President and Chief Executive Officer since March 2003 and as a director since May 2003. From April 2002 until March 2003, Dr. Barratt served as our Vice President of Technology. Prior to joining us, from September 1992 to March 2002, Dr. Barratt served in a variety of positions for ArrayComm, Inc., a wireless technology company, most recently as Executive Vice President and General Manager. Dr. Barratt holds a Ph.D. and a Master of Science degree from Stanford University, and a Bachelor of Engineering degree in electrical engineering and a Bachelor of Science degree in pure mathematics and physics from Sydney University in Australia.

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**Christine King** has served as one of our directors since April 2008. Since October 2008, Ms. King has served as President and Chief Executive Officer of Standard Microsystems Corporation (SMSC), a provider of semiconductor systems solutions. From March 2008 to October 2008, Ms. King was an independent consultant. From September 2001 to March 2008, Ms. King served as President and Chief Executive Officer of AMIS Holdings, Inc. (AMI), a provider of semiconductor solutions, and as Chief Executive Officer of AMI's wholly-owned subsidiary, AMI Semiconductor, Inc., until the acquisition of AMI by ON Semiconductor Corporation. From 1992 to September 2001, Ms. King served in various positions at IBM, most recently as Vice President of Semiconductor Products for IBM Microelectronics. Ms. King is a member of the boards of directors of SMSC and IDACORP, Inc., a power company in Boise, Idaho. Ms. King holds a Bachelor of Science degree in electrical engineering from Fairleigh Dickinson University.

**Vote Required**

The three nominees for Class III directors receiving the highest number of affirmative votes will be elected as Class III directors. Unless marked to the contrary, proxies received will be voted FOR the nominees.

**Your Board of Directors recommends a vote FOR the election of the nominees set forth above as Class III directors of Atheros.**

**Table of Contents****Executive Officers and Directors**

The following table shows information about our executive officers and directors:

<b>Name</b>	<b>Age</b>	<b>Position(s)</b>
Craig H. Barratt	46	President, Chief Executive Officer and Director
Jack R. Lazar	43	Chief Financial Officer, Vice President of Corporate Development, and Secretary
Hing C. Chu	57	Vice President of Operations
Ben D. Naskar	54	Vice President and General Manager, Wireless Networking Business Unit
Gary L. Szilagyi	40	Vice President of Worldwide Sales
Adam H. Tachner	42	Vice President, General Counsel and Assistant Secretary
David D. Torre	52	Vice President and Chief Accounting Officer
John L. Hennessy (2)(3)(4)	56	Chairman of the Board
Daniel A. Artusi (1)(4)	54	Director
Christine King (1)(2)(4)	59	Director
Teresa H. Meng	48	Director
Marshall L. Mohr (1)(4)	53	Director
Andrew S. Rappaport (2)(3)(4)	51	Director
Willy C. Shih (3)(4)	57	Director

- (1) Member of the Audit Committee
- (2) Member of the Compensation Committee
- (3) Member of the Nominating and Corporate Governance Committee
- (4) Determined by the Board of Directors to be independent as defined by applicable listing standards of The Nasdaq Stock Market

The following presents biographical information for each of our executive officers and directors listed above in the table, other than the nominees whose information is on page 4:

**Jack R. Lazar** has served as our Vice President and Chief Financial Officer since September 2003 and as our Secretary since November 2003. In February 2008, Mr. Lazar was also appointed as Vice President of Corporate Development. Prior to joining us, from May 2002 to September 2003, Mr. Lazar was an independent business and financial consultant. From August 1999 to May 2002, Mr. Lazar served in a variety of positions at NetRatings, Inc., a publicly traded Internet audience measurement and analysis company, most recently as Executive Vice President of Corporate Development, Chief Financial Officer and Secretary. Prior to joining NetRatings, from January 1996 to August 1999, Mr. Lazar was Vice President and Chief Financial Officer of Apptitude, Inc. (acquired by hi/fn, inc. in 2000), a developer and manufacturer of network management solutions. Prior to joining Apptitude, Inc., Mr. Lazar held a variety of executive and management positions at Electronics for Imaging and Price Waterhouse, from 1987 to 1995. Mr. Lazar is a certified public accountant and holds a Bachelor of Science degree in commerce with an emphasis in accounting from Santa Clara University.

**Hing C. Chu** joined us as Director of Product & Test Engineering in May 2001, and was appointed as our Senior Director of Engineering Operations in July 2005, and as Vice President of Engineering Operations in September 2006. In January 2009, Mr. Hing was appointed as our Vice President of Operations. From 1978 until joining Atheros, Mr. Chu served in a variety of engineering management roles at NEC Electronics, Silicon Systems and Texas Instruments. He holds Bachelor and Master of Electrical Engineering degrees from Columbia University.

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**Ben D. Naskar** has served as our Vice President and General Manager, Wireless Networking Business Unit, since June 2007. Prior to joining Atheros, Mr. Naskar was Vice President and General Manager of the Communications Products Division of PMC-Sierra, Inc., a provider of communications semiconductors, from September 2005 to June 2007. Prior to PMC-Sierra, Mr. Naskar was employed by Magfusion Inc., a provider of RF communications semiconductors, from May 2002 to August 2005, as Chief Executive Officer and President. Prior to that, Mr. Naskar was Managing Director and Vice President, Asia Pacific, for Analog Devices, Group Director in the Communications Division of National Semiconductor, and worked at various senior manager levels for Advanced Micro Devices, Inc. Mr. Naskar holds a Master of Business Administration degree from the University of Wisconsin-Madison. He also holds a Bachelor of Engineering degree in Electronics and Computer Science, from the University of Auckland in New Zealand and has done graduate level studies in engineering at Santa Clara University.

**Gary L. Szilagyi** has served as our Vice President of Worldwide Sales since January 2006. Prior to joining us, from September 2003 to January 2006, Mr. Szilagyi served as the Vice President of Sales at Greenfield Networks, a provider of advanced Ethernet switching and routing solutions for the Metro-Ethernet and Access markets. Prior to Greenfield Networks, from March 2001 to August 2003, Mr. Szilagyi served as the Vice President of Sales at Marvell Technology Group Ltd. s Communications Business Unit. Mr. Szilagyi holds a Bachelor of Science degree in electrical engineering from the University of California at Santa Barbara and a Master of Business Administration from San Jose State University.

**Adam H. Tachner** has served as our Vice President and General Counsel since August 2003. From October 2000 until August 2003, Mr. Tachner was our Intellectual Property Counsel. Prior to joining us, from September 1994 to September 2000, Mr. Tachner was an associate attorney with Crosby, Heafy, Roach & May, P.C., a law firm. Mr. Tachner holds a J.D. from the University of Oregon School of Law, a Master of Business Administration from Columbia University, a Bachelor of Science degree in electrical engineering from California State University and a Bachelor of Arts degree in social science from the University of California at Berkeley.

**David D. Torre** has served as our Vice President and Chief Accounting Officer since January 2006. Mr. Torre joined Atheros in January 2000 as Vice President, Administration and Controller, and in April 2004, he was appointed as Vice President, Finance and Administration. Prior to joining Atheros, Mr. Torre served as Controller at CellNet Data Systems, a provider of wireless data networks, from 1996 to 2000, and from 1990 to 1996, he was employed by Space Systems/Loral, a supplier of satellites. From 1981 to 1987, Mr. Torre was an audit manager at Ernst & Young. Mr. Torre is a certified public accountant and holds a Bachelor of Science degree in Business Administration and a Master of Business Administration from the University of California at Berkeley.

**Daniel A. Artusi** has served as one of our directors since July 2008 and previously served as a director from October 2005 to July 2007. Mr. Artusi has been an independent consultant since April 2008. From July 2007 to April 2008, Mr. Artusi served as President and Chief Executive Officer and as a board member of Conexant Systems, Inc., a provider of semiconductors, and from June 2005 to June 2007, Mr. Artusi served as chairman and Chief Executive Officer of Coldwatt, Inc., a provider of high efficiency power supplies for the communications and computer industry. From April 2005 to June 2005, Mr. Artusi was an individual investor. From January 2003 to April 2005, he served as the President of Silicon Laboratories Inc., a developer of mixed signal integrated circuits, and from January 2004 to April 2005, he also served as the Chief Executive Officer and as a board member of Silicon Laboratories. From 2001 to January 2004, he served as Chief Operating Officer of Silicon Laboratories. From 1977 until joining Silicon Laboratories, Mr. Artusi held various management and executive positions at Motorola Inc. Mr. Artusi currently serves on the board of directors of Micrel, Incorporated, a provider of analog and communications semiconductors. Mr. Artusi studied electronics engineering at the Instituto Tecnológico de Buenos Aires (ITBA) in Argentina.

**Teresa H. Meng**, one of our founders, has served on our Board of Directors since our inception in May 1998. From October 2000 through December 2006, Dr. Meng served as a consultant to us. From May 1998 to October 1999, Dr. Meng was our President and Chief Executive Officer. Dr. Meng joined the faculty of Stanford University s Electrical Engineering Department in 1988, and in 2003, Dr. Meng was appointed the Reid Weaver Dennis Professorship. Dr. Meng is a fellow of the Institute of Electrical and Electronics Engineers. Dr. Meng holds both a Ph.D. and a Master of Science degree in electrical engineering and computer science from the University of California at Berkeley and a Bachelor of Science degree in electrical engineering from National Taiwan University.

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**Marshall L. Mohr** has served as one of our directors since November 2003. Since March 2006, Mr. Mohr has been the Senior Vice President and Chief Financial Officer of Intuitive Surgical, Inc., a provider of robotically-assisted minimally invasive surgery systems. From July 2003 to March 2006, Mr. Mohr served as the Chief Financial Officer of Adaptec, Inc., a provider of storage infrastructure solutions. Prior to Adaptec, Mr. Mohr served for 22 years in a variety of positions at PricewaterhouseCoopers, most recently as managing partner of PricewaterhouseCoopers Silicon Valley audit advisory practice. Mr. Mohr currently serves on the board of directors of Plantronics, Inc., a provider of lightweight communications headset products. Mr. Mohr holds a Bachelor of Business Administration degree from Western Michigan University.

