

ALTERA CORP  
Form DEF 14A  
March 30, 2009

**SCHEDULE 14A INFORMATION**

**Proxy Statement Pursuant to Section 14(a) of the  
Securities Exchange Act of 1934**

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)).**

Definitive Proxy Statement.

Definitive Additional Materials.

Soliciting Material Pursuant to Rule 14a-12.

**ALTERA CORPORATION**

**(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):

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.. Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

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

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(3) Per unit price or other underlying value of transaction computed pursuant to the 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:

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

(3) Filing Party:

(4) Date Filed:

**NOTICE OF ANNUAL MEETING OF STOCKHOLDERS**

**May 12, 2009**

**1:30 p.m.**

The annual meeting of stockholders of Altera Corporation, a Delaware corporation, will be held on Tuesday, May 12, 2009, at 1:30 p.m. local time, at Altera's offices at 101 Innovation Drive, San Jose, California 95134, for the following purposes:

- (1) To elect directors to serve until the next annual meeting of stockholders or until their successors are elected and qualified.
- (2) To approve an amendment to the 2005 Equity Incentive Plan to increase by 5,000,000 the number of shares of common stock reserved for issuance under the plan.
- (3) To approve an amendment to the 1987 Employee Stock Purchase Plan to increase by 1,000,000 the number of shares of common stock reserved for issuance under the plan.
- (4) To ratify the appointment of PricewaterhouseCoopers LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2009.
- (5) To transact such other business as may properly come before the meeting or any postponement or adjournment of the meeting.

The foregoing items of business are more fully described in the attached proxy statement. Stockholders who owned shares of our common stock at the close of business on March 13, 2009 are entitled to notice of, and to vote at, the meeting.

All stockholders are cordially invited to attend the meeting in person. However, to assure your representation at the meeting, you are urged to vote your shares as soon as possible.

You may choose to vote your shares in one of the following ways: (1) via the Internet at Broadridge Investor Communication Solutions' voting website ([www.proxyvote.com](http://www.proxyvote.com)); (2) telephonically by calling the telephone number shown in the proxy card; (3) by voting in person at the annual meeting; or (4) by requesting, completing and mailing in a paper proxy card, as outlined in the Notice of Internet Availability of Proxy Materials ( Notice of Internet Availability ).

For the Board of Directors  
ALTERA CORPORATION  
*/s/ Katherine E. Schuelke*  
Katherine E. Schuelke  
*Secretary*

San Jose, California

March 30, 2009

**YOUR VOTE IS IMPORTANT.**

**PLEASE CAST YOUR VOTE AS INSTRUCTED IN THE NOTICE OF INTERNET AVAILABILITY OF PROXY MATERIALS, OVER THE INTERNET, OR BY TELEPHONE, AS PROMPTLY AS POSSIBLE. YOU MAY ALSO REQUEST A PAPER PROXY CARD TO SUBMIT YOUR VOTE BY MAIL, IF YOU PREFER. WE ENCOURAGE YOU TO VOTE VIA THE INTERNET.**

**ALTERA CORPORATION**

**PROXY STATEMENT FOR  
ANNUAL MEETING OF STOCKHOLDERS**

**MAY 12, 2009**

**INFORMATION CONCERNING SOLICITATION AND VOTING**

**General**

The enclosed proxy is solicited on behalf of the board of directors of Altera Corporation, a Delaware corporation, for use at our annual meeting of stockholders to be held on May 12, 2009, or at any adjournment(s), continuation(s), or postponement(s) of the meeting.

We use a number of abbreviations in this proxy statement. We refer to Altera Corporation as Altera, or we, us, or our. References to 2008 mean the 2008 fiscal year, which began on December 29, 2007 and ended on December 31, 2008. The period beginning on January 1, 2009 and ending on December 31, 2009 is referred to as 2009. Our 2009 annual meeting of stockholders is simply referred to as the annual meeting or the meeting.

