

ALTERA CORP
Form DEF 14A
March 26, 2013

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
SCHEDULE 14A INFORMATION
Proxy Statement Pursuant to Section 14(a) of the Securities
Exchange Act of 1934
(Amendment No.)

Filed by the Registrant [X]
Filed by a Party other than the Registrant []

Check the appropriate box:

- [] Preliminary Proxy Statement.
 [] Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2)).
 [X] Definitive Proxy Statement.
 [] Definitive Additional Materials.
 [] Soliciting Materials Pursuant to Rule S240.14a-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):

- [X] No fee required.
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NOTICE OF 2013 ANNUAL MEETING OF STOCKHOLDERS

May 6, 2013

2:30 p.m.

The Annual Meeting of Stockholders of Altera Corporation, a Delaware corporation, will be held on Monday, May 6, 2013, at 2:30 p.m. local time, at Altera's offices at 101 Innovation Drive, San Jose, California 95134, for the following purposes:

- (1) To elect the directors named in the proxy statement to serve until the next annual meeting of stockholders.
- (2) To approve an amendment to the 2005 Equity Incentive Plan to increase by 3,000,000 the number of shares of common stock reserved for issuance under the plan.
- (3) To approve an amendment to the 2005 Equity Incentive Plan regarding non-employee director equity awards.
- (4) 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.
- (5) To approve, on an advisory basis, named executive officer compensation.
- (6) To ratify the appointment of PricewaterhouseCoopers LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2013.
- (7) 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. Only stockholders who owned shares of our common stock at the close of business on March 8, 2013 are entitled to notice of, and to vote at, the meeting.

On or about March 26, 2013, we will mail a Notice of Internet Availability of Proxy Materials to our stockholders of record on March 8, 2013, other than those stockholders who previously requested electronic or paper delivery of communications from us. The notice will contain instructions on how to access an electronic copy of our proxy materials, including this proxy statement and our annual report, as well as instructions with respect to how to vote your shares.

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.

For the Board of Directors
ALTERA CORPORATION
Katherine E. Schuelke
Secretary
San Jose, California
March 26, 2013

YOUR VOTE IS IMPORTANT.

FOR SPECIFIC INSTRUCTIONS ON HOW TO VOTE YOUR SHARES, PLEASE REFER TO THE INSTRUCTIONS ON THE NOTICE OF INTERNET AVAILABILITY OF PROXY MATERIALS THAT YOU RECEIVED IN THE MAIL, THE QUESTION "HOW DO I VOTE?", OR, IF YOU REQUESTED PRINTED PROXY MATERIALS, YOUR ENCLOSED PROXY CARD.

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101 Innovation Drive, San Jose, California 95134
(408) 544-7000

PROXY STATEMENT FOR
ANNUAL MEETING OF STOCKHOLDERS
TO BE HELD ON
May 6, 2013

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 6, 2013, or at any adjournment, continuation or postponement of the meeting. The annual meeting will be held at our principal executive offices at 101 Innovation Drive, San Jose, California 95134.

A Notice of Internet Availability of Proxy Materials, this proxy statement, any accompanying proxy card or voting instruction form and our 2012 Annual Report to Stockholders will be made available on or about March 26, 2013 to our stockholders of record on March 8, 2013. Paper copies of the proxy materials may be obtained by following the instructions on the Notice of Internet Availability of Proxy Materials. Upon request, we will provide any exhibit listed in the Annual Report.

QUESTIONS AND ANSWERS ABOUT THE ANNUAL MEETING AND THESE PROXY MATERIALS

What matters will be voted on at the annual meeting?

The following matters will be voted on at the annual meeting:

• Proposal One: To elect the directors named in the proxy statement to serve until the next annual meeting of stockholders.

• Proposal Two: To approve an amendment to the 2005 Equity Incentive Plan to increase by 3,000,000 the number of shares of common stock reserved for issuance under the plan.

• Proposal Three: To approve an amendment to the 2005 Equity Incentive Plan regarding non-employee director equity awards.

• Proposal Four: 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.

• Proposal Five: To approve, on an advisory basis, named executive officer compensation.

• Proposal Six: To ratify the appointment of PricewaterhouseCoopers LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2013.

• Such other business as may properly come before the meeting or any postponement or adjournment of the meeting.

How does the board of directors recommend I vote?

The board of directors recommends that you vote:

• FOR the election of the directors named in this proxy statement.

• FOR the amendment to the 2005 Equity Incentive Plan to increase the number of shares of common stock reserved for issuance under the plan.

FOR the amendment to the 2005 Equity Incentive Plan regarding non-employee director equity awards.

FOR the amendment to the 1987 Employee Stock Purchase Plan to increase the number of shares of common stock reserved for issuance under the plan.

FOR the approval, on an advisory basis, of the compensation of our named executive officers.

FOR the ratification of the appointment of PricewaterhouseCoopers LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2013.

Why did I receive a notice in the mail regarding Internet availability of proxy materials instead of a full set of proxy materials?

Under rules adopted by the U.S. Securities and Exchange Commission, or the SEC, we furnish our 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 of Proxy Materials 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 of Proxy Materials will provide instructions as to how you may access and review a copy of our proxy materials on the Internet, including this proxy statement and our Annual Report. The Notice of Internet Availability of Proxy Materials also includes instructions for requesting a printed copy of the proxy materials. If you share an address with another stockholder and have received only one Notice of Internet Availability of Proxy Materials, you may write or call us at the address and phone number provided above to request a separate copy of these materials at no cost to you. Beneficial owners (as described below) may contact their broker or other nominee to request a separate copy of these materials.