**Andrew S. Rappaport** has served as one of our directors since December 1998. Since 1996, Mr. Rappaport has been a partner with August Capital, a venture capital firm. Mr. Rappaport attended Princeton University.

**Willy C. Shih** has served as one of our directors since November 2006. Dr. Shih has been a senior lecturer at The Harvard Business School since January 2007. From September 2006 until January 2007, Dr. Shih was an independent consultant. From August 2005 to September 2006, Dr. Shih served as Executive Vice President of Thomson, a provider of digital video technologies. He was an independent intellectual property consultant from February 2005 to August 2005. Dr. Shih served as Senior Vice President of Eastman Kodak Company from July 1997 to February 2005. Dr. Shih is a member of the board of directors of Flextronics International Ltd., a provider of design and electronics manufacturing services to original equipment manufacturers. Dr. Shih holds a Ph.D. degree from the University of California at Berkeley in magnetic resonance, and Bachelor of Science degrees in chemistry and life sciences from the Massachusetts Institute of Technology.

**Board Meetings**

Our Board of Directors held seven meetings in 2008 and acted by unanimous written consent two times during 2008. All directors attended at least 75% of the aggregate number of meetings of the Board of Directors held during the period for which such directors served on our Board and of the committees on which such directors served. We do not have a policy regarding directors' attendance at the Annual Meeting of Stockholders, but we encourage our directors to attend the Annual Meeting. In 2008, three of the seven directors then serving on the Board of Directors attended the Annual Meeting of Stockholders.

**Committees of our Board of Directors**

Our Board of Directors has appointed a Compensation Committee, an Audit Committee and a Nominating and Corporate Governance Committee. Our Board has determined that each director who serves on these committees is independent, as that term is defined by applicable listing standards of The Nasdaq Stock Market and SEC rules. The Board has also established a Non-Executive Stock Option Committee.

**Compensation Committee**

<i>Number of Members:</i>	Three
<i>Members:</i>	Mr. Rappaport (Chairman) Dr. Hennessy Ms. King
<i>Number of Meetings in 2008:</i>	Eight, and acted by unanimous written consent one time
<i>Functions:</i>	The Compensation Committee's primary functions are to assist the Board in meeting its responsibilities with regard to oversight and determination of executive compensation and to assist the Board in establishing the appropriate incentive compensation and equity-based plans for the executive officers and other employees. Other specific duties and responsibilities of the Compensation Committee are to establish and approve annually the compensation for the Chief Executive Officer and other executive officers, establish and modify the terms and conditions of employment of the Chief Executive Officer and other executive officers, and administer Atheros equity-based plans and other compensation plans. The Board of Directors has adopted a written Compensation Committee charter, a copy of which is available on our website at <a href="http://www.atheros.com">www.atheros.com</a> .

**Table of Contents****Audit Committee**

*Number of Members:* Three

*Members:* Mr. Mohr (Chairman)  
Mr. Artusi (joined the Audit Committee in July 2008)  
Ms. King (joined the Audit Committee in April 2008)

In 2008, Mr. Rappaport served on the Audit Committee until April 2008 and Dr. Shih served on the Audit Committee until July 2008.

*Number of Meetings in 2008:* Ten

*Functions:* The Audit Committee's primary functions are to assist the Board of Directors in its oversight of the integrity of our financial statements and other financial information, our compliance with legal and regulatory requirements, the qualifications, independence and performance of our independent registered public accounting firm, and our risk management, cash management, auditing, accounting and financial reporting processes in general. Other specific duties and responsibilities of the Audit Committee are to appoint, compensate, evaluate and, when appropriate, replace our independent registered public accounting firm; review and pre-approve audit and permissible non-audit services; review the scope of the annual audit; monitor the independent registered public accounting firm's relationship with Atheros; and meet with the independent registered public accounting firm and management to discuss and review our financial statements, internal controls, and auditing, accounting and financial reporting processes. The Board of Directors has adopted a written Audit Committee charter, a copy of which is available on our website at [www.atheros.com](http://www.atheros.com).

**Nominating and Corporate Governance Committee**

*Number of Members:* Three

*Members:* Dr. Shih (Chairman)  
Dr. Hennessy  
Mr. Rappaport

*Number of Meetings in 2008:* Four

*Functions:* The Nominating and Corporate Governance Committee's primary functions are to seek, evaluate and select nominees for election to our Board of Directors and to oversee matters of corporate governance. Other specific duties and responsibilities of the Nominating and Corporate Governance Committee are to make recommendations regarding the size of the Board, review on an annual basis the functioning and effectiveness of the Board, and consider and make recommendations on matters related to the practices, policies and procedures of the Board. The Board of Directors has adopted a written Nominating and Corporate Governance Committee charter, a copy of which is available on our website at [www.atheros.com](http://www.atheros.com).

Dr. Barratt currently serves as the Non-Executive Stock Option Committee. The Non-Executive Stock Option Committee is a secondary committee responsible for granting and issuing awards of options and restricted stock units under the 2004 Stock Incentive Plan to eligible employees, other than to members of the Board of Directors, individuals designated by the Board of Directors as Section 16 officers, or employees who hold the title of Vice President or above. In addition, the Non-Executive Stock Option Committee may not make any awards or grants of stock options to any one employee that total more than 50,000 shares of common stock in any calendar year or grants of restricted stock units that total more than 16,667 shares of common stock in any calendar year.



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### **Director Nominations**

The Nominating and Corporate Governance Committee nominates directors for election at each annual meeting of stockholders and nominates new directors for election by the Board of Directors to fill vacancies when they arise. The Nominating and Corporate Governance Committee has the responsibility to identify, evaluate, recruit and nominate qualified candidates for election to the Board of Directors.

The Board of Directors has as an objective that its membership be composed of experienced and dedicated individuals with diversity of backgrounds, perspectives and skills. The Nominating and Corporate Governance Committee will select candidates for director based on their character, judgment, diversity of experience, business acumen, and ability to act on behalf of all stockholders. The Nominating and Corporate Governance Committee believes that nominees for director should have experience, such as experience in management or accounting and finance, or industry and technology knowledge, that may be useful to Atheros and the Board, high personal and professional ethics, and the willingness and ability to devote sufficient time to effectively carry out his or her duties as a director. The Nominating and Corporate Governance Committee believes it appropriate for at least one, and, preferably, multiple, members of the Board to meet the criteria for an audit committee financial expert as defined by SEC rules, and for a majority of the members of the Board to meet the definition of independent director under the rules of The Nasdaq Stock Market. The Nominating and Corporate Governance Committee also believes it appropriate for certain key members of our management to participate as members of the Board.

Prior to each annual meeting of stockholders, the Nominating and Corporate Governance Committee identifies nominees first by evaluating the current directors whose term will expire at the annual meeting and who are willing to continue in service. These candidates are evaluated based on the criteria described above, including as demonstrated by the candidate's prior service as a director, and the needs of the Board with respect to the particular talents and experience of its directors. In the event that a director does not wish to continue in service, the Nominating and Corporate Governance Committee determines not to re-nominate the Director, or a vacancy is created on the Board as a result of a resignation, an increase in the size of the board or other event, the Committee will consider various candidates for Board membership, including those suggested by the Committee members, by other Board members, by any executive search firm engaged by the Committee and by stockholders. A stockholder who wishes to suggest a prospective nominee for the Board should notify Atheros' Secretary or any member of the Committee in writing with any supporting material the stockholder considers appropriate.

In addition, our Bylaws contain provisions that address the process by which a stockholder may nominate an individual to stand for election to the Board of Directors at our annual meeting of stockholders. In order to nominate a candidate for director, a stockholder must give timely notice in writing to Atheros' Secretary and otherwise comply with the provisions of our Bylaws. To be timely, our Bylaws provide that we must have received the stockholder's notice not less than 60 days nor more than 90 days prior to the scheduled date of the meeting. However, if notice or prior public disclosure of the date of the annual meeting is given or made to stockholders less than 75 days prior to the meeting date, we must receive the stockholder's notice by the earlier of (i) the close of business on the 15th day after the earlier of the day we mailed notice of the annual meeting date or provided public disclosure of the meeting date and (ii) two days prior to the scheduled date of the annual meeting. Information required by the Bylaws to be in the notice include the name and contact information for the candidate and the person making the nomination and other information about the nominee that must be disclosed in proxy solicitations under Section 14 of the Securities Exchange Act of 1934 and the related rules and regulations under that Section.

Stockholder nominations must be made in accordance with the procedures outlined in, and include the information required by, our Bylaws and must be addressed to: Secretary, Atheros Communications, Inc., 5480 Great America Parkway, Santa Clara, California 95054. You can obtain a copy of our Bylaws by writing to the Secretary at this address.

### **Stockholder Communications with the Board of Directors**

If you wish to communicate with the Board of Directors, you may send your communication in writing to: Secretary, Atheros Communications, Inc., 5480 Great America Parkway, Santa Clara, California 95054. You must include your name and address in the written communication and indicate whether you are a stockholder of Atheros. The Secretary will review any communication received from a stockholder, and all material communications from stockholders will be forwarded to the appropriate director or directors or committee of the Board based on the subject matter.

