

ATHEROS COMMUNICATIONS INC
Form DEF 14A
April 07, 2006
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

SCHEDULE 14A

(Rule 14a-101)

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 Under Rule 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.

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(1) Amount Previously Paid:

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Atheros Communications, Inc.

5480 Great America Parkway

Santa Clara, CA 95054

(408) 773-5200

April 4, 2006

Dear Stockholder:

You are cordially invited to attend our 2006 Annual Meeting of Stockholders, to be held at 10:00 a.m., Pacific Time, on Wednesday, May 24, 2006, at our offices at 5480 Great America Parkway, Santa Clara, California.

The formal notice of the Annual Meeting and the Proxy Statement, which describe in detail the matters to be acted upon at the Annual Meeting, 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 2005 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 Wednesday, May 24, 2006

To our Stockholders:

Atheros Communications, Inc. will hold its Annual Meeting of Stockholders at 10:00 a.m., Pacific Time, on Wednesday, May 24, 2006, at our offices at 5480 Great America Parkway, Santa Clara, California 95054.

We are holding this meeting:

to elect two (2) Class III directors to serve until the 2009 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, 2006, 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, 5480 Great America Parkway, Santa Clara, 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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Santa Clara, California

April 4, 2006

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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 2006 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 Wednesday, May 24, 2006 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 7, 2006.

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 2006 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 III 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, 2006, the record date for the Annual Meeting, can vote at the Annual Meeting. As of the close of business on April 4, 2006, we had 51,095,834 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, 2006. 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 III 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, 2006, 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 of stockholders to be held in 2008.

Our Class III directors are John L. Hennessy and Daniel A. Artusi, 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.

Accordingly, two (2) Class III directors will be elected at the Annual Meeting to serve until the annual meeting of stockholders to be held in 2009 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.

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.

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Daniel A. Artusi has served as one of our directors since October 2005. Mr. Artusi has served as chairman and CEO of Coldwatt, Inc., a provider of high efficiency power supplies for the communications and computer industry, since June 2005. From April 2005 to June 2005, Mr. Artusi was an individual investor. From January 2003 until April 2005, he served as the President of Silicon Laboratories Inc., a developer of mixed signal integrated circuits for products such as cell phones, set-top boxes and computer modems, and from January 2004 until April 2005, he also served as the Chief Executive Officer and as a member of the Board of Directors of Silicon Laboratories. From August 2001 to January 2004, he served as Chief Operating Officer of Silicon Laboratories. Prior to joining Silicon Laboratories, Mr. Artusi held various positions at Motorola Inc. In his most recent position at Motorola, from August 1999 to August 2001, Mr. Artusi served as Corporate Vice President and General Manager of Motorola's Networking and Computing Systems Group, and from May 1997 to August 1999, he served as Vice President and General Manager of Motorola's Wireless Infrastructure Systems Division. From April 1996 to May 1997, Mr. Artusi was General Manager of Motorola's RF Semiconductors Division. Mr. Artusi currently serves on the board of directors of Powerwave Technologies, Inc., a producer of ultra-linear radio frequency power amplifiers for wireless communications. Mr. Artusi studied electronics engineering at the Instituto Tecnológico de Buenos Aires (ITBA) in Argentina.

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The two (2) 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.

Executive Officers and Directors

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

<u>Name</u>	<u>Age</u>	<u>Position(s)</u>
Craig H. Barratt	43	President, Chief Executive Officer and Director
Jack R. Lazar	40	Vice President, Chief Financial Officer and Secretary
Todd D. Antes	39	Vice President of Marketing
Richard G. Bahr	52	Vice President of Engineering
Paul G. Franklin	62	Vice President of Operations
Gary L. Szilagy	37	Vice President of Worldwide Sales
Adam H. Tachner	39	Vice President, General Counsel and Assistant Secretary
David D. Torre	49	Vice President and Chief Accounting Officer
John L. Hennessy (2)(3)(4)	53	Chairman of the Board
Daniel A. Artusi (2)(3)(4)	51	Director
Forest Baskett (1)(3)(4)	62	Director
Teresa H. Meng	44	Director
Marshall L. Mohr (1)(4)	50	Director
Andrew S. Rappaport (1)(2)(4)	48	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

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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.

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.