Can I vote my shares by filling out and returning the Notice of Internet Availability of Proxy Materials?

No. The Notice of Internet Availability of Proxy Materials only identifies the items to be voted on at the annual meeting. You cannot vote by marking the Notice of Internet Availability of Proxy Materials and returning it. The notice provides instructions on how to cast your vote. For additional information please see “How do I vote and what are the voting deadlines?”

Who is entitled to vote at the annual meeting?

Stockholders who owned shares of our common stock at the close of business on March 8, 2013, the record date for the annual meeting, are entitled to notice of, and to vote at, the annual meeting. On the record date, 320,097,685 shares of common stock were issued and outstanding.

Stockholders may examine a list of all stockholders entitled to vote at the annual meeting for any purpose germane to the annual meeting for ten days preceding the annual meeting during ordinary business hours at our offices in San Jose, California.

What is the difference between holding shares as a stockholder of record and as a beneficial owner?

Stockholders of Record. You are a stockholder of record if, at the close of business on the record date, your shares were registered directly in your name with Computershare Trust Company, N.A., our transfer agent.

Beneficial Owner. You are a beneficial owner if, at the close of business on the record date, your shares were held by a brokerage firm or other nominee and not in your name. Being a beneficial owner means that, like most of our stockholders, your shares are held in “street name.” As the beneficial owner, you have the right to direct your broker or nominee how to vote your shares by following the voting instructions your broker or other nominee provides. If you do not provide your broker or nominee with instructions on how to vote your shares, your broker or nominee will be able to vote your shares with respect to some of the proposals, but not all. Please see “What happens if I do not give specific voting instructions?” for additional information.

How do I vote and what are the voting deadlines?

Stockholders of Record: If you are a stockholder of record, there are several ways for you to vote your shares.

By Mail. If you received printed proxy materials, you may submit your vote by completing, signing, and dating each proxy card received and returning it in the prepaid envelope. Sign your name exactly as it appears on the proxy card. Proxy cards submitted by mail must be received no later than the annual meeting to be voted at the annual meeting.

By telephone or over the Internet. You may vote your shares by telephone or via the Internet by following the instructions provided in the Notice of Internet Availability of Proxy Materials. If you vote by telephone or via the Internet, you do not need to return a proxy card by mail. Internet and telephone voting are available 24 hours a day. Votes submitted by telephone or through the Internet must be received by 11:59 p.m. Eastern Time on May 5, 2013. In person at the Annual Meeting. You may vote your shares in person at the annual meeting. Even if you plan to attend the annual meeting in person, we recommend that you also submit your proxy card or voting instructions or vote by telephone or via the Internet by the applicable deadline so that your vote will be counted if you later decide not to attend the meeting.

Beneficial Owners: If you are a beneficial owner of your shares, you should have received a Notice of Internet Availability of Proxy Materials or voting instructions from the broker or other nominee holding your shares. You should follow the instructions in the Notice of Internet Availability of Proxy Materials or voting instructions provided by your broker or nominee in order to instruct your broker or other nominee on how to vote your shares. The availability of telephone and Internet voting will depend on the voting process of the broker or nominee. Shares held beneficially may be voted in person at the annual meeting only if you obtain a legal proxy from the broker or nominee giving you the right to vote the shares.

How are proxies 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.

What happens if I do not give specific voting instructions?

Stockholders of Record: If you are a stockholder of record and you do not cast a vote or submit a proxy, no votes will be cast on your behalf on any of the items of business at the annual meeting. If you are a stockholder of record and you submit a proxy but do not provide voting instructions, the shares represented by your proxy will be voted in favor of the director nominees (Proposal 1) and in favor of Proposals 2 through 6. 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.

Beneficial Owners of Shares Held in Street Name: If you are a beneficial owner and you do not provide the broker or other nominee with voting instructions, the broker or other nominee will determine if it has the discretionary authority to vote on the particular matter. Under the rules of the various national and regional securities exchanges, brokers and other nominees holding your shares may vote on routine matters, including Proposal 6, but cannot vote on non-routine matters, including Proposals 1, 2, 3, 4 and 5. If you hold your shares in street name and you do not instruct your broker or other nominee how to vote on non-routine matters, no votes will be cast on your behalf. This is generally referred to as a “broker non-vote.”

How do I revoke my proxy?

Stockholders of Record: If you are a stockholder of record, 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, by 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. Only your latest Internet or telephone proxy received by 11:59 p.m. Eastern Time on May 5, 2013 will be counted. 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.

Beneficial Owners of Shares Held in Street Name: If your shares are held in “street name,” you should follow the directions provided by your broker or other nominee regarding how to revoke your proxy.

How are votes counted and who will count the votes?

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 will tabulate the votes.

What constitutes a quorum and why is a quorum required?

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” will be counted as shares that are present for purposes of determining whether a quorum exists.

What is the effect of broker non-votes and abstentions?

Broker non-votes and abstentions are counted for purposes of determining whether or not a quorum is present. Shares not present at the meeting and shares voting “abstain” have no effect on the election of directors. For each of the other proposals, abstentions have the same effect as negative votes. Broker non-votes (shares held by brokers that do not have discretionary authority to vote on a matter and have not received voting instructions from their clients) have no effect. If you are a beneficial holder and do not provide specific voting instructions to your broker, the organization that holds your shares will not be authorized to vote on most items being put to a vote, including the election of directors. Accordingly, we encourage you to vote promptly, even if you plan to attend the annual meeting.

What is the vote required for each proposal?