**Table of Contents****Directors Compensation**

The following tables set forth the compensation amounts paid to each non-employee director for their service during the year ended December 31, 2008:

Name	Fees Earned or Paid in		Total (\$)
	Cash (\$)(1)	Option Awards (\$)(2)(3)	
John L. Hennessy	32,500	107,178	139,678
Daniel A. Artusi	13,145	125,916	139,061
Christine King	23,799	75,722	99,521
Teresa H. Meng	25,000	110,304	135,304
Marshall L. Mohr	35,000	66,525	101,525
Andrew S. Rappaport	31,542	107,178	138,720
Willy C. Shih	33,580	151,887	185,467

- (1) Directors fees are paid in January of the year following the year in which earned.
- (2) This amount represents the compensation costs for financial statement reporting purposes for the year under SFAS 123R, excluding any estimate of future forfeitures. See Note 11 to the Notes of Consolidated Financial Statements in Item 8 in our Annual Report on Form 10-K for the year ended December 31, 2008, for the assumptions made in determining SFAS 123R values. In 2008, each of Dr. Hennessy, Mr. Mohr, Mr. Rappaport and Dr. Shih received a stock option to purchase 7,500 shares with a grant date fair value of \$109,076, Dr. Meng received a stock option to purchase 7,500 shares with a grant date fair value of \$91,522, Ms. King received a stock option to purchase 37,500 shares with a grant date fair value of \$407,948, and Mr. Artusi received a stock option to purchase 37,500 shares with a grant date fair value of \$561,285. Each of these grant date fair values are calculated in accordance with SFAS 123R. Regardless of the value on the grant date, the actual value that may be recognized by the directors will depend on the market value of our common stock on a date in the future when a stock option is exercised.
- (3) The table below sets forth the aggregate number of option awards held by our non-employee directors as of December 31, 2008.

Name	Option Awards
John L. Hennessy	37,500
Daniel A. Artusi	37,500
Christine King	37,500
Teresa H. Meng	190,000
Marshall L. Mohr	37,500
Andrew S. Rappaport	37,500
Willy C. Shih	52,500

**Narrative of Director Compensation**

Under our cash compensation plan for our independent directors, we pay each independent director an annual retainer of \$25,000. In addition, each committee member receives an annual retainer of \$2,500, except that members of the Audit Committee receive an annual retainer of \$5,000. We also pay each committee chair an additional annual retainer of \$2,500, except that we pay our Audit Committee Chair an additional annual retainer of \$5,000. These annual retainers are payable on a pro rata basis for the portion of the year on which a director serves on our Board or a committee. We also reimburse all of our directors for reasonable expenses in connection with attendance at board and committee

meetings. In 2008, our independent directors received these annual retainers as applicable to each such independent director.

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Our independent directors also receive nondiscretionary, automatic grants of nonstatutory stock options under our 2004 Stock Incentive Plan (2004 Plan). Under our 2004 Plan, an independent director will be automatically granted an initial option to purchase 37,500 shares upon first becoming a member of our Board of Directors. The initial option vests and becomes exercisable over four years, with the first 25% of the shares subject to the initial option vesting on the first anniversary of the date of grant and the remainder vesting ratably over the following 36 months. In addition, immediately after each of our regularly scheduled annual meetings of stockholders, each independent director is automatically granted a nonstatutory option to purchase 7,500 shares of our common stock, provided the director has served on our Board for at least six months. Each annual option granted to independent directors who are first elected to our Board of Directors on or after November 1, 2004 vests and becomes exercisable ratably over 48 months and to the other outside directors vests and becomes exercisable ratably over 12 months. The options granted to independent directors have a per share exercise price equal to 100% of the fair market value of the underlying shares on the date of grant, and will become fully vested if we are subject to a change of control. Pursuant to these automatic grant provisions, in 2008, we granted to each of Mr. Artusi and Ms. King an initial option to purchase 37,500 shares, and we granted to each of Dr. Hennessy, Mr. Mohr, Mr. Rappaport, and Dr. Shih an annual option to purchase 7,500 shares.

In February 2007, our Compensation Committee approved the payment of \$25,000 per year to Dr. Meng for her services as a member of our Board, commencing January 1, 2007. This annual payment was in lieu of receiving the annual retainers paid to independent directors and was payable at the same time and in the same manner as the fees paid to the independent directors. In addition, in February 2008, our Compensation Committee granted to Dr. Meng an option to purchase 7,500 shares of our common stock, for her services as a director, in lieu of the automatic option grant under our 2004 Plan. This option vests ratably over 12 months and has a per share exercise price equal to 100% of the fair market value of the underlying shares on the date of grant. Until 2009, Dr. Meng was not eligible to receive the cash compensation for independent directors or the automatic option grants under the 2004 Plan, which are described above. As Dr. Meng is now deemed to be independent as defined by applicable listing standards of the Nasdaq Stock Market, she will receive the cash and equity compensation paid to our independent directors as described above.

Directors also are eligible to receive and have received discretionary grants of nonstatutory stock options under our 2004 Plan. The exercise price of stock options granted to directors is equal to 100% of the fair market value of the underlying shares, as determined pursuant to the 2004 Plan on the date of grant.

## **Compensation Committee Interlocks and Insider Participation**

Mr. Rappaport, Dr. Hennessy and Ms. King currently serve as members of our Compensation Committee. In 2008, Dr. Shih served on the Compensation Committee until April 2008. None of the members of our Compensation Committee at any time has been one of our officers or employees. There are no familial relationships among any of our directors or officers. No interlocking relationship exists between our Board of Directors or Compensation Committee and the board of directors or compensation committee of any other entity, nor has any interlocking relationship existed in the past.

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**Security Ownership of  
Certain Beneficial Owners and Management**

The following table sets forth certain information as of April 2, 2009, as to shares of our common stock beneficially owned by: (1) each person who is known by us to own beneficially more than 5% of our common stock, (2) each of our named executive officers listed in the Summary Compensation Table, (3) each of our directors and nominees and (4) all our directors and executive officers as a group. Unless otherwise stated below, the address of each beneficial owner listed on the table is c/o Atheros Communications, Inc., 5480 Great America Parkway, Santa Clara, California 95054.

We have determined beneficial ownership in accordance with the rules of the SEC. Except as indicated by the footnotes below, we believe, based on the information furnished to us, that the persons and entities named in the table below have sole voting and investment power with respect to all shares of common stock that they beneficially own, subject to applicable community property laws.

The percentage of common stock beneficially owned is based on 61,037,161 shares outstanding as of April 2, 2009. In computing the number of shares of common stock beneficially owned by a person and the percentage ownership of that person, we deemed outstanding shares of common stock subject to options held by that person that are currently exercisable or exercisable within 60 days after April 2, 2009. We did not deem these shares outstanding, however, for the purpose of computing the percentage ownership of any other person.

Name and Address of Beneficial Owner	Number of Shares of Common Stock Beneficially Owned	Percentage of Common Stock Beneficially Owned
<b>5% Stockholders:</b>		
Entities affiliated with FMR LLC (1)	9,048,511	14.8%
Wellington Management Company, LLP (2)	8,224,499	13.5%
Alger Associates, Inc. and Fred Alger Management, Inc. (3)	3,838,538	6.3%
<b>Directors and Named Executive Officers:</b>		
Craig H. Barratt (4)	868,873	1.4%
Jack R. Lazar (5)	219,402	*
Ben D. Naskar (6)	116,458	*
Gary Szilagyi (7)	133,491	*
Adam H. Tachner (8)	177,729	*
John L. Hennessy (9)	85,399	*
Daniel A. Artusi		*
Christine King (10)	10,156	*
Teresa H. Meng (11)	450,000	*
Marshall L. Mohr (12)	40,250	*
Andrew S. Rappaport (13)	37,994	*
Willy C. Shih (14)	30,562	*
All directors and executive officers as a group (14 persons) (15)	2,468,335	3.9%

\* Amount represents less than 1% of our common stock.

- (1) According to an Amendment to Schedule 13G filed on February 17, 2009 by FMR LLC, FMR LLC through its subsidiaries has sole power to vote 487,200 shares and sole power to dispose of 9,048,511 shares. Fidelity Management & Research Company (Fidelity), a wholly owned subsidiary of FMR LLC, is the beneficial owner of 8,241,411 shares as a result of acting as investment adviser to various investment companies, including Fidelity Growth Company Fund, which beneficially owns 7,724,128 shares. Edward C. Johnson 3d and FMR LLC, through its control of Fidelity, and the funds each has sole power to dispose of the 8,241,411 shares owned by these funds. Neither FMR LLC nor Edward C. Johnson 3d has the power to vote or direct the voting of the shares owned directly by the Fidelity funds, which power resides with the Funds' Boards of Trustees. As members of the family of Edward C. Johnson 3d have 49% of the voting power of FMR LLC, directly or through trusts, they may be deemed to form a controlling group with respect to FMR LLC. FMR and Fidelity's address is 82 Devonshire Street, Boston, MA 02109. Pyramis Global Advisors Trust Company (PGATC), an indirect wholly-owned subsidiary of FMR LLC, beneficially owns 807,100 shares as a result of its serving as investment manager of institutional accounts



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- owning such shares. Edward C. Johnson 3d and FMR LLC, through its control of PGATC, each has sole dispositive power over 807,100 shares and sole power to vote or to direct the voting of 487,200 shares. PGATC's address is 53 State Street, Boston, MA 02109.
- (2) According to an Amendment to Schedule 13G filed on February 17, 2009 by Wellington Management Company, LLP (Wellington), Wellington beneficially owns an aggregate of 8,224,499 shares. Wellington has shared voting power over 4,932,109 shares and shared dispositive power over 8,188,799 shares. Wellington's address is 75 State Street, Boston, MA 02109.
  - (3) According to an Amendment to Schedule 13G filed jointly on February 17, 2009 by Alger Associates, Inc. and its direct subsidiary, Fred Alger Management, Inc., these entities have sole voting and dispositive power over these shares. By virtue of the Alger family's controlling interest in Alger Associates, Inc., beneficial ownership of these shares may be imputed to the Alger family. The address is 111 Fifth Avenue, New York, NY 10003.
  - (4) Includes 294,029 shares held by the Barratt-Oakley Trust. Also includes 560,552 shares subject to options that are exercisable as of June 1, 2009 and 9,792 shares subject to restricted stock units that will vest prior to June 1, 2009. Also includes 4,500 shares held by Dr. Barratt's brother-in-law as the trustee of two trusts for the benefit of Dr. Barratt's children.
  - (5) Includes 208,214 shares subject to options that are exercisable as of June 1, 2009 and 3,855 shares subject to restricted stock units that will vest prior to June 1, 2009.
  - (6) Includes 103,645 shares subject to options that are exercisable as of June 1, 2009 and 5,313 shares subject to restricted stock units that will vest prior to June 1, 2009.
  - (7) Includes 7,728 shares held by the Szilagyi Family Revocable Trust. Also includes 122,552 shares subject to options that are exercisable as of June 1, 2009 and 3,211 shares subject to restricted stock units that will vest prior to June 1, 2009.
  - (8) Includes 172,416 shares subject to options that are exercisable as of June 1, 2009 and 1,646 shares subject to restricted stock units that will vest prior to June 1, 2009.
  - (9) Includes 47,899 shares held by The 1993 Hennessy Revocable Trust. Also includes 37,500 shares subject to options that are exercisable as of June 1, 2009.
  - (10) Includes 10,156 shares subject to options that are exercisable as of June 1, 2009.
  - (11) Includes 260,000 shares held by the Teresa H. Meng Trust. Also includes 190,000 shares subject to options that are exercisable as of June 1, 2009.
  - (12) Includes 2,000 shares held for the benefit of Mr. Mohr's sons under the UTMA. Also includes 26,250 shares subject to options that are exercisable as of June 1, 2009.
  - (13) Includes 494 shares held by entities affiliated with August Capital II, L.P. Mr. Rappaport is a member of August Capital Management II, LLC, the general partner of August Capital II, L.P. Mr. Rappaport shares equal voting and dispositive power over these shares with the other members of August Capital Management II, LLC. Mr. Rappaport disclaims beneficial ownership of the securities held by August Capital II, L.P. and its affiliates, except to the extent of his pecuniary interest therein. Also includes 37,500 shares subject to options that are exercisable as of June 1, 2009.
  - (14) Includes 29,062 shares subject to options that are exercisable as of June 1, 2009.
  - (15) Includes 1,779,586 shares subject to options that are exercisable as of June 1, 2009 and 26,682 shares subject to restricted stock units that will vest prior to June 1, 2009.