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Todd D. Antes has served as our Vice President of Marketing since July 2005. Prior to joining Atheros, from August 2002 to July 2005, Mr. Antes was Director of Marketing and Business Development at Philips Semiconductors, a division of Royal Philips Electronics NV, where he was responsible for the company's wireless and wired connectivity products. From April 2000 to July 2002, Mr. Antes was a founder and Senior Vice President of Marketing for AirPrime, Inc., a developer and provider of 3G/cellular data products. From April 1993 to April 2000, Mr. Antes held various senior marketing and product line general management roles at Philips, including director of marketing for the company's global cellular chipset business. Mr. Antes holds a Bachelor of Science degree in electrical engineering and a Master of Business Administration degree from Santa Clara University.

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

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.

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 Master 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 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.

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.

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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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 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. Mr. Rappaport attended Princeton University.

Board Meetings

Our Board of Directors held six (6) meetings in 2005. 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 2005, two (2) of the six (6) 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.

The Compensation Committee currently consists of Messrs. Hennessy (Chairman), Artusi and Rappaport. The Compensation Committee held five (5) meetings during 2005 and acted by unanimous written consent one (1) time during 2005. 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 Audit Committee currently consists of Messrs. Mohr (Chairman), Baskett and Rappaport. The Audit Committee held nine (9) meetings in 2005 and acted by unanimous written consent one (1) time during 2005. 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. Baskett (Chairman), Artusi and Hennessy. The Nominating and Corporate Governance Committee held four (4) meetings in 2005. 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.

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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 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.

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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.

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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.

Directors Compensation

Since January 1, 2005, we have paid the following compensation to members of our Board of Directors for their services as directors.

Prior to October 20, 2005, we did not pay any cash compensation to members of our Board Directors for their services as directors. On October 20, 2005, our Board of Directors adopted a cash compensation plan for Atheros independent directors. Under the plan, each independent director receives an annual retainer of \$25,000. In addition, each independent director will receive an annual retainer of \$2,500 for each committee (other than the Audit Committee) on which such director serves, and members of the Audit Committee will receive an annual retainer of \$5,000. In addition to the retainers for committee service, committee chairs (other than the chair of the Audit Committee) will receive an annual retainer of \$2,500, and the chair of the Audit Committee will receive an annual retainer of \$5,000. These retainers will be payable on a pro rata basis for the portion of the year on which a director serves on the Board or a committee. The retainers for 2005 were payable on a pro rata basis for the period from October 20, 2005 through December 31, 2005.

We also reimburse the directors for reasonable expenses in connection with attendance at board and committee meetings.

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, Daniel Artusi was granted an initial option to purchase 37,500 shares of our common stock on October 24, 2005 and each of our other outside directors, Messrs. Baskett, Hennessy, Mohr and Rappaport, was granted an annual option to purchase 7,500 shares of our common stock on May 25, 2005.

Directors also are eligible to receive and have received discretionary grants of nonstatutory stock options under our 2004 stock incentive 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 stock incentive plan on the date of grant. The following non-employee director has received stock options under our 2004 stock incentive plan since January 1, 2005:

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<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	30,000	\$ 10.03	1/21/05
	7,500	\$ 14.38	1/18/06

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We have a consulting agreement with Teresa H. Meng, who is a director, entered into on January 1, 2002, under which Dr. Meng is an independent contractor providing engineering services such as design advice, competitive analysis, recruiting assistance and general technical consultation. In 2005, Dr. Meng was entitled to the following compensation: \$2,929.38 per week for weeks in which Dr. Meng provided one day of service per week, and \$23,436 per month for months in which Dr. Meng provided five days of service per week. Effective as of January 1, 2006, the consulting agreement was amended such that the compensation to which Dr. Meng is entitled was changed to a fixed fee of \$25,000 per year. The agreement also provides that Dr. Meng is entitled to reimbursement for reasonable out-of-pocket expenses previously approved in writing. In 2005, Dr. Meng earned consulting fees of \$140,610 for her services as a consultant. In addition, in January 2006, we paid Dr. Meng a \$49,216 bonus for services rendered in 2005. In January 2005, we also paid Dr. Meng a \$22,985 bonus for services rendered in 2004.

Compensation Committee Interlocks and Insider Participation

Messrs. Hennessy, Artusi and Rappaport currently serve as members of our Compensation Committee. In 2005, William B. Elmore, a former member of our Board of Directors, served on the Compensation Committee until he resigned from the Board of Directors in April 2005, and Forest Baskett served on the Compensation Committee until October 2005. Messrs Artusi and Rappaport were appointed to the Compensation Committee in October 2005. 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 4, 2006, 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., 5480 Great America Parkway, Santa Clara, California 95054.