Proposal	Vote Required
Proposal One: To elect the directors named in the proxy statement to serve until the next annual meeting of stockholders.	Majority of the votes cast
Proposal Two: To approve an amendment to the 2005 Equity Incentive Plan to increase by 3,000,000 the number of shares of common stock reserved for issuance under the plan.	Majority of votes cast in person or by proxy and entitled to vote at the meeting
Proposal Three: To approve an amendment to the 2005 Equity Incentive Plan regarding non-employee director equity awards.	Majority of votes cast in person or by proxy and entitled to vote at the meeting
Proposal Four: 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.	Majority of votes cast in person or by proxy and entitled to vote at the meeting
Proposal Five: To approve, on an advisory basis, named executive officer compensation.	Majority of votes cast in person or by proxy and entitled to vote at the meeting
Proposal Six: To ratify the appointment of PricewaterhouseCoopers LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2013.	Majority of votes cast in person or by proxy and entitled to vote at the meeting

Who is paying for the costs of this proxy solicitation?

We will bear the expense of soliciting proxies. We have retained Phoenix Advisory Partners to assist with the solicitation of proxies for a fee of \$9,500, 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.

What is the deadline to propose actions for consideration or to nominate individuals to serve as directors at the 2014 annual meeting of stockholders?

Requirements for Stockholder Proposals to be Considered for Inclusion in the Company's Proxy Materials: In accordance with Rule 14a-8 under the Securities Exchange Act of 1934, or the Exchange Act, and as provided in Section 2.10 of our Bylaws, any stockholder who intends to submit a proposal at our 2014 annual meeting of stockholders and who wishes to have the proposal considered for inclusion in the proxy statement for that meeting must, in addition to complying with Rule 14a-8 under the Exchange Act and all other applicable laws and regulations governing submission of such proposals, deliver the notice of the proposal to us for consideration not less than 120 days nor more than 180 days prior to the anniversary of the date on which we first mailed our proxy materials for the

previous year's annual meeting of stockholders, or not earlier than September 27, 2013 and not later than November 26, 2013. In addition, the notice must set forth the information required by our Bylaws with respect to each proposal. Such proposal should be sent to us, care of our Secretary, at Altera Corporation, 101 Innovation Drive, San Jose, California 95134.

Nothing in Section 2.10 of our Bylaws shall affect the right of a stockholder to request inclusion of a proposal in the proxy statement to the extent that such right is provided by applicable law.

Requirements for Stockholder Proposals and Director Nominations to be Brought Before the 2014 Annual Meeting of Stockholders: Pursuant to Section 2.10 and Section 2.11 of our Bylaws, if a stockholder wishes to present a proposal or director nomination before the 2014 annual meeting of stockholders, the stockholder must give written notice to us at the address noted above not less than 120 days nor more than 180 days prior to the anniversary of the date on which we first mailed our proxy materials for the previous year's annual meeting of stockholders, or not earlier than September 27, 2013 and not later than November 26, 2013. In addition, the notice must set forth the information required by our Bylaws with respect to each such proposal or director nominee.

BOARD AND CORPORATE GOVERNANCE MATTERS

Our board of directors is currently comprised of nine members. Since the last annual meeting of stockholders, the board appointed A. Blaine Bowman and Shane V. Robison as members of the board, effective July 30, 2012 and November 7, 2012, respectively. Krish A. Prabhu resigned his position as a director effective July 30, 2012.

The nominating and governance committee of the board of directors has nominated eight of the nine current directors for re-election at the annual meeting. Susan Wang will retire from the board at the end of her current term and therefore will not stand for re-election at the annual meeting. In accordance with our Bylaws, the board voted to reduce the number of directors on the board from nine to eight directors, effective with Ms. Wang's retirement on May 6, 2013, the date of our 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	49	Chairman of the Board, President and Chief Executive Officer	2000
T. Michael Nevens	63	Lead Independent Director	2009
A. Blaine Bowman	66	Director	2012
Elisha W. Finney	51	Director	2011
Kevin McGarity	67	Director	2004
Shane V. Robison	59	Director	2012
John Shoemaker	70	Director	2007
Thomas H. Waechter	60	Director	2012

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

The nominating and governance committee annually assesses the performance of individual directors and the board as a whole. This assessment includes an evaluation of the skills, relevant business experience and expertise, diversity and ability and willingness of board members to devote the necessary time to board service on an ongoing basis. The assessment is done in the context of what the perceived needs of the board are at that time. The nominating and governance committee is then responsible for nominating candidates for election to the board of directors based on that assessment. Candidates nominated for election to the board are expected to have high personal and professional ethics, integrity and an inquiring and independent mind, along with practical wisdom and mature judgment. Each of the following individuals who have been nominated for election to the board of directors has those characteristics. Additionally, as described below, each candidate has unique skills and experiences that contribute to the board's decision-making processes.

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 in May 2003. Prior to joining us, Mr. Daane spent 15 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. We believe Mr. Daane's qualifications to sit on our board of directors include his extensive knowledge of the company, its products, strategies, and customers, his more than 25 years of experience in the semiconductor industry, his strong leadership skills and his broad experience in executive management roles in marketing and engineering within the semiconductor industry.

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T. MICHAEL NEVENS has served as one of our directors since November 2009. From 1980 until 2002, Mr. Nevens held various management positions at McKinsey & Company, including managing partner of the Global Technology Practice. He also served on the board of the McKinsey Global Institute, which conducts research on economic and policy issues. Mr. Nevens is currently a Senior Advisor to Permira, an international private equity fund, and he serves as a director of NetApp, Inc. Mr. Nevens previously served as a director of Borland Software, Inc. We believe Mr. Nevens' qualifications to sit on our board of directors include his extensive experience as a consultant to many semiconductor and other high technology companies, his understanding of semiconductor industry business models, economics, segments, and competition and his experience as a director of other public and private technology companies.