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### **Section 16(a) Beneficial Ownership Reporting Compliance**

Section 16(a) of the Securities Exchange Act of 1934, requires our executive officers and directors, and persons who own more than 10% of a registered class of our equity securities, to file reports of ownership on Forms 3, 4 and 5 with the Securities and Exchange Commission. Officers, directors and greater than 10% stockholders are required to furnish us with copies of all Forms 3, 4 and 5 they file. Specific due dates for these reports have been established, and we are required to identify in this proxy statement those persons who failed to timely file these reports. Based solely on our review of copies of such reports received by us, or written representations from certain reporting persons, all of the filing requirements for such persons were satisfied for 2008.

### **Executive Compensation**

#### **Compensation Discussion and Analysis**

##### **Overview of our Executive Compensation Policies and Objectives**

We believe that compensation of our executive officers should encourage the creation and enhancement of stockholder value and achievement of strategic corporate objectives, attract qualified, skilled and dedicated executives, retain key leaders, reward past performance and incent future performance. It is our philosophy to align the interests of our stockholders and management by integrating compensation with our annual and long-term corporate and financial objectives. We also consider the appropriate balance between incentives for long-term and short-term performance. In addition, in order to attract and retain the most qualified, skilled and dedicated personnel, we offer a total compensation package competitive with companies in the semiconductor industry, taking into account relative company size, performance and geographic location as well as individual responsibilities and performance.

We believe that compensation of each executive officer should be based on the individual's performance and their ability to enhance long-term stockholder value. Factors we consider in determining executive officer compensation include:

the executive officer's level of responsibilities;

the executive officer's performance compared to the goals and objectives established for that executive officer for the year;

the executive officer's contributions to our financial results; and

the executive officer's effectiveness in leading initiatives to determine and achieve our business goals.

Our Chief Executive Officer reviews the compensation of each of the other executive officers each year, measuring their compensation levels against individual business objectives established for the prior year. These objectives are developed annually by him and the respective executive officers. The conclusions reached and recommendations based on this review, including salary adjustments, bonus amounts and annual equity awards, are presented by our Chief Executive Officer to the compensation committee for consideration. The compensation committee reviews these materials and recommendations and has full authority to exercise its judgment in determining the final compensation payable to each executive officer.

We also consider market information and executive officer compensation survey data regarding the base salaries, cash bonuses, and other incentives paid to executive officers of companies comparable to us in the semiconductor industry. However, we do not restrict our decisions to any particular range or level of total compensation paid to executive officers at these companies.

In making executive officer compensation decisions for 2008, the Compensation Committee retained Frederic W. Cook & Co., Inc. (FWC) as its independent compensation consultant, and used a survey prepared by FWC based on the 2007 executive compensation of a peer group of companies (2007 FWC survey). The 2007 FWC survey provided competitive comparisons against a group of 23 publicly-traded U.S.-based semiconductor companies that are competitors with us in the labor and capital markets, have similar revenues and stock market capitalizations, and similar growth and performance potential. The Compensation Committee believes that the survey reflects a reasonable cross-section of our market for executive talent.





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In making executive officer compensation decisions for 2009, the Compensation Committee also retained FWC as its independent compensation consultant, and used a survey prepared by FWC based on the 2008 executive compensation of a peer group of companies (2008 FWC survey). The 2008 FWC survey provided competitive comparisons against a group of 23 publicly-traded U.S.-based semiconductor companies that are competitors with us in the labor and capital markets, have similar revenues and stock market capitalizations, and similar growth and performance potential. The Compensation Committee believes that the survey reflects a reasonable cross-section of our market for executive talent.

### **Components of our Executive Compensation**

The components of executive officer compensation consist of base salary, bonus, and stock options and restricted stock units grants.

#### ***Annual Base Salary***

Each year our Chief Executive Officer makes salary recommendations to our Compensation Committee for executive officers other than the Chief Executive Officer, which is designed to compensate each executive officer for services rendered during the year. Our Compensation Committee generally sets base salaries at levels designed to attract and retain qualified executive officers with strong leadership skills, taking into account the individual's level of responsibilities and performance. Our Compensation Committee also considers the executive officer's current salary, prior-year bonus, market information and executive officer compensation survey data regarding the base salaries, as well as other incentives paid to executive officers of companies with comparable revenues and other companies within the semiconductor industry. Our Compensation Committee may adjust salaries from time to time to recognize promotions and outstanding individual performance, and to maintain competitive compensation.

Based on the 2007 FWC survey, our Chief Executive Officer's base salary for 2008 was substantially below the 25<sup>th</sup> percentile base salary levels for other chief executive officers in the FWC peer group, the base salary for our Vice President and General Manager of Wireless Networking for 2008 was above the 75<sup>th</sup> percentile base salary level for the comparable positions in the FWC peer group, the base salaries of our Chief Financial Officer and Vice President Corporate Development and our Vice President of Worldwide Sales for 2008 were between the 50<sup>th</sup> and 75<sup>th</sup> percentile base salary levels for the comparable positions in the FWC peer group, and the base salary of our Vice President and General Counsel for 2008 was between the 25<sup>th</sup> and 50<sup>th</sup> percentile base salary level for the comparable positions in the FWC peer group.

In February 2009, our Compensation Committee determined that, to reduce our operating expenses in view of the current difficult economic conditions, there would be no increases to the executive officers' base salaries over 2008 levels and that such base salaries would be temporarily reduced, effective February 1, 2009. The Compensation Committee also determined that it would periodically review and adjust the executive officers' base salary levels subject to Atheros' performance throughout 2009. The annual base salary for our Chief Executive Officer was temporarily reduced by 40%, and the annual base salaries for our other executive officers were temporarily reduced by 20%. Based on the 2008 FWC survey, our Chief Executive Officer's temporary base salary for 2009 is less than one-half of the 25<sup>th</sup> percentile base salary level for other chief executive officers in the FWC peer group, and the temporary base salary for our other executive officers is substantially below the 25<sup>th</sup> percentile base salary levels for the comparable positions in the FWC peer group. Without the temporary reduction in base salaries, based on the 2008 FWC survey, our Chief Executive Officer's base salary for 2009 would be substantially below the 25<sup>th</sup> percentile base salary level for other chief executive officers in the FWC peer group, the base salary for our Vice President and General Manager of Wireless Networking for 2009 would be between the 50<sup>th</sup> and 75<sup>th</sup> percentile base salary level for the comparable positions in the FWC peer group, the base salary of our Chief Financial Officer and Vice President Corporate Development, our Vice President of Worldwide Sales, and our Vice President and General Counsel for 2009 would be between the 25<sup>th</sup> and 50<sup>th</sup> percentile base salary levels for the comparable positions in the FWC peer group.

#### ***Cash Bonuses***

We believe that a portion of executive officer compensation should be contingent upon our performance and an individual's contribution to our success in meeting corporate and financial objectives. Bonuses paid for 2008 were determined based on the 2008 bonus plan adopted by the Compensation Committee in February 2008. Under our 2008 bonus plan, bonuses earned by our Chief Executive Officer and the other executive officers were based on our achievement of certain financial corporate performance objectives and certain individual non-financial performance objectives specific to each executive officer. For all executive officers, the financial corporate objectives were specifically tied to corporate revenue, operating income, gross margin, earnings per share, accounts receivable, days sales outstanding, and inventory turns in 2008. The non-financial objectives include individual objectives related to personal and organizational operational excellence by each executive officer, and customer and market share goals and product delivery milestones. Under our 2008 bonus plan, each executive officer was entitled to receive:

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a bonus of up to 75% of base salary for the Chief Executive Officer, up to 50% of base salary for the Vice President and General Manager of Wireless Networking, up to 45% of base salary for the Chief Financial Officer and Vice President Corporate Development and the Vice President and General Counsel, and up to 17.5% of base salary for the Vice President of Worldwide Sales, for the achievement of baseline financial corporate objectives and non-financial operational and individual performance objectives; and

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a bonus of up to an additional 75% of base salary for the Chief Executive Officer, up to 50% of base salary for the Vice President and General Manager of Wireless Networking, up to 40% of base salary for the Chief Financial Officer and Vice President Corporate Development, up to 30% of base salary for the Vice President and General Counsel, and up to 5% of base salary for the Vice President of Worldwide Sales, for the achievement of higher levels of financial corporate and operational and individual performance objectives.

