

ATHEROS COMMUNICATIONS INC
Form DEF 14A
April 07, 2005
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SCHEDULE 14A INFORMATION

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

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

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| <input type="checkbox"/> Preliminary Proxy Statement | <input type="checkbox"/> Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2)) |
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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)(4) and 0-11.

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- (1) Amount Previously Paid:
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Atheros Communications, Inc.

529 Almanor Avenue

Sunnyvale, CA 94085

(408) 773-5200

April 4, 2005

Dear Stockholder:

You are cordially invited to attend our 2005 Annual Meeting of Stockholders. The meeting will be held at 10:00 a.m., Pacific Time, on Tuesday, May 24, 2005, at our offices at 529 Almanor Avenue, Sunnyvale, California.

The formal notice of the Annual Meeting and the Proxy Statement have been made a part of this invitation.

Whether or not you attend the Annual Meeting, it is important that your shares be represented and voted at the Annual Meeting. After reading the Proxy Statement, please promptly vote and submit your proxy by dating, signing and returning the enclosed proxy card in the enclosed postage-prepaid envelope. **Your shares cannot be voted unless you submit your proxy or attend the Annual Meeting in person.**

We have also enclosed a copy of our 2004 Annual Report.

The Board of Directors and management look forward to seeing you at the meeting.

Sincerely,

/s/ Craig H. Barratt
Craig H. Barratt
President and Chief Executive Officer

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Atheros Communications, Inc.

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

To Be Held on Tuesday, May 24, 2005

To our Stockholders:

Atheros Communications, Inc. will hold its Annual Meeting of Stockholders at 10:00 a.m., Pacific Time, on Tuesday, May 24, 2005, at our offices at 529 Almanor Avenue, Sunnyvale, California 94085.

We are holding this meeting:

to elect two (2) Class II directors to serve until the 2008 Annual Meeting or until their successors are duly elected and qualified;

to ratify the appointment of Deloitte & Touche LLP as our independent registered public accounting firm; 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 4, 2005, are entitled to notice of, and to vote at this meeting and any adjournments or postponements of the Annual Meeting. For ten (10) 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, 529 Almanor Avenue, Sunnyvale, California.

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 and submit your proxy by dating, signing and returning the enclosed proxy card. This will not limit your rights to attend or vote at the meeting.

By Order of the Board of Directors

/s/ Jack R. Lazar

Jack R. Lazar

Vice President, Chief Financial Officer and Secretary

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Sunnyvale, California

April 4, 2005

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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 2005 Annual Meeting of Stockholders to be held at our offices at 529 Almanor Avenue, Sunnyvale, California, at 10:00 a.m., Pacific Time, on Tuesday, May 24, 2005 and any adjournments or postponements thereof. This Proxy Statement and the accompanying form of proxy card are being mailed to stockholders on or about April 11, 2005.

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 2005 Annual Meeting of Stockholders. You make this appointment by voting the enclosed proxy card 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 II directors, and **FOR** the ratification of the appointment of independent registered public accounting firm).

By signing and dating the proxy card, 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 printed and which, under our Bylaws, may be properly presented for action at the Annual Meeting.

Who Can Vote

Only stockholders who owned shares of our common stock at the close of business on April 4, 2005, the record date for the Annual Meeting, can vote at the Annual Meeting. As of the close of business on April 4, 2005, we had 48,530,877 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 4, 2005. There is no cumulative voting in the election of directors.

How You Can Vote

You may vote your shares at the Annual Meeting either in person or by mail as described below. Stockholders holding shares through a bank or broker should follow the voting instructions on the form of proxy card received.

Voting by Mail. You may vote by proxy by dating, signing and returning your proxy card in the enclosed postage-paid envelope. Giving a proxy will not affect your right to vote your shares if you attend the Annual Meeting and want to vote in person.

Voting at the Annual Meeting. Voting your proxy card 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 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 mark your voting preference, the proxy holders will vote your shares **FOR** the election of the nominees for Class II directors, and **FOR** the ratification of the appointment of independent registered public accounting firm. The proxy holders will also vote your shares in their discretion on any other matters that properly come before the Annual Meeting.

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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 two 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 4, 2005, 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.