Our principal executive offices are located at 101 Innovation Drive, San Jose, California 95134. Our telephone number is (408) 544-7000.

We anticipate that the Notice of Internet Availability will be mailed on or about March 30, 2009 to all stockholders entitled to vote at the annual meeting.

This proxy statement and our Annual Report on Form 10-K for the fiscal year ended December 31, 2008 ( Annual Report, and collectively with our letter to stockholders and this proxy statement, the Proxy Materials ) have been made available to all stockholders entitled to vote at the annual meeting and who received a Notice of Internet Availability.

**Paper copies of the Proxy Materials may be obtained by following the instructions on the Notice of Internet Availability. Upon request, we will provide any exhibit listed in the Annual Report.**

**Internet Availability of Proxy Materials**

Under rules adopted by the U.S. Securities and Exchange Commission ( SEC ), we furnish the Proxy Materials to our stockholders over the Internet, rather than mailing printed copies of those materials to each stockholder. Each stockholder who receives a Notice of Internet Availability has the right to vote on all matters presented at the meeting.

You will not receive a printed copy of the Proxy Materials unless you request one. Instead, the Notice of Internet Availability will provide instructions as to how you may: (1) access and review the Proxy Materials on the Internet and (2) access your proxy to vote on the Internet. If you received a Notice of Internet Availability by mail and would like to receive a printed copy of the Proxy Materials, please follow the instructions included in the Notice of Internet Availability. If you share an address with another stockholder and have received only one Notice of Internet Availability, you may write or call us to request a separate copy of these materials at no cost to you.

**Record Date and Shares Outstanding**

Stockholders who owned shares of our common stock at the close of business on March 13, 2009, referred to as the record date, are entitled to notice of, and to vote at, the annual meeting. On the record date, we had 293,376,357 shares of common stock issued and outstanding.



### **How Your Proxy Will Be Voted**

If you submit your proxy whether via the Internet, by telephone, in person or by mail the shares represented by your proxy will be voted at the annual meeting in accordance with your instructions. If you submit a proxy by mail, but do not fill out the voting instructions on the proxy card, the shares represented by your proxy will be voted in favor of Proposals 1, 2, 3, and 4. In addition, if any other matters properly come before the annual meeting, it is the intention of the persons named on your voting form to vote the shares they represent as directed by the board of directors. We have not received notice of any other matters that may properly be presented at the annual meeting.

### **Revoking Your Proxy**

You may revoke your proxy at any time prior to the annual meeting by: (1) submitting a later-dated vote, in person at the annual meeting, via the Internet, by telephone, or by mail, or (2) delivering instructions to us, care of our Secretary, at the address of our principal executive offices. Any notice of revocation sent to us must include the stockholder's name and must be received prior to the meeting to be effective. Your attendance at the annual meeting after having submitted a valid proxy will not in and of itself constitute a revocation of your proxy. You will be required to give oral notice of your intention to vote in person to the inspector of elections at the annual meeting. If your shares are held in street name, you should follow the directions provided by your broker, bank or other nominee regarding how to revoke your proxy.

### **Voting**

#### ***Tabulation; Quorum***

Each share of common stock outstanding on the record date is entitled to one vote. Cumulative voting is not permitted. The inspector of elections appointed for the annual meeting tabulates the votes. A quorum, which is a majority of the outstanding shares as of the record date, must be present in order to hold the meeting and to conduct business. Your shares will be counted as being present at the meeting if you appear in person at the meeting, if you vote your shares by telephone or over the Internet, or if you submit a properly executed proxy card. Shares represented by proxies marked with abstentions or represented by broker non-votes (as described in further detail below) will be counted as shares that are present for purposes of determining whether a quorum exists. Votes against a particular proposal will be counted both to determine the presence or absence of a quorum and to determine whether the requisite majority of voting shares has been obtained.