The Vice President of Worldwide Sales was also entitled to receive an additional bonus of up to 52.5% of his base salary for the achievement of certain baseline corporate revenue objectives, and up to an additional 15% of his base salary for the achievement of higher levels of corporate revenue objectives.

Based on the 2008 FWC survey, the target bonuses for 2008 measured as a percentage of salary, excluding the bonus for achieving higher levels of objectives, of our Chief Executive Officer and our Chief Financial Officer and Vice President Corporate Development were below the 25<sup>th</sup> percentile bonus levels measured as a percentage of salary for the comparable positions in the FWC peer group; the target bonuses for 2008 measured as a percentage of salary, excluding the bonus for achieving higher levels of objectives, of our Vice President and General Manager of Wireless Networking and our Vice President and General Counsel were between the 25<sup>th</sup> and 50<sup>th</sup> percentile bonus levels measured as a percentage of salary for the comparable positions in the FWC peer group; and the target bonus for 2008 measured as a percentage of salary, excluding the bonus for achieving higher levels of objectives, of our Vice President of Worldwide Sales, which includes his bonus based on corporate revenue objectives, was above the 75<sup>th</sup> percentile bonus level measured as a percentage of salary for the comparable positions in the FWC peer group.

At the time the objectives were set in February 2008, we believed that they were attainable at the established target levels, but substantial uncertainty nevertheless existed as to the actual attainment of the objectives at any of the established levels.

In 2008, we met and our Chief Executive Officer met 53% of the baseline corporate and individual objectives and 15% of the higher levels of corporate and individual performance objectives under the 2008 bonus plan; our Vice President and General Manager of Wireless Networking met 58% of the baseline corporate and individual objectives and 15% of the higher levels of corporate and individual performance objectives under the 2008 bonus plan; our Chief Financial Officer and Vice President Corporate Development met 55% of the baseline corporate and individual objectives and 20% of the higher levels of corporate and individual performance objectives under the 2008 bonus plan; our Vice President of Worldwide Sales met 58% of the baseline corporate and individual objectives and 20% of the higher levels of corporate and individual performance objectives under the 2008 bonus plan; and our Vice President and General Counsel met 55% of the baseline corporate and individual objectives and 13% of the higher levels of corporate and individual performance objectives. Under the revenue-based portion of the 2008 bonus plan for the Vice President of Worldwide Sales, we met 88% of our cumulative annual baseline revenue objectives, but did not meet our higher levels of revenue objectives.

The bonuses earned for 2008 therefore equaled 50.6% of base salary for our Chief Executive Officer, 36.3% of base salary for the Vice President and General Manager of Wireless Networking, 32.8% of base salary for our Chief Financial Officer and Vice President Corporate Development, 28.5% of base salary for our Vice President and General Counsel, and 61.9% of base salary for the Vice President of Worldwide Sales.

In February 2009, our Compensation Committee approved the 2009 bonus plan for our Chief Executive Officer and our other executive officers, which will be based on our achievement of certain financial corporate performance objectives and certain individual non-financial performance objectives specific to each executive officer. For all executive officers, the financial corporate objectives are specifically tied to corporate revenue, operating income, gross margin, earnings per share, days sales outstanding, and inventory turns in 2009. The non-financial objectives include individual objectives related to personal and organizational operational excellence by each executive officer, and customer and market share goals and product delivery milestones. Under our 2009 bonus plan, each executive officer is entitled to receive:

a bonus of up to 75% of base salary for the Chief Executive Officer, up to 50% of base salary for the Vice President and General Manager of Wireless Networking, up to 45% of base salary for the Chief Financial Officer and the Vice President and General Counsel, and up to 17.5% of base salary for the Vice President of Worldwide Sales, for the achievement of financial corporate objectives and non-financial operational and individual performance objectives; and

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a bonus of up to an additional 75% of base salary for the Chief Executive Officer, up to 50% of base salary for the Vice President and General Manager of Wireless Networking, up to 40% of base salary for the Chief Financial Officer, up to 30% of base salary for the Vice President and General Counsel, and up to 5% of base salary for the Vice President of Worldwide Sales, for the achievement of higher levels of financial corporate and operational and individual performance objectives.

The Vice President of Worldwide Sales is also entitled to receive an additional bonus of up to 52.5% of his base salary for the achievement of certain corporate revenue objectives, and up to an additional 15% of his base salary for the achievement of higher levels of corporate revenue objectives.

Based on the 2008 FWC survey, the target bonuses for 2009 measured as a percentage of salary, excluding the bonus for achieving higher levels of objectives, of our Chief Executive Officer and our Chief Financial Officer and Vice President Corporate Development are below the 25<sup>th</sup> percentile bonus levels measured as a percentage of salary for the comparable positions in the FWC peer group; the target bonuses for 2009 measured as a percentage of salary, excluding the bonus for achieving higher levels of objectives, of our Vice President and General Manager Wireless Networking and our Vice President and General Counsel are between the 25<sup>th</sup> and 50<sup>th</sup> percentile bonus levels measured as a percentage of salary for the comparable positions in the FWC peer group; and the target bonus for 2009 measured as a percentage of salary, excluding the bonus for achieving higher levels of objectives, of our Vice President of Worldwide Sales, which includes his bonus based on corporate revenue objectives, is above the 75<sup>th</sup> percentile bonus level measured as a percentage of salary for the comparable position in the FWC peer group.

We believe that the objectives are attainable at the established target levels, but substantial uncertainty nevertheless exists as to the actual attainment of the objectives at any of the established levels. If earned, these bonuses are expected to be paid in early 2010, except that the revenue-based portion of the bonus for the Vice President of Worldwide Sales is paid on a quarterly basis.

***Equity Awards***

Our Compensation Committee administers our 2004 Plan for executive officers, employees, consultants and outside directors, under which it may grant stock options and stock appreciation rights with an exercise price equal to the fair market value of a share of the common stock on the date of grant, and restricted stock and stock units.

We believe that equity awards (1) align our executives' interests with our stockholders' interests by creating a direct link between compensation and stockholder return, (2) provide our executives with a significant, long-term interest in our success and (3) help retain key executives in a competitive market for executive talent. Accordingly, when annually reviewing executive officer compensation we also consider equity awards as appropriate. At its discretion, from time to time our Compensation Committee may also grant equity awards based on individual and corporate achievements. Our Compensation Committee determines the number of shares underlying each equity award based upon several factors, including:

the executive officer's and our performance;

the executive officer's role and responsibilities;

the executive officer's base salary; and

comparison with comparable awards to individuals in similar positions in the industry.

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Prior to 2007, our Compensation Committee granted stock options to executive officers annually at its regularly scheduled quarterly meeting held in January of each year. In July 2006, our Board adopted a policy that, commencing in 2007, annual grants of equity awards to executive officers will be granted by our Compensation Committee in February of each year during an open trading window. In addition, in 2007 and 2008, the equity awards granted by our Compensation Committee to our executive officers consisted of both stock options and restricted stock units, to lessen the compensation expense related to stock options, and to allow more shares to be available under the 2004 Plan for non-executive employee grants.

Based on the 2008 FWC survey, the estimated value of the equity awards granted to our Chief Executive Officer and our other executive officers, except our Vice President and General Counsel, in 2008 was above the 75<sup>th</sup> percentile estimated equity award value levels for the comparable positions in the FWC peer group. The estimated value of the equity awards granted to our Vice President and General Counsel in 2008 was between the 50<sup>th</sup> and 75<sup>th</sup> percentile estimated equity award value level for the comparable positions in the FWC peer group.

In addition, our employees generally are able to participate in our 2004 Employee Stock Purchase Plan. Under our Employee Stock Purchase Plan, each executive officer may purchase up to 1,875 shares of our common stock in a six-month period at a discount to the market price. The number of shares that may be purchased by each participant is limited by applicable tax laws.

### **Tax Deductibility Considerations**

Section 162(m) of the Internal Revenue Code disallows a tax deduction for compensation in excess of \$1 million paid to our chief executive officer or any of our other executive officers whose total compensation is required to be reported in our proxy statement by reason of being one of the three most highly compensated officers (other than our chief executive officer and chief financial officer). Our Compensation Committee may elect to provide our officers with compensation that is not fully deductible under Section 162(m) if it determines that such awards are consistent with our philosophy and in the best interests of our stockholders.

Section 409A of the Internal Revenue Code provides that amounts deferred under nonqualified deferred compensation plans are included in an employee's income when they vest unless specified requirements are met. If these requirements are not met, employees are also subject to an additional income tax and interest penalties. None of our named executive officers participates in or has account balances in non-qualified defined contribution plans or other deferred compensation plans maintained by us.

### **Chief Executive Officer Compensation**

Our Compensation Committee determines the compensation of the Chief Executive Officer, Craig H. Barratt, using the same criteria as for the other executive officers. In February 2008, our Compensation Committee granted Dr. Barratt (1) an option to purchase 150,000 shares vesting on a monthly basis over four years from the date of grant and (2) restricted stock units for 40,000 shares vesting on a quarterly basis over four years from the date of grant. The Compensation Committee also determined that Dr. Barratt's 2008 annual salary would increase from \$310,000 in 2007 to \$340,000. In February 2009, our Compensation Committee awarded Dr. Barratt a bonus of \$172,125 for his service in 2008. Dr. Barratt's 2008 bonus was determined under the 2008 bonus plan described above under Cash Bonuses. In determining Dr. Barratt's compensation, including his annual salary, bonus and equity awards, our Compensation Committee considered Dr. Barratt's individual performance and our performance as a whole, including our financial performance, product roll-outs and product development, and Dr. Barratt's leadership in the development and execution of our business strategy, as well as a review of compensation paid to presidents and chief executive officers of comparable companies. Our Compensation Committee also considered Dr. Barratt's potential to enhance long-term stockholder value. By including a cash bonus based on the achievement of performance objectives that is greater than a majority of Dr. Barratt's total potential cash compensation, and including significant grants of stock options and restricted stock units that are subject to vesting over four years, our Compensation Committee has tied Dr. Barratt's cash and equity-based compensation directly to our performance, both in the near term over the following year and in the long-term. In February 2009, our Compensation Committee determined that, to reduce our operating expenses in view of the current difficult economic conditions, there would be no increases to Dr. Barratt's base salary over the 2008 level and that such base salary would be temporarily reduced to \$204,000, or by 40%, effective February 1, 2009. The Compensation Committee also determined that it would periodically review and adjust Dr. Barratt's base salary subject to Atheros' performance throughout 2009. Based on the 2008 FWC survey, Dr. Barratt's temporary base salary for 2009 is less than one-half of the 25<sup>th</sup> percentile salary levels for other chief executive officers in the FWC peer group, and his base salary without the temporary reduction would be substantially below the 25<sup>th</sup> percentile salary levels for other chief executive officers in the FWC peer group.