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 by signing, dating and returning the enclosed proxy card in the postage-prepaid return envelope so that your shares can be voted. This will not limit your rights 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 (6) nor more than eleven (11) members. We currently have authorized seven (7) directors. Our Board of Directors is divided into three (3) classes: Class I, Class II and Class III. The members of each class of directors serve staggered three-year terms:

Our Class I directors are Craig H. Barratt, Marshall L. Mohr and Andrew S. Rappaport, and their terms will expire at the annual meeting of stockholders to be held in 2007.

Our Class II directors are Teresa H. Meng and Forest Baskett, and their terms will expire at the Annual Meeting. These directors have been nominated to continue to serve as Class II directors for three-year terms following the Annual Meeting.

Our Class III directors are John L. Hennessy and William B. Elmore, and their terms will expire at the annual meeting of stockholders to be held in 2006.

Accordingly, two (2) Class II directors will be elected at the Annual Meeting to serve until the annual meeting of stockholders to be held in 2008 and 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.

Teresa H. Meng, one of our founders, has served on our Board of Directors since our inception in May 1998. Since October 2000, Dr. Meng has 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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Forest Baskett has served as one of our directors since March 2000. From September 1999, Dr. Baskett was a venture partner with New Enterprise Associates, a venture capital firm, and in January 2005, Dr. Baskett became a general partner of New Enterprise Associates. From July 1986 to August 1999, Dr. Baskett served as Chief Technology Officer and Senior Vice President of Research and Development of Silicon Graphics, Inc., a computing, visualization and storage company. Dr. Baskett holds a Ph.D. in computer science from the University of Texas at Austin and a Bachelor of Arts degree in mathematics from Rice University.

Vote Required

The two (2) nominees for Class II directors receiving the highest number of affirmative votes will be elected as Class II 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 II directors of Atheros.

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

<u>Name</u>	<u>Age</u>	<u>Position(s)</u>
Craig H. Barratt	42	President, Chief Executive Officer and Director
Richard G. Bahr	51	Vice President of Engineering
Jack R. Lazar	39	Vice President, Chief Financial Officer and Secretary
Thomas J. Foster	48	Vice President of Worldwide Sales
Paul G. Franklin	61	Vice President of Operations
Adam H. Tachner	38	Vice President, General Counsel and Assistant Secretary
John L. Hennessy(2)(3)(4)	52	Chairman of the Board
Forest Baskett(1)(2)(4)	61	Director
William B. Elmore(2)(3)(4)	50	Director
Teresa H. Meng	43	Director
Marshall L. Mohr(1)(4)	49	Director
Andrew S. Rappaport(1)(3)(4)	47	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 3:

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.

Richard G. Bahr has served as our Vice President of Engineering since February 2000. Prior to joining us, from July 1991 to February 2000, Mr. Bahr was the Vice President of Engineering for Silicon Graphics, Inc., a computing, visualization and storage company. Mr. Bahr holds a

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Bachelor of Science degree and a Master of Science degree in electrical engineering from the Massachusetts Institute of Technology.

Jack R. Lazar has served as our Vice President and Chief Financial Officer since September 2003 and as our Secretary since November 2003. 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. (formerly Technically Elite, Inc. and acquired by hi/fn, inc. in 2000), a developer and manufacturer of network management solutions. 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.

Thomas J. Foster has served as our Vice President of Worldwide Sales since November 2001. Prior to joining us, from December 1997 to November 2001, Mr. Foster was the Vice President of Asia Sales at Virata Corp., a supplier of communications processors for DSL, satellite, wireless and other broadband networking equipment. Mr. Foster holds a Bachelor of Science degree in business management from Virginia Polytechnic Institute and State University, Blacksburg, Virginia.

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Paul G. Franklin joined us in November 2003 as our Director of Operations and has served as our Vice President of Operations since December 2003. Prior to joining us, from October 2001 to November 2003, Mr. Franklin was an independent operations and financing consultant in the semiconductor industry. From September 1992 to September 2001, Mr. Franklin served in various positions in semiconductor operations and business development at SONICblue Incorporated (formerly S3 Incorporated), a provider of consumer digital entertainment products, most recently as its Senior Vice President of Business Development and Investments. In March 2003, SONICblue filed a voluntary petition under Chapter 11 of the Federal Bankruptcy Code. Mr. Franklin attended Arizona 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 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.

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.