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 51,095,834 shares outstanding as of April 4, 2006. 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, 2006. 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)	6,431,486	12.59%
Capital Research & Management Company and SMALLCAP World Fund, Inc.(2)	3,680,000	7.20
Directors and Named Executive Officers:		
Craig H. Barratt(3)	1,366,998	2.61
Richard G. Bahr(4)	416,403	*
Jack R. Lazar(5)	330,714	*
Thomas J. Foster(6)	51,408	*
Paul G. Franklin(7)	275,739	*
John L. Hennessy(8)	358,292	*
Daniel A. Artusi	0	*
Forest Baskett(9)	1,219,812	2.39
Teresa H. Meng(10)	1,090,000	2.12
Marshall L. Mohr(11)	43,125	*
Andrew S. Rappaport(12)	922,791	1.81
All directors and executive officers as a group (15 persons)(13)	6,414,307	11.90%

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

- (1) According to an Amendment to Schedule 13G filed jointly on February 14, 2006 by FMR Corp., Fidelity Management & Research Company, Fidelity Growth Company Fund, and Edward C. Johnson 3d, 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

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an investment adviser registered under Section 203 of the Investment Advisers Act of 1940, is the beneficial owner of 6,431,486 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 5,556,486 shares. Mr. Johnson 3d and FMR Corp., through its control of Fidelity Management & Research, and the funds each has sole power to dispose of the 6,431,486 shares owned by the funds. Neither FMR Corp., nor Edward C. 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. Members of the family of Edward C. Johnson 3d directly or through trusts, of Series B shares of common stock of FMR Corp., represent 49% of the voting power 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.

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- (2) According to an Amendment to Schedule 13G filed jointly on February 10, 2006 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 3,680,000 shares, with sole power to dispose of and vote the shares, 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 3,180,000 shares, with no power to dispose of or vote the shares. The principal business address is 333 South Hope Street, Los Angeles, CA 90071.
- (3) Includes 1,246,748 shares subject to options that are exercisable as of June 3, 2006, of which 319,063 shares are subject to our right of repurchase as of June 3, 2006. 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.
- (4) Includes 352,081 shares subject to options that are exercisable as of June 3, 2006, of which 91,250 shares are subject to our right of repurchase as of June 3, 2006.
- (5) Includes 319,738 shares subject to options that are exercisable as of June 3, 2006, of which 153,499 shares are subject to our right of repurchase as of June 3, 2006.
- (6) Includes 46,789 shares subject to options that are exercisable as of June 3, 2006. Mr. Foster left Atheros in March 2006.
- (7) Includes 271,666 shares subject to options that are exercisable as of June 3, 2006, of which 140,625 shares are subject to our right of repurchase as of June 3, 2006.
- (8) Includes 15,624 shares held by Mr. Hennessy's children and 15,626 shares held by Mr. Hennessy's sister as custodian for his children. Also includes 15,000 shares subject to options that are exercisable as of June 3, 2006. Mr. Hennessy is an investor in entities affiliated with August Capital but does not have voting or dispositive power over any of the shares held by this entity and disclaims any beneficial ownership except to the extent of his pecuniary interest therein. None of the shares held by August Capital are included in the number of shares beneficially owned by Mr. Hennessy.
- (9) Includes 1,194,356 shares held by entities affiliated with New Enterprise Associates 9, L.P.. Mr. Baskett is a venture partner of NEA Partners 9, L.P., the general partner of New Enterprise Associates 9, L.P. Mr. Baskett does not have voting or dispositive power with respect to the shares held by New Enterprise Associates 9, L.P. or its affiliates. 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 10,456 shares held by the Baskett-Bell Family Trust. Also includes 15,000 shares subject to options that are exercisable as of June 3, 2006.
- (10) Includes 260,000 shares subject to options that are exercisable as of June 3, 2006, of which 30,656 shares are subject to our right of repurchase as of June 3, 2006.
- (11) Includes 14,063 shares subject to our right of repurchase as of June 3, 2006. Also includes 5,625 shares subject to options that are exercisable as of June 3, 2006.
- (12) Includes 907,791 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 15,000 shares subject to options that are exercisable as of June 3, 2006.

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- (13) Includes 2,820,186 shares subject to options that are exercisable as of June 3, 2006, of which 790,156 shares are subject to our right of repurchase as of June 3, 2006.

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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 2005.

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 2005 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, 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, 2005 for filing with the Securities and Exchange Commission.

Respectfully submitted on April 4, 2006, 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, 2005 for our Chief Executive Officer and the four (4) other most highly compensated executive officers as of December 31, 2005 whose total annual salary and bonus for fiscal 2005 exceeded \$100,000, whom we refer to in this proxy statement as the named executive officers.