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### **Employment Agreements**

All of our executive officers serve on an at will employment basis and not for a fixed term.

We have an offer letter with Craig H. Barratt, our President and Chief Executive Officer, entered into on April 9, 2003, under which Dr. Barratt was originally entitled to an annual base salary of \$258,000, and is eligible for an annual bonus pursuant to our bonus program as determined by the Board of Directors. Pursuant to this letter, Dr. Barratt was granted in 2003 an option to purchase 1,274,999 shares of Atheros common stock vesting over four years from the date of grant. The options terminate ten years after the date of grant.

We have an offer letter with Jack R. Lazar, our Chief Financial Officer and Vice President of Corporate Development, entered into on September 22, 2003, under which Mr. Lazar was originally entitled to an annual base salary of \$250,000 and is eligible for an annual bonus pursuant to our bonus program as determined by the Board of Directors with an original target annual bonus set at 25% of his base salary. Pursuant to this offer letter, Mr. Lazar was granted an option in 2003 to purchase 412,499 shares of Atheros common stock, with the first 25% of the options vesting after one year of employment and the remaining options vesting monthly over the following 36 months. The options terminate ten years after the date of grant.

We have an offer letter with Ben D. Naskar, our Vice President and General Manager of Wireless Networking Business Unit, entered into on May 14, 2007, under which Mr. Naskar was originally entitled to an annual base salary of \$295,000. Mr. Naskar also received a signing bonus of \$100,000 upon commencing employment with us. Pursuant to this agreement, Mr. Naskar was granted an option in 2007 to purchase 200,000 shares of Atheros common stock, with the first 25% of the options vesting after one year of employment and the remaining options vesting monthly over the following 36 months. The options terminate ten years after the date of grant.

We have an offer letter with Gary L. Szilagyi, our Vice President of Worldwide Sales, entered into on December 29, 2005, under which Mr. Szilagyi was originally entitled to an annual base salary of \$240,000. Mr. Szilagyi also received a hiring bonus of \$100,000, of which one-half was paid on December 29, 2005 and one-half was paid three months after his first day of employment. The agreement also provides that Mr. Szilagyi was eligible to receive a target annual bonus of up to \$135,000 for 2006 based upon certain corporate objectives and achieving certain sales revenue targets. Pursuant to the agreement, Mr. Szilagyi was granted options in January 2006 to purchase 220,000 shares of Atheros common stock, with the first 25% of the options vesting one year after the date of grant and the remaining options vesting monthly over the following 36 months. The options terminate ten years after the date of grant.

We have an offer letter with Adam H. Tachner, our Vice President and General Counsel, entered into on September 13, 2000, under which Mr. Tachner was originally entitled to an annual base salary of \$200,000. Pursuant to the agreement, Mr. Tachner was granted options in November 2000 to purchase 119,999 shares of Atheros common stock, with the first 25% of the options vesting after one year of employment and the remaining options vesting monthly over the following 36 months. The options terminate ten years after the date of grant.

### **Severance and Change of Control Arrangements**

Pursuant to a severance and change in control agreement dated February 13, 2009 between us and Dr. Barratt, if Dr. Barratt is terminated without cause, or resigns for good reason, within 12 months following a change of control, he will receive the following: a lump severance payment equal to 18 months of base salary at the highest rate in effect during his employment with Atheros; if not already paid to him at the time of termination, his earned annual cash incentive bonus under the bonus plan in effect for the calendar year immediately prior to the termination; his baseline target annual cash incentive bonus under the bonus plan in effect during the calendar year of the termination, pro rated for the portion of the then current calendar year prior to the date of termination; automatic vesting of all of his unvested options and restricted stock units as of the date of termination; the extension of the exercise period for his options to the earlier of two years following the termination date or the original expiration date of the options; and Atheros will pay the health insurance coverage for Dr. Barratt and his enrolled dependents for 18 months following the effective date of termination. In the event Dr. Barratt is terminated other than for cause, or resigns for good reason, prior to a change in control or more than 12 months following a change in control, or his employment terminates as a result of death or total and permanent total disability, he will receive the following: a lump severance payment equal to 12 months of base salary at the highest rate in effect during his employment with Atheros; automatic vesting of his unvested options and restricted stock units that would have vested during the 12-month period immediately following the date of termination; the extension of the exercise period for his options to the earlier of two years following the termination date or the original expiration date of the options; and Atheros will pay the health insurance coverage for Dr. Barratt and his enrolled dependents for 12 months following the effective date of termination.

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Pursuant to a severance and change in control agreement dated February 13, 2009 between us and Mr. Lazar, if Mr. Lazar is terminated without cause, or resigns for good reason, within 12 months following a change of control, he will receive the following: a lump severance payment equal to 12 months of base salary at the highest rate in effect during his employment with Atheros; if not already paid to him at the time of termination, his earned annual cash incentive bonus under the bonus plan in effect for the calendar year immediately prior to the termination; his stretch target annual cash incentive bonus under the bonus plan in effect during the calendar year of the termination, pro rated for the portion of the then current calendar year prior to the date of termination; automatic vesting of all of his unvested options and restricted stock units as of the date of termination; the extension of the exercise period for his options to the earlier of one year following the termination date or the original expiration date of the options; and Atheros will pay the health insurance coverage for Mr. Lazar and his enrolled dependents for 12 months following the effective date of termination. In the event Mr. Lazar is terminated other than for cause prior to a change in control or more than 12 months following a change in control, he will receive the following: a lump severance payment equal to six months of base salary at the highest rate in effect during his employment with Atheros; and Atheros will pay the health insurance coverage for Mr. Lazar and his enrolled dependents for six months following the effective date of termination.

Pursuant to severance and change in control agreements dated February 12, 2009 (February 13, 2009 for Mr. Naskar) between us and each of Messrs. Naskar, Szilagy and Tachner, if the executive officer is terminated without cause, or resigns for good reason, within 12 months following a change of control, he will receive the following: a lump severance payment equal to 12 months of base salary at the highest rate in effect during his employment with Atheros; if not already paid to him at the time of termination, his earned annual cash incentive bonus under the bonus plan in effect for the calendar year immediately prior to the termination; his baseline target annual cash incentive bonus under the bonus plan in effect during the calendar year of the termination, pro rated for the portion of the then current calendar year prior to the date of termination; automatic vesting of all of his unvested options and restricted stock units as of the date of termination; the extension of the exercise period for his options to the earlier of one year following the termination date or the original expiration date of the options; and Atheros will pay the health insurance coverage for the executive officer and his enrolled dependents for 12 months following the effective date of termination. In the event the executive officer is terminated other than for cause prior to a change in control or more than 12 months following a change in control, he will receive the following: a lump severance payment equal to six months of base salary at the highest rate in effect during his employment with Atheros; and Atheros will pay the health insurance coverage for the executive officer and his enrolled dependents for six months following the effective date of termination.



**Table of Contents****2008 Summary Compensation Table**

The following table sets forth compensation for services rendered in all capacities to us for the years ended December 31, 2006, 2007 and 2008 for our Chief Executive Officer, our Chief Financial Officer and the three other most highly compensated executive officers as of December 31, 2008 whose total annual compensation for fiscal 2008 exceeded \$100,000, whom we refer to in this Proxy Statement as the named executive officers.

Name & Principal Position	Year	Salary (\$)(1)	Bonus (\$)	Stock Awards (\$)(2)	Option Awards (\$)(2)	Non-Equity Incentive Plan Compensation (\$)(3)	All Other Compensation (\$)	Total (\$)
Craig H. Barratt President and Chief Executive Officer	2008	340,000		344,999	1,162,282	172,125	1,000	2,020,406
	2007	310,000		92,413	838,038	297,600	1,000	1,539,051
	2006	291,200			632,111	288,288		1,211,599
Jack R. Lazar Chief Financial Officer, Vice President of Corporate Development and Secretary	2008	295,000		138,884	511,532	96,613	1,000	1,043,029
	2007	280,000		37,768	392,922	149,800	1,000	861,490
	2006	272,500			356,300	134,888		763,688
Ben D. Naskar(4) Vice President and General Manager of Wireless Networking	2008	310,000		243,121	831,959	112,375	1,000	1,498,455
	2007	160,926	100,000(5)		415,792	101,867		778,585
	2006							
Gary L. Szilagyi Vice President of Worldwide Sales	2008	260,000		93,545	529,314	161,001	1,000	1,044,860
	2007	250,000		23,105	405,112	152,624	1,000	831,841
	2006	229,230	50,000(6)		277,471	164,428		721,129
Adam H. Tachner Vice President and General Counsel	2008	260,000		69,003	259,353	74,100	1,000	663,456
	2007	245,000		18,486	216,440	131,075	1,000	612,001
	2006	235,032			218,269	116,341		569,642

- (1) Includes compensation deferred under our 401(k) employee savings plan.
- (2) Represents the compensation costs recognized by us for financial statement reporting purposes for the year under SFAS 123R, but excluding any estimate of future forfeitures. These amounts do not reflect whether the officer has actually realized a financial benefit from the awards. See Note 11 to the Notes of Consolidated Financial Statements in Item 8 in our Annual Report on Form 10-K for the year ended December 31, 2008, for the assumptions made in determining SFAS 123R values.
- (3) These amounts reflect bonuses earned pursuant to our bonus plans for each year shown, adopted by our Compensation Committee in the beginning of the applicable year. We pay these bonuses in the year following the year in which they were earned. With respect to Mr. Szilagyi, 80% of his bonus for 2006, 75% of his bonus for 2007, and 75% of his bonus for 2008 were based on revenue objectives, and 20% for 2006, 25% for 2007 and 25% for 2008 were based on the bonus plan adopted for all executive officers. A portion of Mr. Szilagyi's bonus was paid in quarterly installments during the year in which earned, and the remainder was paid in the year following the year in which it was earned.
- (4) Mr. Naskar joined Atheros in June 2007.
- (5) This amount consists of a hiring bonus paid in 2007 pursuant to Mr. Naskar's employment offer letter.
- (6) This amount consists of a hiring bonus paid in 2006 pursuant to Mr. Szilagyi's employment offer letter.