William B. Elmore has served as one of our directors since December 1998. Since 1995, Mr. Elmore has been a manager of Foundation Capital Management Co. II, LLC, the general partner of Foundation Capital II, LP and the managing member of Foundation Capital II Entrepreneurs Fund, LLC and Foundation Capital II Principals Fund, LLC, a venture capital firm. Mr. Elmore is also a manager of FC Leadership Management Co., LLC, which is the general partner of Foundation Capital Leadership Fund, L.P. and the managing member of Foundation Capital Leadership Principals Fund, LLC. Mr. Elmore serves on the board of directors of Onyx Software Corporation, a software company, and Wind River Systems, Inc., an embedded systems software company. Mr. Elmore holds an M.B.A. from the Stanford Graduate School of Business, and a Bachelor of Science degree and Master of Science degree in electrical engineering from Purdue University.

Marshall L. Mohr has served as one of our directors since November 2003. Since July 2003, Mr. Mohr has been 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 is a certified public accountant and 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. Since 1997, Mr. Rappaport has served on the Board of Directors of Silicon Image, Inc., a semiconductor company. Mr. Rappaport attended Princeton University.

Board Meetings

Our Board of Directors held six (6) meetings in 2004 and acted by unanimous written consent eight (8) times in 2004. 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 director served. In 2004, five of the seven directors then serving on the Board of Directors attended the annual meeting of stockholders.

Committees of the Board of Directors

Our Board of Directors has appointed a Compensation Committee, an Audit Committee and a Nominating and Corporate Governance Committee. The 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 appointed a Non-Executive Stock Option Committee.

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The Compensation Committee currently consists of Messrs. Elmore (Chairman), Baskett and Hennessy. The Compensation Committee held two (2) meetings during 2004. Prior to January 2004, the Board of Directors performed the functions of the Compensation Committee. 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 to administer such plans. 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' stock plans and other compensation plans.

The Audit Committee currently consists of Messrs. Mohr (Chairman), Baskett and Rappaport. The Audit Committee held nine (9) meetings in 2004. 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 was attached as Appendix B to the proxy statement for our 2004 annual meeting of stockholders.

The Nominating and Corporate Governance Committee currently consists of Messrs. Rappaport (Chairman), Elmore and Hennessy. The Nominating and Corporate Governance Committee did not hold any meetings in 2004 and acted by unanimous written consent one time in 2004. 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 was attached as Appendix A to the proxy statement for our 2004 annual meeting of stockholders.

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 shares 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 to any one employee that total more than 50,000 shares of common stock in any calendar year.

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

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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

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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., 529 Almanor Avenue, Sunnyvale, California 94085. 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., 529 Almanor Avenue, Sunnyvale, California 94085. 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.

Directors' Compensation

Except as we otherwise describe below, we have not paid any cash compensation to members of our Board of Directors for their services as directors.

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We reimburse the directors for reasonable expenses in connection with attendance at board and committee meetings. Directors also are eligible to receive and have received stock options under our 2004 stock incentive plan, and, until our initial public offering in February 2004, were eligible to receive and did receive options under our 1998 stock incentive plan. The exercise price of stock options to directors is based on the fair market value as determined by our Board of Directors on the date of grant. The following non-employee director has received stock options under our 1998 stock incentive plan and 2004 stock incentive plan since January 1, 2004:

<u>Name</u>	<u>Number of Shares Underlying Options Granted</u>	<u>Exercise Price Per Share</u>	<u>Date of Grant</u>
Teresa H. Meng	33,750	\$ 9.33	1/14/04
	30,000	\$ 10.03	1/21/05

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Outside directors receive nondiscretionary, automatic grants of nonstatutory stock options under our 2004 stock incentive plan. An outside 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 (4) 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 monthly thereafter. Immediately after each of our regularly scheduled annual meetings of stockholders, each outside 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 (6) months. Each annual option granted to outside directors who are first elected to the 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 outside 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 the automatic, non-discretionary grant provisions described above, each of our outside directors, Messrs. Baskett, Elmore, Hennessy, Mohr and Rappaport, was granted an option to purchase 7,500 shares of our common stock on May 19, 2004.

We have a consulting agreement with Teresa H. Meng, who is a director, entered into on January 1, 2003, under which Dr. Meng is an independent contractor providing engineering services such as design advice, competitive analysis, recruiting assistance and general technical consultation. In 2004, Dr. Meng was entitled to the following compensation: \$2,816.75 per week for weeks in which Dr. Meng provided one day of service per week, and \$22,534 per month for months in which Dr. Meng provided five days of service per week. In 2005, Dr. Meng is entitled to the following compensation: \$2,929.38 per week for weeks in which Dr. Meng provides one day of service per week, and \$23,435 per month for months in which Dr. Meng provides five days of service per week. The agreement also provides that Dr. Meng entitled to reimbursement for reasonable out-of-pocket expenses previously approved in writing. Dr. Meng is also eligible for participation in our executive bonus plan for 2004. We paid Dr. Meng \$158,189 for her services as a consultant in 2004, including a \$22,985 bonus paid in January 2005 for services rendered in 2004. In 2004, we also paid Dr. Meng \$32,499 for services rendered in 2003 and \$48,750 for 2003 bonus.