A. BLAINE BOWMAN has served as one of our directors since July 2012. Mr. Bowman previously served as President, CEO and Chairman of the Board of directors for Dionex Corporation, a maker of chromatography separation technologies, acquired by Thermo Fisher Scientific in 2011. Mr. Bowman retired as President and CEO of Dionex in 2002 and as Chairman of the Board in 2005. He joined Dionex in 1977 and was named President and CEO in 1980. He currently serves as a director for Illumina, Inc., a life sciences company that develops tools for DNA, RNA, and protein analysis. We believe Mr. Bowman's qualifications to sit on our board of directors include his experience as a chief executive officer of a public company, his extensive executive management experience, his experience with corporate transactions and his financial expertise.

ELISHA W. FINNEY has served as one of our directors since September 2011. Ms. Finney is currently Executive Vice President, Finance and Chief Financial Officer of Varian Medical Systems, Inc., where she has worked since 1988. Prior to joining Varian Medical Systems, Ms. Finney held management positions at Fox Group and Beatrice Foods, Inc. Ms. Finney also serves as a director of Thoratec Corporation. We believe Ms. Finney's qualifications to sit on our board of directors include her experience as a Chief Financial Officer of a public company, her financial expertise and her familiarity with business development and mergers and acquisitions.

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. In addition, during his career with Texas Instruments, he also had responsibility for Global Semiconductor IT and Quality and spent five years living in Europe in a variety of managerial positions. He currently is a consultant to global companies in the semiconductor industry. Mr. McGarity also serves as a director of Fairchild Semiconductor International, Inc. We believe Mr. McGarity's qualifications to sit on our board of directors include his 41 years of experience in the semiconductor industry as a sales and marketing executive of Texas Instruments and a board member of Fairchild, his knowledge of our sales channels, competitors, and end markets and his international work experience in Europe and Asia.

SHANE V. ROBISON has served as one of our directors since November 2012. Mr. Robison served most recently as Executive Vice President, Chief Technology Officer and Chief Strategy Officer for Hewlett-Packard Company from 2002 to 2011. Additionally, during his 32-year career, Mr. Robison held senior executive leadership positions in product development and business management with AT&T Labs, Cadence Design Systems, Inc. and Apple Inc. Mr. Robison also serves as a director of Fusion-io, Inc. We believe Mr. Robison's qualifications to sit on our board of directors include his extensive executive management experience, his knowledge of the electronic design automation industry, his experience in engineering and strategy development and his experience in mergers and acquisitions.

JOHN SHOEMAKER has served as one of our directors since March 2007. From 1990 to 2004, Mr. Shoemaker held various executive and senior management roles at 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 is currently a director of Extreme Networks, Inc. He previously served as Chairman of the Board of SonicWALL, Inc. We believe Mr. Shoemaker's qualifications to sit on our board of directors include his significant

executive management and board experience at public and private companies within some of our end markets, his experience in engineering and as a user of semiconductor technology and his experience in leadership development and succession management.

THOMAS H. WAECHTER has served as one of our directors since January 2012. Mr. Waechter currently is President, Chief Executive Officer and a member of the board of directors of JDS Uniphase Corporation (JDSU). Prior to joining JDSU in 2007, Mr. Waechter held a wide variety of executive positions including Chief Operating Officer at Harris Stratex Networks (now Aviat Networks, Inc.), President and Chief Executive Officer at Stratex Networks, President and Chief Executive Officer at REMEC Corporation and President and Chief Executive Officer of Spectrian Corporation. Additionally, he held a number of global executive-level positions during his 14-year career with Schlumberger Ltd. as well as a senior executive position with Asyst Technologies, Inc. We believe Mr. Waechter's qualifications to sit on our board of directors include his experience as a chief

executive officer of a public company, his extensive executive management experience and his experience in mergers and acquisitions.

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, which 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.

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

Our corporate governance practices are in compliance with the listing requirements of the Nasdaq Global Select Market, or NASDAQ, and the corporate governance requirements of the Sarbanes-Oxley Act of 2002 and the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010, including:

- The board of directors has adopted clear corporate governance policies;
- Seven of the eight directors standing for re-election at the annual meeting are independent of us and our management;
- The independent directors meet after every regularly scheduled board meeting 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 each committee's 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.

Board Leadership Structure

The board believes it is currently in the best interests of the stockholders to have our Chief Executive Officer, John Daane, also serve as our Chairman of the Board and to have a Lead Independent Director, T. Michael Nevens, who was elected by the independent directors in executive session. The board believes that having our CEO serve as Chairman of the Board and having a Lead Independent Director helps foster open and timely communication between the board and management, ensures alignment between the board, management, and stockholders, and also provides significant independent oversight and direction to management. The board of directors believes that Mr. Daane is in the best position to provide strategic leadership to the board based on his knowledge of the Company, our industry, our competitors, and our customers. Additionally, the board believes that Mr. Daane has established a culture of accountability and transparency at the company which helps to ensure that management is working in the best interests of stockholders.

The role of the Lead Independent Director is to assist the Chairman of the Board in establishing the strategic direction for board discussions and decision making and to act as a liaison between the Chairman of the Board and the other independent directors.

In particular, the responsibilities of the Lead Independent Director are to:

- Lead the independent directors in discussions during executive sessions of the independent directors;
- Discuss with the Chairman of the Board, the full board and/or members of management any issues or concerns raised by the other independent directors;
- Approve, together with the Chairman of the Board, the agendas for board meetings;
- As he or she deems appropriate, provide input regarding the content of board presentation materials to the Chairman of the Board and the Secretary to the Board;
- Recommend to the board the retention of consultants who report directly to the full board;
- Call special meetings of the board of directors and of the stockholders as specified in the company's Bylaws;
- Perform the duties of the Chairman of the Board in the Chairman's absence; and
- Perform such other duties as the board may from time to time delegate to the Lead Independent Director.