**Table of Contents****Grant of 2008 Plan-Based Awards**

The following table sets forth information on incentive plan awards granted to our named executive officers in fiscal year 2008.

Name	Grant Date	Estimated Possible Payouts Under Non-Equity Incentive Plan Awards(1)				All Other Stock Awards: Number of Shares of Stock or Units (#)	All Other Option Awards: Number of Securities Underlying Options (#)(2)	Exercise or Base Price of Option Awards (\$/Sh)	Grant Date Fair Value of Stock and Option Awards (\$)(3)
		Threshold (\$)	Target (\$)	Maximum (\$)					
Craig H. Barratt	2/13/08		255,000	510,000	40,000	150,000	27.37	2,925,235	
Jack R. Lazar	2/13/08		132,750	250,750	16,000	60,000	27.37	1,170,094	
Ben D. Naskar	2/13/08		155,000	310,000	40,000	25,000	27.37	1,399,873	
Gary L. Szilagyi	2/13/08		182,000	234,000	11,200	42,000	27.37	819,066	
Adam H. Tachner	2/13/08		117,000	195,000	8,000	30,000	27.37	585,047	

- (1) These amounts reflect the threshold, target and maximum awards assigned to our named executive officers under our 2008 bonus plan and, with respect to Mr. Szilagyi, under his bonus plan that is based on the achievement of corporate revenue objectives.
- (2) The exercise price of all these options was equal to the closing price of our common stock on the date of grant as reported on the Nasdaq Stock Market.
- (3) The value of the option and restricted stock unit awards is based on the fair value as of the grant date of the award calculated in accordance with SFAS 123R. Regardless of the value on the grant date, the actual value that may be recognized by the officer will depend on the market value of our common stock on a date in the future when a stock option is exercised.

**Narrative to 2008 Summary Compensation Table and Grant of 2008 Plan-Based Awards**

See Compensation Discussion and Analysis above for complete description of compensation plans pursuant to which the amounts listed under the 2008 Summary Compensation Table and Grants of 2008 Plan Based Awards Table were paid or awarded and the criteria for such payment, including targets for payment of annual incentives, as well as performance criteria on which such payments were based. The Compensation Discussion and Analysis also describes the options and restricted stock units.

All stock options granted to our executive officers in 2008 vest over four years in 48 equal monthly installments beginning one month after the date of grant. All restricted stock units granted in 2008 vest over four years in 16 equal quarterly installments beginning three months after the date of grant.

**Table of Contents****Outstanding Equity Awards at 2008 Fiscal Year-End Table**

The following sets forth information regarding equity-based awards outstanding as of December 31, 2008, and the option exercise prices and expiration dates for each award.

Name	Option Awards				Stock Awards	
	Number of Securities Underlying Unexercised Options	Number of Securities Underlying Unexercised Options	Option Exercise Price	Option Expiration Date	Number of shares or units of stock that have not vested	Market value of shares or units of stock that have not vested
	(#) Exercisable	(#) Unexercisable	(\$)(1)		(#)	(\$)(13)
Craig H. Barratt	68,750(2)	81,250(2)	24.40	2/01/2014		
	109,375(3)	40,625(3)	14.38	1/17/2011		
	146,875(4)	3,125(4)	10.03	1/20/2015		
	150,000(5)		9.333	1/13/2014		
	4,302(6)		1.72	4/08/2013		
	31,250(7)	118,750(7)	27.37	2/12/2015		
					41,875	599,231
Jack R. Lazar	15,000(2)	32,500(2)	24.40	2/01/2014		
	25,000(3)	27,084(3)	14.38	1/17/2011		
	16,250(4)	1,250(4)	10.03	1/20/2015		
	5,000(5)		9.333	1/13/2014		
	110,297(8)		2.253	10/02/2013		
	12,500(7)	47,500(7)	27.37	2/12/2015		
					16,750	239,693
Ben D. Naskar	75,000(9)	125,000(9)	32.15	6/14/2017		
	5,208(7)	19,792(7)	27.37	2/12/2015		
					32,500	465,075
Gary L. Szilagyi	17,187(2)	20,313(2)	24.40	2/01/2014		
	65,416(10)	59,584(10)	14.38	1/17/2016		
	8,750(7)	33,250(7)	27.37	2/12/2015		
					11,444	163,764
Adam H. Tachner	13,750(2)	16,250(2)	24.40	2/01/2014		
	36,458(3)	13,542(3)	14.38	1/17/2011		
	48,958(4)	1,042(4)	10.03	1/20/2015		
	50,750(11)		3.333	11/11/2013		
	3,750(12)		1.72	3/11/2013		
	6,250(7)	23,750(7)	27.37	2/12/2015		
					8,375	119,846

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- (1) The exercise base price of all options granted after our initial public offering in February 2004 was equal to the closing price of our common stock on the date of grant as reported on the Nasdaq Stock Market. The exercise base price of all options granted prior to our initial public offering in February 2004 was equal to the fair market value of our common stock on the date of grant as determined by the board of directors.
- (2) The options become exercisable in 48 equal monthly installments commencing on 3/2/2007.
- (3) The options become exercisable in 48 equal monthly installments commencing on 2/18/2006.
- (4) 25% of the options became exercisable on 1/21/2006, and the remaining options become exercisable in 36 equal monthly installments beginning on 2/21/2006.
- (5) The options became exercisable on 1/14/2004. The shares underlying the options are subject to our right to repurchase that lapsed as to 20% of the shares on 1/14/2005, and lapses as to the remaining shares in 48 equal monthly installments beginning on 2/14/2005.
- (6) The options became exercisable on 4/9/2003. The shares underlying the options were subject to our right to repurchase that lapsed as to 25% of the shares on 2/23/2004, and lapsed as to the remaining shares in 36 equal monthly installments beginning on 3/23/2004.
- (7) The options become exercisable in 48 equal monthly installments commencing on 3/13/2008.
- (8) The options became exercisable on 10/3/2003. The shares underlying the options were subject to our right to repurchase that lapsed as to 25% of the shares on 9/29/2004, and lapsed as to the remaining shares in 36 equal monthly installments beginning on 10/29/2004.
- (9) 25% of the options become exercisable on 6/15/2008, and the remaining options become exercisable in 36 equal monthly installments commencing on 7/15/2008.
- (10) 25% of the options became exercisable on 1/18/2007, and the remaining options become exercisable in 36 equal monthly installments beginning on 2/18/2007.
- (11) All of the options became exercisable on 11/12/2003. The shares underlying the options were subject to the issuer's right of repurchase that lapsed as to 25% of the shares on 8/13/2004, and lapsed as to the remaining shares in 36 equal monthly installments beginning on 9/13/2004.
- (12) All of the options became exercisable on 3/12/2003. The shares underlying the options were subject to the issuer's right of repurchase that lapsed in 48 equal monthly installments beginning on 11/17/2003.
- (13) Market value is equal to the closing price of our common stock on 12/31/2008 (\$14.31) multiplied by the number of restricted stock units.

**Table of Contents****2008 Option Exercises Table**

The following table sets forth the dollar amounts realized pursuant to the exercise or vesting of equity-based awards during fiscal year 2008.

Name	Option Awards		Stock Awards	
	Number of Shares Acquired on Exercise (#)	Value Realized on Exercise \$(1)	Number of shares acquired on vesting (#)	Value realized on vesting \$(2)
Craig H. Barratt	44,946	1,134,148	11,667	296,777
Jack R. Lazar	25,000	634,025	4,667	118,715
Ben D. Naskar			7,500	188,550
Gary L. Szilagyi	35,000	566,950	3,142	79,864
Adam H. Tachner	20,000	476,956	2,334	59,366

- (1) With respect to shares that were sold upon exercise, the value is the difference between the sale price of the underlying shares and the option exercise price, multiplied by the number of shares exercised and sold. With respect to shares that were exercised and not sold upon exercise, the value is the difference between the closing price of our common stock on the date of exercise and the option exercise price, multiplied by the number of shares exercised. Dr. Barratt exercised and held 24,946 options in 2008.
- (2) The value is the closing price of our common stock on the date of vesting, multiplied by the number of shares vested.

**Pension Benefits**

None of our named executives participate in or have account balances in qualified or non-qualified defined benefit plans sponsored by us. The Compensation Committee, which will be comprised solely of outside directors as defined for purposes of Section 162(m) of the Internal Revenue Code, may elect to adopt qualified or non-qualified defined benefit plans if the Compensation Committee determines that doing so is in our best interests.

**Nonqualified Deferred Compensation**

None of our named executives participate in or have account balances in non-qualified defined contribution plans or other deferred compensation plans maintained by us. The Compensation Committee, which will be comprised solely of outside directors as defined for purposes of Section 162(m) of the Internal Revenue Code, may elect to provide our officers and other employees with non-qualified defined contribution or deferred compensation benefits if the Compensation Committee determines that doing so is in our best interests.