Compensation Committee Interlocks and Insider Participation

Messrs. Hennessy, Baskett and Elmore serve as members of our Compensation Committee. 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.

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

The following table sets forth certain information as of April 4, 2005, as to shares of our common stock beneficially owned by: (i) each person who is known by us to own beneficially more than 5% of our common stock, (ii) each of our named executive officers listed in the Summary Compensation Table, (iii) each of our directors and (iv) 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., 529 Almanor Avenue, Sunnyvale, California 94085.

We have determined beneficial ownership in accordance with the rules of the Securities and Exchange Commission. 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 48,530,877 shares outstanding as of April 4, 2005. 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 4, 2005. 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
5% Stockholders:		
Entities affiliated with FMR Corp.(1)	5,263,280	10.8%
Entities affiliated with New Enterprise Associates 9, L.P.(2)	3,896,919	8.0
Capital Research & Management Company and SMALLCAP World Fund, Inc.(3)	3,023,640	6.2
August Capital II, L.P.(4)	2,894,084	6.0
Entities affiliated with Foundation Capital II, L.P.(5)	2,626,619	5.4
Directors and Named Executive Officers:		
Craig H. Barratt(6)	1,504,498	3.0
Richard G. Bahr(7)	665,532	1.4
Jack R. Lazar(8)	382,499	*
Thomas J. Foster(9)	317,096	*
Paul G. Franklin(10)	356,785	*
John L. Hennessy(11)	549,493	1.1
Forest Baskett(12)	3,964,875	8.2
William B. Elmore(13)	2,664,743	5.5
Teresa H. Meng(14)	2,041,500	4.2
Marshall L. Mohr(15)	39,375	*
Andrew S. Rappaport(16)	2,901,584	6.0
All directors and executive officers as a group (12 persons)(17)	15,588,341	30.0%

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

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- (1) According to an Amendment to Schedule 13G filed jointly on February 14, 2005 by FMR Corp., Fidelity Management & Research Company, Fidelity Growth Company Fund, Edward C. Johnson 3d and Abigail P. Johnson, FMR Corp. is a parent holding company in accordance with Rule 13d-1(b)(ii)(G) under the Securities Exchange Act of 1934, and Fidelity Management & Research, a wholly owned subsidiary of FMR and an investment adviser registered under Section 203 of the Investment Advisers Act of 1940, is the beneficial owner of 5,263,280 shares as a result of acting as investment adviser to various investment companies registered under Section 8 of the Investment Company Act of 1940. The ownership of one investment company, Fidelity Growth Company Fund, amounted to 4,421,486 shares. Mr. Johnson 3d, FMR Corp., through its control of Fidelity Management & Research, and the funds each has sole power to dispose of the 5,263,280 shares owned by the funds.

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Neither FMR Corp., nor Mr. Johnson 3d, Chairman of FMR Corp., has the sole 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. Mr. Johnson 3d owns 12.0% of the aggregate outstanding voting stock of FMR Corp., and Ms. Johnson, a Director of FMR Corp., owns 24.5% of the aggregate outstanding voting stock of FMR Corp. Members of the Johnson family may be deemed, under the Investment Company Act of 1940, to form a controlling group with respect to FMR Corp. The principal business address is 82 Devonshire Street, Boston, MA 02109.