Board Oversight of Risk

One of the board's primary responsibilities, which it may execute through one or more of its committees, is to monitor the material risks facing the company and evaluate management's plans for dealing with such risks. While the board has risk oversight responsibility, management is responsible for assessing and managing material risk exposures. The board of directors provides risk oversight by: (1) discussing and developing a shared understanding with management of the company's philosophy of risk management and appetite for risk; (2) understanding and assessing the company's risk management processes; (3) understanding the company's strategic goals and objectives and assessing how they may be affected by material risk exposures; and (4) receiving regular reports from management on various types of risks and management's processes for managing such risks.

In general, the board of directors oversees strategic risks such as those relating to competitive dynamics, end market trends and developments, and changes in macroeconomic conditions. The board also provides risk oversight relating to various operational risks such as risks relating to product development, marketing, sales, and supply chain management. The board has delegated oversight of certain categories of risk to various committees. This delegation is documented in the committees' charters. In particular, the audit committee has risk oversight responsibility relating to financial reporting risk, legal compliance risk, risks relating to treasury operations, tax compliance risk and risks relating to the security and back up of information systems. The compensation committee has risk oversight responsibility relating to the design and operation of compensation programs, policies and practices. The nominating and governance committee has risk oversight responsibility relating to the adequacy of succession planning for the CEO and other executive officers, as well as for corporate governance risk. The board's role in risk oversight has not had any effect on the board's leadership structure.

Director Diversity

The board does not have a formal policy requiring the nominating and governance committee to consider the diversity of directors in its nomination process. However, the nominating and governance committee seeks to have a slate of candidates for election that represents a diverse set of views, experiences, and backgrounds. Additionally, the nominating and governance committee considers as one factor in its selection of directors the diversity of the board as it relates to race, gender, age and national origin.

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, under "Corporate Governance" in the "Investor Relations" section of our website at 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;
- 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 his/her 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 his/her immediate family member) is a current partner of our independent registered public accounting firm, PricewaterhouseCoopers LLP, or either the director (or an immediate family member) has been a partner or employee of PricewaterhouseCoopers LLP 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, seven of the eight 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 CEO, being the only director who is not independent. Krish A. Prabhu, who resigned from the board in July 2012, and Susan Wang, who will retire from the board at the end of the current term, also both met the standards for independence as defined by NASDAQ.

Board of Directors and Committees

Board Meetings

During 2012, the board of directors held seven 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 all regularly-scheduled 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 the Secretary of the company, 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 26, 2013, the date this proxy statement is made available.

Director	Audit Committee	Compensation Committee	Nominating and Governance Committee
John P. Daane	-	-	-
A. Blaine Bowman	Member	-	-
Elisha W. Finney	Member	-	-
Kevin McGarity	-	Member	-
T. Michael Nevens	Member	-	Chair
Shane V. Robison	-	Member	-
John Shoemaker	-	Chair	Member
Thomas H. Waechter	-	Member	-
Susan Wang	Chair ⁽¹⁾	-	-

(1) A new Audit Committee Chair will be appointed upon Ms. Wang's retirement at the end of the current term.

Audit Committee

Each of the current members of the audit committee is: (1) "independent" as that term is defined in Section 10A of the Securities and Exchange Act of 1934, as amended, or 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 Susan Wang (Chair), A. Blaine Bowman and Elisha W. Finney each meet the criteria of an "audit committee financial expert" within the meaning of the SEC's regulations. The audit committee held eight meetings in 2012.

The duties of the audit committee are 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 Director of Internal Audit 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.

Compensation Committee

Each of the current members of the compensation committee is "independent" as defined by current NASDAQ listing requirements. The compensation committee held eight meetings in 2012.

The duties of the compensation committee are to: (1) lead the independent members of the board of directors in a discussion and evaluation of the performance of the CEO on at least an annual basis; (2) evaluate and establish the compensation of the CEO and other executive officers; and (3) 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.

In 2012, the compensation committee directly engaged Compensia, Inc. ("Compensia") as its outside compensation consultant to provide independent advice on executive compensation matters. Compensia does not provide any other services to the company and works with the company's management only on matters for which the compensation committee is responsible. The compensation committee has assessed the independence of Compensia pursuant to SEC rules and concluded that no conflict of interest exists that would prevent Compensia from serving as an independent consultant to the compensation committee. The compensation committee periodically seeks input from Compensia on a range of external market factors, including evolving compensation trends, appropriate peer companies and market survey data. Compensia also provides general observations on the company's compensation programs, but it does not determine or recommend the amount or form of compensation for the named executive officers.

Compensation Committee Interlocks and Insider Participation

At no time has John Shoemaker (Chair), Kevin McGarity, Krish A. Prahbu, Shane V. Robison or Thomas H. Waechter been an officer or employee of the company. Mr. Prahbu served on the compensation committee in 2012 until his resignation from the board in July 2012. 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

Each of the current members of the nominating and governance committee is "independent" as defined by current NASDAQ listing requirements. The nominating and governance committee held seven meetings in 2012.

The duties of the nominating and governance committee are to: (1) identify individuals qualified to become board members and to nominate directors for election; (2) lead the board in its annual review of the performance, size, and membership of the board and its committees; (3) nominate for election by the board the members of each board committee, including the chair of each committee; (4) lead the board of directors in a regular review of succession plans for members of executive management and ensure that the board has in place a succession plan for the CEO; and (5) review and make recommendations to the board 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.