**Table of Contents****Potential Payments Upon Termination or Change of Control**

The following table sets forth potential payments payable to our current executive officers upon termination of employment or a change in control. Our Compensation Committee may in its discretion revise, amend or add to the benefits if it deems advisable. The table below reflects amounts payable to our named executive officers assuming a change of control on, and/or termination of their employment on, December 31, 2008, and assuming the severance and change in control agreements of February 2009 with the named executive officers had been entered into prior to December 31, 2008:

Name	Benefit	Termination Without Cause; No Change of Control \$(1)	Termination Without Cause with Change of Control \$(2)
Craig H. Barratt	Salary	340,000	510,000
	Bonus		255,000
	Option acceleration(3)	228,533(4)	625,049(4)
	Benefits continuation	19,443	29,165
	Total value	587,976	1,419,214
Jack R. Lazar	Salary	147,500	295,000
	Bonus		250,750
	Option acceleration(3)		245,043(4)
	Benefits continuation	9,722	19,443
	Total value	157,222	810,236
Ben D. Naskar	Salary	155,000	310,000
	Bonus		155,000
	Option acceleration(3)		465,075(4)
	Benefits continuation	9,722	19,443
	Total value	164,722	949,518
Gary L. Szilagyi	Salary	130,000	260,000
	Bonus		182,000
	Option acceleration(3)		163,764(4)
	Benefits continuation	9,722	19,443
	Total value	139,722	625,207
Adam H. Tachner	Salary	130,000	260,000
	Bonus		117,000
	Option acceleration(3)		124,306(4)
	Benefits continuation	7,807	15,614
	Total Value	137,807	516,920

(1) Payable in the event of termination without cause prior to a change in control or more than 12 months following a change in control. With respect to Dr. Barratt, these amounts are also payable in the event he terminates his employment for good reason within this time period, and are also payable in the event of his death or permanent disability.

(2)

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Payable in the event of termination without cause, or if the executive officer terminates his employment for good reason, within 12 months following a change in control.

- (3) Represents the aggregate value of the accelerated vesting of the executive officer's unvested stock options and restricted stock units. This value was calculated for the options by multiplying (i) the difference between the fair market value of our common stock on December 31, 2008 (\$14.31) and the applicable exercise price, by (ii) the assumed number of option shares vesting on an accelerated basis on December 31, 2008. This value was calculated for the restricted stock units by multiplying the fair market value of our common stock on December 31, 2008 (\$14.31) by the assumed number of restricted stock shares vesting on an accelerated basis on December 31, 2008.
- (4) Dr. Barratt will have until the earlier of two years following his termination date or the expiration date of the options in which to exercise these stock options. The other executive officers will have until the earlier of one year following their termination date or the expiration date of the options in which to exercise these stock options.

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**Report of the Compensation Committee**

*The following report of the Compensation Committee does not constitute solicitation material, and shall not be deemed filed or incorporated by reference into any other filing by Atheros under the Securities Act of 1933, or the Securities Exchange Act of 1934.*

The Compensation Committee has reviewed and discussed the Compensation Discussion and Analysis with Atheros management. Based on this review and these discussions, the Compensation Committee recommended to the Board of Directors of Atheros that the Compensation Discussion and Analysis be included in Atheros annual report on Form 10-K and proxy statement on Schedule 14A.

*Respectfully submitted on April 7, 2009, by the members of the Compensation Committee of the Board:*

*Andrew S. Rappaport*

*John L. Hennessy*

*Christine King*

**Certain Relationships and Related Party Transactions**

**Overview**

We have entered into indemnification agreements with each of our current directors and executive officers. These agreements will require us to indemnify these individuals to the fullest extent permitted under Delaware law against liabilities that may arise by reason of their service to us, and to advance expenses incurred as a result of any proceeding against them as to which they could be indemnified. We also intend to enter into indemnification agreements with our future directors and executive officers. Insofar as indemnification for liabilities arising under the Securities Act may be permitted to directors, officers and persons controlling us pursuant to the foregoing provisions, we have been informed that in the opinion of the Securities and Exchange Commission, this indemnification is against public policy as expressed in the Securities Act and is therefore unenforceable.

**Policies and Procedures for Approving Related Party Transactions**

All material transactions relating to related party transactions will be approved by our Audit Committee, which is composed of disinterested members of our Board of Directors.



**Table of Contents****Independent Registered Public Accounting Firm Fees and Services**

Deloitte & Touche LLP has audited our consolidated financial statements since 1998. The Audit Committee has invited Deloitte and other independent registered public accounting firms to be considered for the engagement to serve as our independent registered public accounting firm for 2009.

**Audit and Non-Audit Fees**

Aggregate fees for professional services rendered for us by Deloitte & Touche LLP, the member firms of Deloitte Touche Tohmatsu, and their respective affiliates for the years ended December 31, 2008 and 2007, were as follows:

<b>Services Provided</b>	<b>2008</b>	<b>2007</b>
Audit	\$ 1,426,000	\$ 1,277,000
Audit-Related	78,000	187,000
Tax	6,000	20,000
All Other		
<b>Total</b>	<b>\$ 1,510,000</b>	<b>\$ 1,484,000</b>

The *Audit* fees for the years ended December 31, 2008 and 2007 were for the audit of our annual consolidated financial statements, the review of our financial statements included in our quarterly reports on Form 10-Q, the issuance of consents and review of our annual report on Form 10-K and other documents filed with the Securities and Exchange Commission, and, for the year ended December 31, 2007, the audit of management's assessment of internal control over financial reporting pursuant to Section 404 of the Sarbanes-Oxley Act of 2002, and, for the years ended December 31, 2008 and 2007, Deloitte & Touche LLP's own audit of the effectiveness of our internal control over financial reporting. This category also includes services that were provided in connection with statutory and regulatory filings or engagements.

*Audit-Related* fees for the years ended December 31, 2008 and 2007 include fees related to standalone audits of foreign subsidiaries for regulatory purposes, other than statutory audits.

*Tax* fees for the years ended December 31, 2008 and 2007 include fees related to tax planning for foreign subsidiaries.

There were no *All Other* fees incurred for the years ended December 31, 2008 and 2007.

**Audit Committee Pre-Approval Policies and Procedures**

It is Atheros' policy that all audit and non-audit services to be performed by its principal accountants be approved in advance by the Audit Committee.

**Report of the Audit Committee**

*The following report of the Audit Committee does not constitute soliciting material and shall not be deemed filed or incorporated by reference into any other filing by Atheros under the Securities Act of 1933 or the Securities Exchange Act of 1934.*

The Audit Committee operates under a written charter adopted by the Board of Directors. A copy of the Audit Committee charter is available on our website at [www.atheros.com](http://www.atheros.com). The information contained on our website does not form any part of this proxy statement. All members of the Audit Committee meet the independence standards established by The Nasdaq Stock Market.

The Audit Committee assists the Board in fulfilling its responsibility to oversee management's implementation of Atheros' financial reporting process. It is not the duty of the Audit Committee to plan or conduct audits or to determine that the financial statements are complete and accurate and are in accordance with generally accepted accounting principles. Management is responsible for the financial statements and the reporting process, including the system of internal controls and disclosure controls. The independent registered public accounting firm is responsible for expressing an opinion on the conformity of those financial statements with accounting principles generally accepted in the United States.



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In discharging its oversight role, the Audit Committee reviewed and discussed the audited financial statements contained in the 2008 Annual Report with Atheros' management and independent registered public accounting firm as well as management's assessment of internal control over financial reporting.

The Audit Committee met privately with the independent registered public accounting firm on multiple occasions, and discussed issues deemed significant by the independent registered public accounting firm, including those required by Statement on Auditing Standards No. 114 (The Auditor's Communication With Those Charged With Governance). In addition, the Audit Committee discussed with the independent registered public accounting firm its independence from Atheros and its management, including the matters in the written disclosures required by the applicable requirements of the Public Company Accounting Oversight Board (PCAOB), and considered whether the provision of nonaudit services was compatible with maintaining the registered public accounting firm's independence.

Based upon these reviews and discussions, the Audit Committee recommended to the Board of Directors that the audited financial statements be included in Atheros' annual report on Form 10-K for the year ended December 31, 2008 for filing with the Securities and Exchange Commission.

*Respectfully submitted on April 7, 2009, by the members of the Audit Committee of the Board:*

*Marshall L. Mohr*

*Daniel A. Artusi*

*Christine King*

### **Stockholder Proposals for the 2010 Annual Meeting**

If a stockholder wishes to present a proposal to be included in our Proxy Statement for the 2010 Annual Meeting of Stockholders, the proponent and the proposal must comply with the proxy proposal submission rules of the Securities and Exchange Commission. One of the requirements is that the proposal be received by Atheros' Secretary no later than December 1, 2009. Proposals we receive after that date will not be included in the proxy statement. We urge stockholders to submit proposals by Certified Mail - Return Receipt Requested.

A stockholder proposal not included in our proxy statement for the 2010 Annual Meeting will be ineligible for presentation at the meeting unless the stockholder gives timely notice of the proposal in writing to our Secretary at our principal executive offices and otherwise complies with the provisions of our Bylaws. To be timely, the Bylaws provide that we must have received the stockholder's notice not less than 60 days nor more than 90 days prior to the scheduled date of the meeting. However, if notice or prior public disclosure of the date of the annual meeting is given or made to stockholders less than 75 days prior to the meeting date, we must receive the stockholder's notice by the earlier of (i) the close of business on the 15th day after the earlier of the day we mailed notice of the annual meeting date or provided public disclosure of the meeting date and (ii) two days prior to the scheduled date of the annual meeting.

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**Other Matters**

Your Board does not know of any other business that will be presented at the Annual Meeting. If any other business is properly brought before the Annual Meeting, your proxy holders will vote on it in accordance with their judgment.

Whether or not you intend to be present at the Annual Meeting, we urge you to vote by Internet or telephone or submit your signed proxy promptly.

By Order of the Board of Directors.

Jack R. Lazar  
*Chief Financial Officer,*

*Vice President of Corporate Development and Secretary*

Santa Clara, California

April 7, 2009

**Our 2008 Annual Report on Form 10-K is available on the Internet as provided in the Notice Regarding Availability of Proxy Materials previously sent to our stockholders. We will provide copies of exhibits to the Annual Report on Form 10-K, but will charge a reasonable fee per page to any requesting stockholder. Any such request should be addressed to Atheros at 5480 Great America Parkway, Santa Clara, CA 95054, Attention: Investor Relations Department. The request must include a representation by the stockholder that as of April 2, 2009, the stockholder was entitled to vote at the Annual Meeting.**

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