#### ***Treatment of Abstentions; Broker Non-Votes***

In the absence of controlling precedent to the contrary, we intend to treat abstentions and broker non-votes in the following manner. A broker non-vote occurs when a broker, bank or other nominee holding shares for your account does not vote on a particular proposal because the nominee does not have the discretionary authority to vote on that item and has not received voting instructions from you. Broker non-votes on a proposal are not counted or deemed to be present or represented for the purpose of determining whether stockholders have approved that proposal. As a result, broker non-votes do not have an effect on any of the proposals. For Proposal 1, each director must receive the majority of votes cast with respect to that director. Shares not present at the meeting and shares voting abstain have no effect on the election of directors. For Proposals 2, 3, and 4, which require the affirmative vote of the majority of the shares of common stock present or represented by proxy and entitled to vote, abstentions are treated as shares present or represented and entitled to vote, so abstaining has the same effect as a negative vote.

### **Solicitation of Proxies**

We pay for the cost of this solicitation. We have retained Laurel Hill Advisory Group, LLC to assist with the solicitation of proxies for a fee of \$9,000, plus reimbursement for out-of-pocket expenses. We may reimburse

brokerage firms and other persons representing beneficial owners of shares for their expenses in forwarding soliciting materials to such beneficial owners. Proxies may also be solicited personally or by telephone, telegram, or facsimile by certain of our directors, officers, and other employees, without additional compensation.

**PROPOSAL ONE ELECTION OF DIRECTORS**

Our board of directors is currently comprised of seven members, all of whom have been nominated for re-election at this year's annual meeting.

The nominating and governance committee of the board of directors has nominated the persons named below for election as directors at the annual meeting. Unless otherwise directed, the proxy holders will vote the proxies received by them for the nominees named below. If any nominee is unable or declines to serve as a director at the annual meeting, the proxies will be voted for any nominee who is designated by the present board of directors to fill the vacancy. It is not expected that any nominee will be unable or will decline to serve as a director. The directors elected at the annual meeting will hold office until the next annual meeting or until their successors are elected and qualified.

Directors are elected by a majority of the votes cast at the annual meeting except in the case of a contested election. A contested election occurs when the number of nominees exceeds the number of directors to be elected, in which case directors are elected by a plurality of the votes cast. A majority of votes cast means that the number of votes cast for a director exceeds the number of votes cast against that director. If a director nominee, who is serving as a director at the time of the election, does not receive a majority of the votes cast, such nominee will tender his/her resignation to the board of directors. The nominating and governance committee will then make a recommendation to the board of directors to either accept or reject the resignation. The board of directors will act on the nominating and governance committee's recommendation and publicly disclose its reasons and decision within ninety days from when the election results are certified. The director who tenders his/her resignation does not participate in the board's decision.

The names of the nominees and certain information about them are set forth below.

Name of Nominee	Age	Position(s) with Altera	Director Since
John P. Daane	45	Chairman of the Board, President, and Chief Executive Officer	2000
Robert J. Finocchio, Jr.	57	Lead Independent Director	2002
Kevin McGarity	63	Director	2004
Gregory E. Myers	59	Director	2007
Krish A. Prabhu	54	Director	2008
John Shoemaker	66	Director	2007
Susan Wang	58	Director	2003

There is no family relationship between any of our directors or executive officers.

JOHN P. DAANE joined us as President and Chief Executive Officer in November 2000 and was elected as one of our directors in December 2000. He was elected chairman of the board of directors in May 2003. Prior to joining us, Mr. Daane spent fifteen years at LSI Logic Corporation, a semiconductor manufacturer, most recently as Executive Vice President, Communications Products Group, with responsibility for ASIC technology development and the Computer, Consumer, and Communications divisions.