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 50th percentile of the peer companies listed in the "Compensation Discussion and Analysis —Process" section on page 23. The payment schedule applicable to board and committee service is described more fully in the chart below. Beginning in fiscal 2012, we made retainer payments to non-employee directors in two semi-annual payments paid in advance. These payments are pro-rated in the event a director joins the board mid-term.

Annual Retainer

Board Membership	\$50,000	
Lead Independent Director	\$20,000	
Audit Committee	\$20,000	Chair
	\$12,000	Member
Compensation Committee	\$15,000	Chair
	\$10,000	Member
Nominating and Governance Committee	\$10,000	Chair
	\$6,000	Member

Other Director Benefits
Equity Compensation

Described in detail below

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Pursuant to our 2005 Equity Incentive Plan, which we refer to as the 2005 Plan, at the discretion of the compensation committee, when a non-employee director joins the board, he/she may be granted either: (i) a combination of restricted stock units, which we refer to as RSUs, restricted stock awards, and/or stock options (but not solely stock options) representing up to a maximum number of whole shares having an aggregate value of \$300,000, or (ii) a combination of stock options and/or stock appreciation rights, which we refer to as SARs representing up to a maximum aggregate number of 40,000 shares.

Following the date of each annual meeting of stockholders, each non-employee director who is re-elected may be granted, at the discretion of the compensation committee, either: (i) a combination of RSUs, restricted stock awards, and/or stock options (but not solely stock options) representing up to a maximum number of shares having an aggregate value of \$200,000, or (ii) a combination of stock options and/or SARs representing up to a maximum aggregate number of 20,000 shares.

RSUs and restricted stock awards vest and are exercisable as determined by the compensation committee, provided that RSUs and restricted stock awards vest over a minimum of three years as measured from the date of grant. Please note that Proposal Three of this proxy statement proposes certain amendments to vesting of non-employee director awards under the 2005 Plan. 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 common 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 no such awards have been granted.

In February 2008, the board adopted stock ownership guidelines that provide that each non-employee director should own, within five years of beginning service on the board, 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. As of the record date, each of our non-employee directors who have served on the board for at least five years complies with the guidelines. See "Security Ownership of Certain Beneficial Owners and Management" on page 17 for further detail.

The following table summarizes the total compensation received by each of our non-employee directors in 2012. Our directors do not receive fringe or other benefits.

Name (1)	Fees Earned or Paid in Cash (\$) (b)	Restricted Stock Unit Awards (\$) (2) (c)	Option Awards (\$) (2) (d)	Non-Equity Incentive Plan Compensation (\$) (e)	All Other Compensation (\$) (f)	Total (\$) (g)
A. Blaine Bowman (3)	46,500	—	439,884	—	—	486,384
Elisha W. Finney	62,000	86,001	—	—	—	148,001
Kevin McGarity	60,000	129,001	—	—	—	189,001
T. Michael Nevens	92,000	129,001	—	—	—	221,001
Krish A. Prabhu (4)	30,000	129,001	—	—	—	159,001
Shane V. Robison (5)	30,000	—	387,988	—	—	417,988
John Shoemaker	71,000	129,001	—	—	—	200,001
Thomas H. Waechter (6)	60,000	43,000	459,276	—	—	562,276
Susan Wang	70,000	129,001	—	—	—	199,001

- (1) Mr. Daane, our Chairman of the Board, President and CEO, does not receive any compensation for his service as a member of the board of directors.
- (2) The amounts in columns (c) and (d) reflect the aggregate grant date fair value of RSU and stock option awards, respectively, granted to non-employee directors during 2012. These amounts reflect the value determined by the company in accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Topic 718, for accounting purposes, and do not reflect whether the recipient has actually realized a financial benefit from the award. Pursuant to SEC rules, these amounts exclude the impact of estimated forfeitures related to service-based vesting conditions. For information on valuation assumptions, see Note 13 to our Consolidated Financial Statements included in Part II, Item 8, "Financial Statements and Supplementary Data" in our Annual Report on Form 10-K for the fiscal year ended December 31, 2012.
- (3) Mr. Bowman was appointed to the board of directors effective July 30, 2012.
- (4) Mr. Prabhu resigned from the board of directors on July 30, 2012. Upon his resignation, 3,740 RSUs granted in prior years and all RSUs granted in 2012 were canceled.
- (5) Mr. Robison was appointed to the board of directors effective November 7, 2012.
- (6) Mr. Waechter was appointed to the board of directors effective January 26, 2012.

The following table sets forth information with respect to stock option and RSU awards granted during 2012 to our non-employee directors. The vesting schedule and grant term is described in further detail in the "Director Compensation" section on page 12.

Name	Grant Date	Restricted	Option	Exercise or Base Price of Option Awards (\$/Sh) (4)	Grant Date Fair Value of Stock and Option Awards (\$) (5)
		Unit Awards: Number of Shares of Stock or Units (#) (2)	Awards: Number of Securities Underlying Options (#) (3)		
(a)	(b)	(c)	(d)	(e)	(f)
A. Blaine Bowman (1)	7/30/2012	—	40,000	35.21	439,884
Elisha W. Finney	5/8/2012	2,614	—	—	86,001
Kevin McGarity	5/8/2012	3,921	—	—	129,001
T. Michael Nevens	5/8/2012	3,921	—	—	129,001
Krish A. Prabhu (1)	5/8/2012	3,921	—	—	129,001
Shane V. Robison (1)	11/7/2012	—	40,000	30.57	387,988
John Shoemaker	5/8/2012	3,921	—	—	129,001
Thomas H. Waechter (1)	5/8/2012	1,307	—	—	43,000
	1/26/2012	—	40,000	40.38	459,276
Susan Wang	5/8/2012	3,921	—	—	129,001

(1) Messrs. Waechter, Bowman and Robison were appointed to the board of directors effective January 26, 2012, July 30, 2012 and November 7, 2012, respectively. Mr. Prabhu resigned his position as a director effective July 30, 2012, and 3,740 RSUs granted in prior years and all RSUs granted in 2012 were canceled upon his resignation.