- (2) Represents 3,594,356 shares held by New Enterprise Associates 9, L.P., 100,478 shares held by New Enterprise Associates 10, L.P., 200,960 shares held by New Enterprise Associates 11, L.P., and 1,125 shares held by NEA Ventures 2000, L.P. Forest Baskett, one of our directors, is a venture partner of each of NEA Partners 9, L.P., the general partner of New Enterprise Associates 9, L.P., NEA Partners 10, L.P., the general partner of New Enterprise Associates 10, L.P., and NEA Ventures 2000. Mr. Baskett is also a manager of NEA 11 GP, LLC, the general partner of NEA Partners 11, L.P., which is the general partner of New Enterprise Associates 11, L.P. Voting and dispositive power over these shares is held by the following persons: (i) Peter J. Barris, C. Richard Kramlich, Peter T. Morris, John M. Nehra, Charles W. Newhall, III and Mark W. Perry, the general partners of NEA Partners 9, L.P.; (ii) Messrs. Barris, Kramlich, Morris, Newhall and Perry, and M. James Barrett, Scott D. Sandell and Eugene Trainor III, the general partners of NEA Partners 10, L.P.; and (iii) Messrs. Barrett, Barris, Kramlich, Morris, Newhall, Perry, Sandell and Trainor, and Ryan D. Drant, Charles M. Linehan and Forest Baskett, the managers of NEA 11 GP, LLC. The principal business address of New Enterprise Associates is 2490 Sand Hill Road, Menlo Park, CA 94025.
- (3) According to a Schedule 13G filed jointly on February 11, 2005 by Capital Research and Management Company and SMALLCAP World Fund, Inc., Capital Research & Management Company, an investment adviser registered under Section 203 of the Investment Advisers Act of 1940, is deemed to be the beneficial owner of 3,023,640 shares, with sole power to dispose, as a result of acting as investment adviser to various investment companies registered under Section 8 of the Investment Company Act of 1940. SMALLCAP World Fund, Inc., an investment company registered under the Investment Company Act of 1940, which is advised by Capital Research & Management Company, is the beneficial owner of 2,714,200 shares, with sole power to vote. The principal business is 333 South Hope Street, Los Angeles, CA 90071.
- (4) Represents 2,893,926 shares held by August Capital II, L.P. and 158 shares held by August Capital Management II, LLC. Andrew S. Rappaport, one of our directors, is a member of August Capital Management II, LLC, the general partner of August Capital II, L.P. Mr. Rappaport shares voting and dispositive power over these shares with John Johnston and David F. Marquardt, the other members of August Capital Management II, LLC. The principal business address of August Capital II, L.P. is 2480 Sand Hill Road, Suite 101, Menlo Park, CA 94025.
- (5) Represents 1,033,785 shares held by Foundation Capital II, L.P., 1,203,885 shares held by Foundation Capital Leadership Fund, L.P., 237,562 shares held by Foundation Capital II Entrepreneurs Fund, LLC, 119,282 shares held by Foundation Capital II Principals Fund, LLC, and 32,105 shares held by Foundation Capital Leadership Principals Fund, LLC. William B. Elmore, one of our directors, is a manager of Foundation Capital Management Co. II, LLC and FC Leadership Management Co., LLC, and shares voting and dispositive power over these shares with the other managers of those funds. Foundation Capital Management Co. II, LLC is the general partner of Foundation Capital II, LP and the managing member of Foundation Capital II Entrepreneurs Fund, LLC and Foundation Capital II Principals Fund, LLC. FC Leadership Management Co., LLC is the general partner of Foundation Capital Leadership Fund, L.P. and the managing member of Foundation Capital Leadership Principals Fund, LLC. The principal business address of Foundation Capital is 70 Willow Road, Suite 200, Menlo Park, CA 94025.
- (6) Includes 1,434,248 shares subject to options that are immediately exercisable, of which 761,562 shares are subject to our right of repurchase as of June 3, 2005.
- (7) Includes 39,750 shares held by Mr. Bahr's spouse as custodian for his children. Also includes 476,248 shares subject to options that are immediately exercisable, of which 209,375 shares are subject to our right of repurchase as of June 3, 2005.
- (8) Includes 3,698 shares subject to our right of repurchase as of June 3, 2005. Also includes 360,310 shares subject to options that are immediately exercisable, of which 258,926 shares are subject to our right of repurchase as of June 3, 2005.

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- (9) Includes 315,748 shares subject to options that are immediately exercisable, of which 143,375 shares are subject to our right of repurchase as of June 3, 2005.