ROBERT J. FINOCCHIO, JR. has served as one of our directors since January 2002. He has been a dean's executive professor at Santa Clara University, Leavey School of Business, since September 2000. Prior to joining us, he served as Chief Executive Officer and President of Informix Corporation, an information management

software company, from July 1997 to July 1999 and as Chairman of Informix from July 1997 to September 2000. From December 1988 to May 1997, Mr. Finocchio was employed by 3COM Corporation, a global data networking company. Mr. Finocchio also serves as a director of Echelon Corporation and Sun Microsystems, Inc.

KEVIN MCGARITY has served as one of our directors since March 2004. From 1988 until 1999, he served as Senior Vice President of Worldwide Marketing and Sales for Texas Instruments, Inc., a diversified semiconductor company. He currently is a consultant to global companies in the semiconductor industry. Mr. McGarity also serves as a director of Fairchild Semiconductor International, Inc.

GREGORY E. MYERS has served as one of our directors since October 2007. In 2005, Mr. Myers retired from his position as Vice President and Chief Financial Officer of Symantec Corporation, a computer software company. Prior to Symantec, Mr. Myers spent five years at Novell Corporation in various financial roles.

KRISH A. PRABHU has served as one of our directors since May 2008. In February 2008, Mr. Prabhu retired from his position as Chief Executive Officer and President of Tellabs, Inc., a global supplier to the telecommunications industry. He served as a Venture Partner with Morgenthaler Venture Partners, a venture capital buyout firm, from November 2001 to 2004. Currently, Mr. Prabhu is an advisor to various companies in the telecommunications and semiconductor industries, and he serves as a director of Tekelec and ADC Telecommunications, Inc.

JOHN SHOEMAKER has served as one of our directors since March 2007. In 2004, Mr. Shoemaker retired from his position as Executive Vice President of Sun Microsystems, Inc., a network computing company. Prior to joining Sun Microsystems, Mr. Shoemaker served in a number of senior executive positions with Xerox Corporation. Mr. Shoemaker also serves as chairman of the board of SonicWALL, Inc. and as a director of Extreme Networks, Inc.

SUSAN WANG has served as one of our directors since October 2003. In 2002, Ms. Wang retired from her position as Executive Vice President and Chief Financial Officer of Solectron Corporation, a worldwide provider of electronics manufacturing services, where she worked from 1986. She is a certified public accountant. Ms. Wang also serves as a director of Avanex Corporation and Nektar Therapeutics.

#### **Vote Required and Board of Directors Recommendation**

Those nominees who receive a majority of the votes cast shall be elected as directors. Any nominee who does not receive a majority of the votes cast shall tender his/her resignation to the board of directors, and the board of directors shall act on such resignation as specified above. **Our board of directors recommends that the stockholders vote FOR the nominees listed above.**

#### **Corporate Governance**

We believe that good corporate governance is important to ensure that we are managed for the long-term benefit of our stockholders. Our board of directors has adopted corporate governance guidelines to assist it in fulfilling its responsibilities to stockholders and to our employees, customers, suppliers, and local communities in which we operate.

We have a code of business conduct and ethics that applies to our officers, directors, and employees, and is designed to promote compliance with the laws applicable to our business, accounting standards, and proper and ethical business methods and practices. Additionally, the audit committee has adopted a code of ethics for senior financial officers and certain other employees of the finance department. If we make any material amendments to the code of ethics applicable to our principal executive officer, principal financial officer, principal accounting officer and controller, or persons performing similar functions, or grant any waiver from any provision of the code to any such person, we will promptly disclose the nature of the amendment or waiver on our website at [www.altera.com](http://www.altera.com).



Our corporate governance guidelines, together with our current committee charters and the two codes described above, are available, free of charge, in the Corporate Governance section of our website at [www.altera.com](http://www.altera.com), or by calling our Investor Relations Department at (408) 544-7000, or by writing to us at Altera Corporation, 101 Innovation Drive, San Jose, California 95134, Attn: Investor Relations.