(2) Represents the number of RSUs awarded to each non-employee director in 2012 pursuant to our 2005 Plan.

(3) Represents the number of non-statutory stock options granted to each non-employee director in 2012 pursuant to our 2005 Plan.

(4) The exercise price for the stock options awards shown here is equal to the fair market value (i.e., the closing price) of our common stock on the date of grant, as reported on NASDAQ.

(5) Represents the aggregate grant date fair value of each stock option and/or RSU award, as applicable, computed in accordance with FASB ASC Topic 718. Pursuant to SEC rules, these amounts exclude the impact of estimated forfeitures related to service-based vesting conditions. For information on valuation assumptions, see Note 13 to our Consolidated Financial Statements included in Part II, Item 8, "Financial Statements and Supplementary Data" in our Annual Report on Form 10-K for the fiscal year ended December 31, 2012.

The following table provides information regarding outstanding equity awards, including stock option and RSU awards, and applicable market values at the end of 2012.

Name	Grant Date	Option Awards		Option Exercise Price (\$)	Option Expiration Date	Stock Awards	
		Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable			Number of Shares or Units of Stock That Have Not Vested (#)	Market Value of Shares or Units of Stock That Have Not Vested (\$)
(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h) (2)
A. Blaine Bowman (1)	7/30/2012	—	40,000	35.21	7/30/2022	—	—
Elisha W. Finney	9/14/2011	10,000	30,000	37.43	9/14/2021	—	—
	5/8/2012	—	—	—	—	2,614	89,895
Kevin McGarity	5/11/2004	1,667	—	22.03	5/11/2014	—	—
	5/9/2006	10,000	—	21.07	5/9/2016	—	—
	5/8/2007	10,000	—	23.52	5/8/2017	—	—
	5/6/2010	—	—	—	—	1,666	57,294
	5/10/2011	—	—	—	—	2,074	71,325
	5/8/2012	—	—	—	—	3,921	134,843
T. Michael Nevens	11/10/2009	3,333	9,167	20.47	11/10/2019	—	—
	5/6/2010	—	—	—	—	1,666	57,294
	5/10/2011	—	—	—	—	2,074	71,325
	5/8/2012	—	—	—	—	3,921	134,843
Krish A. Prabhu (1)	—	—	—	—	—	—	—
Shane V. Robison (1)	11/7/2012	—	40,000	30.57	11/7/2022	—	—
John Shoemaker	3/19/2007	40,000	—	20.64	3/19/2017	—	—
	5/8/2007	1,667	—	23.52	5/8/2017	—	—
	5/6/2010	—	—	—	—	1,666	57,294
	5/10/2011	—	—	—	—	2,074	71,325
	5/8/2012	—	—	—	—	3,921	134,843
Thomas H. Waechter (1)	1/26/2012	—	40,000	40.38	1/26/2022	—	—
	5/8/2012	—	—	—	—	1,307	44,948
Susan Wang	10/7/2003	20,000	—	19.00	10/7/2013	—	—
	5/11/2004	5,833	—	22.03	5/11/2014	—	—
	5/10/2005	10,000	—	20.73	5/10/2015	—	—
	5/9/2006	10,000	—	21.07	5/9/2016	—	—
	5/8/2007	10,000	—	23.52	5/8/2017	—	—
	5/6/2010	—	—	—	—	1,666	57,294
	5/10/2011	—	—	—	—	2,074	71,325
	5/8/2012	—	—	—	—	3,921	134,843

(1) Messrs. Waechter, Bowman and Robison were appointed to the board of directors effective January 26, 2012, July 30, 2012 and November 7, 2012, respectively. Mr. Prabhu resigned his position as a director effective July 30, 2012.

(2) Amounts reflecting market value of RSUs are based on the price of \$34.39 per share, which was the closing price of our common stock as reported on NASDAQ on December 31, 2012.

Nominating and Governance Committee Report

The nominating and governance committee operates under a written charter adopted by our board of directors. The charter is available in the "Corporate Governance" section of our website at www.altera.com, or by calling our Investor Relations Department at (408) 544-7000, or by writing us at Investor Relations, Altera Corporation, 101 Innovation Drive, San Jose, California 95134.

Nomination of Directors

The nominating and governance committee nominates candidates for election to the board based on an evaluation of the candidate's decision-making ability, business experience and expertise, technological background, personal integrity, reputation, ability and willingness to devote the necessary time to board service on an ongoing basis, and independence as defined by NASDAQ listing standards. The nominating and governance committee also seeks to have a slate of candidates for election that represents a diverse set of views, experiences and backgrounds. Additionally, the nominating and governance committee considers as one factor in its selection of directors the diversity of the board as it relates to race, gender and national origin. The nominating and governance committee also reviews the activities and associations of potential candidates to ensure that there is no legal impediment, conflict of interest or other consideration that might hinder or prevent a potential candidate from fulfilling the duties of a director. When the nominating and governance committee considers nominating current members of the board of directors for re-election, it reviews each member's contributions to the board, knowledge of the company and issues presented to the board, and preparation for and participation in meetings. This review is part of the board evaluation process discussed on page 12.