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- (10) Includes 355,000 shares subject to options that are immediately exercisable, of which 234,375 shares are subject to our right of repurchase as of June 3, 2005.
- (11) Includes 53,125 shares held by Mr. Hennessy's children and 53,125 shares held by Mr. Hennessy's sister as custodian for his children. Also includes 7,500 shares subject to options that are immediately exercisable as of June 3, 2005. Mr. Hennessy is an investor in entities affiliated with Foundation Capital and August Capital but does not have voting or dispositive power over any of the shares held by those entities and disclaims any beneficial ownership except to the extent of his pecuniary interest therein. None of the shares held by those entities are included in the number of shares beneficially owned by Mr. Hennessy.
- (12) Includes 3,896,919 shares held by the entities affiliated with New Enterprise Associates 9, L.P., as set forth in footnote 2. Mr. Baskett is a venture partner of each of NEA Partners 9, L.P., the general partner of New Enterprise Associates 9, L.P., NEA Partners 10, L.P., the general partner of New Enterprise Associates 10, L.P., and NEA Ventures 2000. Mr. Baskett is also a manager of NEA 11 GP, LLC, the general partner of NEA Partners 11, L.P., which is the general partner of New Enterprise Associates 11, L.P. Mr. Baskett disclaims beneficial ownership of the securities held by the entities affiliated with New Enterprise Associates except to the extent of his pecuniary interest therein. Also includes 60,456 shares held by the Baskett-Bell Family Trust. Also includes 7,500 shares subject to options that are immediately exercisable as of June 3, 2005.
- (13) Includes 2,626,619 shares held by the entities affiliated with Foundation Capital II, L.P., as set forth in footnote 5. Mr. Elmore holds voting and dispositive power over these shares. Mr. Elmore is a manager of Foundation Capital Management Co. II, LLC, the general partner of Foundation Capital II, LP and the managing member of Foundation Capital II Entrepreneurs Fund, LLC and Foundation Capital II Principals Fund, LLC. Mr. Elmore is also a manager of FC Leadership Management Co., LLC, which is the general partner of Foundation Capital Leadership Fund, L.P. and the managing member of Foundation Capital Leadership Principals Fund, LLC. Mr. Elmore disclaims beneficial ownership of the securities held by the entities affiliated with Foundation Capital, except to the extent of his pecuniary interest therein. Also includes 7,500 shares subject to options that are immediately exercisable as of June 3, 2005.
- (14) Includes 247,500 shares subject to options that are immediately exercisable, of which 60,844 shares are subject to our right of repurchase as of June 3, 2005.
- (15) Includes 23,438 shares subject to our right of repurchase as of June 3, 2005. Also includes 1,875 shares subject to options that are immediately exercisable as of June 3, 2005.
- (16) Includes 2,894,084 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 John Johnston and David F. Marquardt, the other members of August Capital Management II, LLC. Mr. Rappaport disclaims beneficial ownership of the securities held by August Capital II, L.P., except to the extent of his pecuniary interest therein. Also includes 7,500 shares subject to options that are immediately exercisable as of June 3, 2005.
- (17) Includes 3,358,554 shares subject to options that are immediately exercisable, of which 1,733,926 shares are subject to our right of repurchase as of June 3, 2005. Also includes 27,136 shares subject to our right of repurchase as of June 3, 2005.

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

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filing requirements for such persons were satisfied for 2004, except that shares of our common stock held individually by Adam Grosser, an affiliate of Foundation Capital, a holder of over 10% of our shares, were inadvertently not included in a Form 3 and a subsequent Form 4 filed jointly by Kathryn C. Gould and the other affiliates of Foundation Capital. In October 2004, Mr. Grosser filed an amended Form 3 and Form 4 that included these shares.

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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 was included as Appendix B to the proxy statement for our 2004 annual meeting of stockholders. The charter is also available on our website at 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.

In discharging its oversight role, the Audit Committee reviewed and discussed the audited financial statements contained in the 2004 Annual Report with Atheros' management and independent registered public accounting firm.

The Audit Committee met privately with the independent registered public accounting firm, and discussed issues deemed significant by the independent registered public accounting firm, including those required by Statements on Auditing Standards No. 61 (Audit Committee Communications), as amended. 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 Independence Standards Board Standard No. 1 (Independence Discussions with Audit Committees), 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, 2004 for filing with the Securities and Exchange Commission.

Respectfully submitted on April 4, 2005, by the members of the Audit Committee of the Board:

Marshall L. Mohr

Forest Baskett

Andrew S. Rappaport

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Executive Compensation

Summary Compensation Table

The following table sets forth compensation for services rendered in all capacities to us for the three (3) fiscal years ended December 31, 2004 for our Chief Executive Officer and the four (4) other most highly compensated executive officers as of December 31, 2004 whose total annual salary and bonus for fiscal 2004 exceeded \$100,000, whom we refer to in this proxy statement as the named executive officers.

Summary Compensation Table

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