Our policies and practices reflect corporate governance initiatives that are in compliance with the listing requirements of the Nasdaq Global Select Market ( NASDAQ ) and the corporate governance requirements of the Sarbanes-Oxley Act of 2002, including:

The board of directors has adopted clear corporate governance policies;

Six of the seven directors standing for re-election at the annual meeting are independent of us and our management;

The independent directors meet regularly without management present;

All members of the audit committee, compensation committee, and nominating and governance committee are independent directors;

The board of directors has elected a lead independent director;

The charters of the board committees clearly establish their respective roles and responsibilities;

We have a code of business conduct and ethics that applies to all of our officers, directors, and employees;

We have a code of ethics for senior financial officers that applies to our principal executive officer, principal financial officer, all other officers in the finance department as well as certain other employees of the finance department; and

We have a hotline available to all employees, and our audit committee has procedures in place for the anonymous submission of any employee complaint, including those relating to accounting, internal controls, or auditing matters.

#### **Director Independence**

In accordance with current NASDAQ listing standards, the board of directors, on an annual basis, affirmatively determines the independence of each director and nominee for election as a director, including all elements of independence set forth in the NASDAQ listing standards. The director independence standards are set forth in our corporate governance guidelines, which are available, free of charge, in the Corporate Governance section of our website at [www.altera.com](http://www.altera.com).

It is the policy of the board of directors that a significant majority of the directors be independent. A director is independent if he/she has no material relationship with us or our affiliates (either directly or indirectly as a partner, stockholder or officer of an organization that has a relationship with us or our affiliates) and meets the standards for independence as defined by applicable law and the rules of NASDAQ. Such relationships can include commercial, industrial, banking, consulting, legal, accounting, charitable and familial relationships, among others.

More specifically, a director is not considered independent if:

he/she is currently employed, or has been employed within the past three years, by us or any of our affiliates;

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the director (or his/her immediate family member as defined by NASDAQ) accepted compensation from us or any of our affiliates in excess of \$120,000 during any twelve month period within the past three years (other than compensation for board service, retirement plan benefits, or non-discretionary

compensation, or compensation paid to a family member who is an employee (other than an executive officer));

the director has an immediate family member who is, or has been in the past three years, employed by us or any of our affiliates as an executive officer;

the director (or any immediate family member) is or has been a partner, controlling stockholder or an executive officer of any business to which we made, or from which we received, payments (other than those which arise solely from investments in our securities) that exceed five percent of such entity's consolidated gross revenues for that year, or \$200,000, whichever is more, in any of the past three years;

the director (or his/her immediate family member) is or has been employed as an executive officer of another entity where any of our executive officers serve on that entity's compensation committee;

he/she (or any immediate family member) is a current partner of our independent registered public accounting firm, PricewaterhouseCoopers LLP ( PricewaterhouseCoopers ), or either the director (or an immediate family member) has been a partner or employee of PricewaterhouseCoopers in the past three years and worked on our audit during that time; or

the director participated in the preparation of our (or any of our current subsidiaries') financial statements at any time during the past three fiscal years.

The determination of director independence is made during the annual review process; the board considers relationships that the board members (and those of their immediate family members) have with us and our affiliates and other potential conflicts of interest. Based on the most recent review, there were no transactions, arrangements or relationships between us (or our affiliates) and any board member that would impair the independence of any board member.

Currently, six of the seven directors nominated for re-election meet the standards for independence as defined by NASDAQ, with John P. Daane, our Chairman of the Board, President, and Chief Executive Officer ( CEO ), being the only director who is not independent. Robert J. Finocchio, Jr. is our lead independent director.

## **Board of Directors and Committees**

### ***Board Meetings***

During 2008, the board of directors held eight meetings. Each director attended at least seventy-five percent of the aggregate number of meetings of the board of directors and meetings held by all committees of the board on which such director served. Our independent directors hold executive sessions without management present at most meetings of the board of directors. We expect each of our directors to attend the annual meeting every year, unless extenuating circumstances prevent their attendance. All of our then-current directors attended last year's annual meeting.

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

Stockholders wishing to communicate with a board member, or the full board, may send a written communication to us, care of our Secretary, at the address of our principal executive offices. Our Secretary will forward the communication to the board or to any individual director or directors to whom the communication is addressed unless the communication is unduly hostile, threatening, illegal, or harassing, in which case our Secretary has the authority to discard the communication or take appropriate legal action regarding the communication.

***Committee Membership***

Below is a summary of our committee structure and membership information as of March 30, 2009, the date this proxy statement is made available.

***Audit Committee***

The current members of the audit committee are Susan Wang (Chairman), Robert J. Finocchio, Jr., and Gregory E. Myers, each of whom is: (1) independent as that term is defined in Section 10A of the Securities and Exchange Act of 1934, as amended (the Exchange Act ); (2) independent as defined by current NASDAQ listing requirements; and (3) financially literate and has the requisite financial sophistication as required by NASDAQ rules applicable to issuers listed on NASDAQ. In addition, the board of directors has determined that Ms. Wang, Mr. Finocchio, and Mr. Myers each meet the criteria of an audit committee financial expert within the meaning of the SEC's regulations. The audit committee held eight meetings during 2008.

The purpose of the audit committee is to oversee: (1) the integrity of reported financial results; (2) the quality and adequacy of disclosures; (3) the soundness and effectiveness of our accounting policies and internal control over financial reporting; (4) our compliance with significant applicable financial, legal, and ethical requirements; (5) the independence and performance of our independent registered public accounting firm ( external auditor ) and internal auditors; and (6) communications among the external auditor, internal auditors, financial and senior management, and the board of directors. The audit committee has ultimate authority and responsibility to select, approve the compensation of, evaluate and, when appropriate, replace our external auditor. The audit committee also has the sole authority to hire and review the performance of our Senior Director of Internal Audit and Compliance and to review and approve the scope of internal audit plans. The audit committee has established procedures for: (a) the receipt, retention, and treatment of complaints received by us regarding accounting, internal controls, or auditing matters; and (b) the confidential, anonymous submission by our employees of concerns regarding questionable accounting or auditing matters. Additional information regarding the audit committee and its members is contained in the Audit Committee Report on page 32.

***Compensation Committee***

The current members of the compensation committee are John Shoemaker (Chairman), Kevin McGarity, and Krish A. Prabhu, each of whom is independent as defined by current NASDAQ listing requirements. The compensation committee held five meetings during 2008.

The purposes of the compensation committee are to: (1) evaluate and establish the CEO's compensation in consultation with the independent members of the board of directors; (2) evaluate and establish the compensation of other executive officers; (3) annually lead the board of directors in a discussion of the CEO's performance; and (4) evaluate and make recommendations to the board of directors regarding the compensation of directors.

In addition, the compensation committee has the sole authority to engage outside advisers to assist in its work, such as compensation consultants. Additional information regarding the compensation committee and its members is contained in the Compensation Committee Report on page 31.

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

Neither Mr. Shoemaker, Mr. McGarity, nor Mr. Prabhu was at any time an officer or employee of the company. In addition, none of our executive officers serves as a member of the board of directors or compensation committee of any company that has one or more of its executive officers serving as a member of our board of directors or compensation committee.

***Nominating and Governance Committee***

The current members of the nominating and governance committee are Robert J. Finocchio, Jr. (Chairman) and John Shoemaker, both of whom are independent as defined by current NASDAQ listing requirements. The nominating and governance committee held one meeting in 2008.

The purposes of the nominating and governance committee are to: (1) identify individuals qualified to become members of the board of directors and to nominate directors for election; (2) lead the board of directors in its annual performance review; and (3) review and make recommendations to the board of directors concerning corporate governance matters. As part of its annual performance review process, the nominating and governance committee seeks input from each board member regarding the performance of individual directors, each committee, and the board as a whole. The committee reports this information to the board and also takes into account the results of this annual performance review in its decisions regarding director nominations. Additional information regarding the nominating and governance committee and its members is contained in the Nominating and Governance Committee Report on page 12.

**Director Compensation**

We pay our non-employee directors an annual retainer for board and committee service. The annual retainers are targeted so that total cash compensation approximates the 50<sup>th</sup> percentile of the peer companies listed in the Peer Group and Benchmarking section on page 17. The payment schedule applicable to board and committee service is described more fully in the chart below. The retainer payments are made on the date of each year's annual meeting of stockholders and are pro-rated if a director's service begins subsequent to the date of the annual meeting.

<b>Annual Retainer</b>	
Board Membership	\$50,000
Audit Committee	\$20,000 Chair \$12,000 Member
Compensation Committee	\$13,000 Chair \$10,000 Member
Nominating and Governance Committee	\$10,000 Chair \$6,000 Member
Lead Independent Director	\$5,000

**Other Director Benefits**

Equity Compensation Described in further detail below

Pursuant to our 2005 Equity Incentive Plan ( 2005 Plan ), at the discretion of the compensation committee, when a non-employee director joins the board, he/she may be granted either: (i) up to a maximum number of shares subject to a restricted stock unit ( RSU ) and/or a restricted stock grant having an aggregate fair market value (i.e., the closing price of our common stock on the date of grant, as reported on NASDAQ) equal to \$300,000, as measured on the date of grant, or (ii) up to a maximum aggregate number of 40,000 shares subject to a stock option and/or stock appreciation right ( SAR ).

Following the date of each annual stockholders meeting, each non-employee director who is re-elected may be granted, at the discretion of the compensation committee, either: (i) up to a maximum number of shares subject to an RSU and/or a restricted stock grant having an aggregate fair market value equal to \$150,000, as measured on the date of grant, or (ii) up to a maximum aggregate number of 20,000 shares subject to a stock option and/or SAR.

RSUs and restricted stock grants vest and are exercisable as determined by the compensation committee, provided that RSUs and restricted stock vest over a minimum of three years as measured from the date of grant. The term of any stock option and/or SAR grant is ten years. The exercise price of any stock option and/or SAR grant is equal to the fair market value of our stock on the grant date. Non-employee directors are also eligible to receive other types of awards under the 2005 Plan (including bonus stock), but such awards are discretionary and are not automatic.

In February 2008, the board adopted stock ownership guidelines that provide that each director should own, within five years of the institution of the requirement, 5,500 shares of our common stock. The guidelines provide that an individual may request that the compensation committee suspend the ownership guidelines based on personal hardship.

The following table summarizes the total compensation received by each of our directors in 2008. Our directors do not receive any fringe or other benefits.

#### DIRECTOR COMPENSATION

Name(1)	Fees Earned or Paid in Cash	Stock Awards	Option Awards	Non-Equity Incentive Plan Compensation	All Other Compensation	Total
(a)	(\$) (b)	(\$)(2) (c)	(\$)(2) (d)	(\$) (e)	(\$) (f)	(\$) (g)
Robert J. Finocchio, Jr.	77,000	23,720	31,405			132,125
Kevin McGarity	60,000	23,720	40,398			124,118
Gregory E. Myers	62,000	23,720	85,530			171,250
Krish A. Prabhu(3)	60,000		48,236			108,236
Robert W. Reed(4)			31,405			31,405
John Shoemaker	69,000	23,720	87,586			180,306
Susan Wang	70,000	23,720	38,757			132,477

- (1) Mr. Daane, our Chairman of the Board, President, and Chief Executive Officer, does not receive any compensation for his service as a member of the board of directors.
- (2) Stock awards consist only of RSUs. Amounts shown in columns (c) and (d) do not reflect compensation actually received by the director. Instead, the amounts represent the compensation cost we recognized in 2008, including amounts related to grants made in prior years, in accordance with Statement of Financial Accounting Standards No. 123, as revised, Share-Based Payment ( FAS 123R ), disregarding adjustments for forfeiture assumptions. For a discussion of valuation assumptions, see Note 10 to our 2008 Consolidated Financial Statements included in our Annual Report.
- (3) Mr. Prabhu joined our board of directors and became a member of the compensation committee on May 13, 2008.
- (4) Mr. Reed retired from the board of directors effective May 13, 2008, the date of last year's annual meeting. As a result, he did not receive an annual retainer or any equity compensation in 2008. In 2008, Mr. Reed acquired 30,000 shares upon exercise of stock options received pursuant to our 1998 Director Stock Option Plan (which was replaced by the 2005 Plan in May 2005) and our 2005 Plan. The value realized on exercise was \$112,633, which represents the difference between the exercise price and the fair market value of the common stock on the date of exercise. From 2001 through 2004, director stock option grants contained a retirement provision allowing the options to be exercised for up to one year following retirement, provided that the director had completed ten years of service as a director prior to retirement. This practice was discontinued upon the adoption of the 2005 Plan. For the option grants that contain the retirement provision, Mr. Reed qualified for the retirement benefit.

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The following table sets forth information with respect to stock option grants and RSU awards made during 2008 to our directors. The vesting schedule and grant term is described in further detail in the Director Compensation section on page 9.

Name	Grant Date	Stock Awards: Number of Shares of Stock or Units	Option Awards: Number of Securities Underlying Options	Exercise or Base Price of Option Awards	Grant Date Fair Value of Stock and Option Awards
(a)	(b)	(#)(1) (c)	(#)(2) (d)	(\$/Sh)(3) (e)	\$(4) (f)
Robert J. Finocchio, Jr.	05/13/2008	5,000			113,900
Kevin McGarity	05/13/2008	5,000			113,900
Gregory E. Myers	05/13/2008	5,000			113,900
Krish A. Prabhu	05/13/2008		40,000	22.78	303,760
Robert W. Reed					
John Shoemaker	05/13/2008	5,000			113,900
Susan Wang	05/13/2008	5,000			113,900

- (1) Represents the number of RSUs awarded to each director pursuant to our 2005 Plan.
- (2) Represents the number of non-statutory stock options granted under our 2005 Plan.
- (3) The exercise price for the stock option grant shown here is the fair market value (i.e., the closing price) of our common stock on the date of grant, as reported on NASDAQ.
- (4) Represents the full grant date fair value of each stock option grant and/or RSU award, as applicable, computed in accordance with FAS 123R.



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The following table provides information regarding outstanding equity awards, including stock options and RSUs, and applicable market values at the end of 2008.

Name	Grant Date	Option Awards					Stock Awards			Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested
		Number of Securities Underlying Unexercised Options (#)	Number of Securities Underlying Unexercised Options (#)	Equity Incentive Plan Awards: 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	Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have Not Vested	
(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)
Robert J. Finocchio, Jr.	01/08/2002	40,000			24.92	01/08/2012				
	04/30/2002	3,333			20.56	04/30/2012				
	05/06/2003	10,000			17.24	05/06/2013				
	05/11/2004	10,000			22.03	05/11/2014				
	05/10/2005	10,000			20.73	05/10/2015				
	05/09/2006	10,000			21.07	05/09/2016				
	05/08/2007	10,000			23.52	05/08/2017				
	05/13/2008						5,000	83,550		
Kevin McGarity	03/09/2004	40,000			21.20	03/09/2014				
	05/11/2004	1,667			22.03	05/11/2014				
	05/10/2005	10,000			20.73	05/10/2015				
	05/09/2006	10,000			21.07	05/09/2016				
	05/08/2007	10,000			23.52	05/08/2017				
	05/13/2008									