The nominating and governance committee has retained Russell Reynolds Associates, Inc. since August 2006 to assist in identifying and evaluating potential director candidates.

The nominating and governance committee will consider prospective nominees proposed by stockholders based on the same criteria it uses for all director candidates. Any stockholder who wants to recommend a prospective nominee should submit the following information to the nominating and governance committee, care of our Secretary, at the address of our principal executive offices, within the time frame described above in the section of these materials entitled "Questions and Answers About the Annual Meeting and These Proxy Materials":

- Biographical information about the candidate and a statement about his/her qualifications;
- Any other information required to be disclosed about the candidate under SEC proxy rules (including the candidate's written consent to being named in the proxy statement and to serve as a director, if nominated and elected);
- The names and addresses of the stockholder(s) recommending the candidate for consideration and the number of shares of our common stock beneficially owned by each and the length of ownership; and
- Any affiliation between the candidate and the stockholder(s) recommending the candidate.

Greater detail about the submission process for stockholder proposals is set forth in our Bylaws, a copy of which may be obtained by making a written request to our Secretary at the address of our principal executive offices.

We have not received a qualifying director nominee recommendation from any stockholder (or group of stockholders) that beneficially owns more than five percent of our common stock.

T. Michael Nevens, Chair

John Shoemaker, Member

NOMINATING AND GOVERNANCE COMMITTEE

Security Ownership of Certain Beneficial Owners and Management

The following table sets forth the shares of our common stock beneficially owned by: (1) persons known by us to beneficially own greater than five percent of our outstanding stock; (2) each individual serving as one of our directors; (3) our CEO, our CFO and our three other most highly compensated executive officers; and (4) all of our directors and executive officers as a group as of the record date. Except as otherwise indicated in the accompanying footnotes, beneficial ownership is shown as of the record date.

Name and Address of Beneficial Owner (1)	Shares of Common Stock	
	Number of Shares Beneficially Owned	Percent of Class (2)
Greater Than Five-Percent Stockholders:		
BlackRock, Inc. (3)	17,460,092	5.45 %
FMR LLC (4)	24,871,010	7.77 %
Directors and Executive Officers:		
Scott A. Bibaud	—	*
A. Blaine Bowman	—	*
John P. Daane (5)	1,199,433	*
Elisha W. Finney (6)	10,000	*
Kevin McGarity (7)	36,038	*
Mark J. Nelson (8)	1,513	*
T. Michael Nevens (9)	11,038	*
Ronald J. Pasek (10)	75,553	*
Shane V. Robison	—	*
John Shoemaker (11)	56,038	*
Thomas H. Waechter (12)	10,000	*
Susan Wang (13)	70,204	*
Jeffrey W. Waters (14)	12,098	*
All current directors and executive officers as a group (18 persons) (15)	1,882,508	*

* Less than 1%

(1) The persons named in the table have sole voting and investment power with respect to all shares of common stock beneficially owned by them, subject to community property laws where applicable and to the information contained in the footnotes to this table. Unless otherwise indicated in a corresponding footnote, the business address of each beneficial owner is 101 Innovation Drive, San Jose, California 95134.

(2) All percentages are calculated based on 320,097,685 shares of common stock outstanding as of the record date, together with applicable stock options and RSUs for each stockholder. Beneficial ownership is determined in accordance with SEC rules and includes voting and investment power with respect to shares. Shares of common stock subject to stock options currently exercisable and RSUs that vest within sixty days after the record date, as well as RSUs that are subject to further vesting requirements, are deemed outstanding for purposes of computing the percentage ownership of the person holding such options and/or RSUs, but are not deemed outstanding for computing the percentage of any other person.

(3) Based on a Schedule 13G/A filed by BlackRock, Inc. (“BlackRock”) with the SEC on February 8, 2013, as of December 31, 2012. BlackRock is the beneficial owner, with sole voting and sole dispositive power, of 17,460,092 shares of our common stock as a result of being a parent company or control person of the following subsidiaries, each of which holds less than 5% of the outstanding shares of common stock: BlackRock Advisors, LLC, BlackRock Financial Management, Inc., BlackRock Investment Management, LLC, BlackRock Investment Management (Australia) Limited, BlackRock (Luxembourg) S.A., BlackRock (Netherlands) B.V., BlackRock Fund Managers Limited, BlackRock Life Limited, BlackRock Asset Management Australia Limited, BlackRock Asset Management Canada Limited, BlackRock Asset Management Deutschland AG, BlackRock Asset Management Ireland Limited, BlackRock (Singapore) Limited, BlackRock Advisors (UK) Limited, BlackRock Fund Advisors, BlackRock International Limited, BlackRock Institutional Trust Company, N.A., BlackRock Japan Co. Ltd. and BlackRock Investment Management (UK) Limited. BlackRock has its principal business office at 40 East 52nd Street, New York, New York 10022.

(4) (i) FMR LLC reported beneficial ownership of 24,871,010 shares, sole voting power as to 2,496,205 of the shares, and sole dispositive power as to 24,871,010 of the shares, (ii) Fidelity Management & Research Company, or Fidelity, reported beneficial ownership of 21,553,038 shares, and Edward C. Johnson 3d and FMR LLC, through its control of Fidelity, each has sole dispositive power as to 21,553,038 of the shares, (iii) Fidelity Management Trust Company, or FMTC, through FMR LLC, reported beneficial ownership of 100,145 of the shares, and Edward C. Johnson 3d and FMR LLC, through its control of FMTC, each has sole voting and dispositive power as to 100,145 of the shares, (iv) Strategic Advisers, Inc., through FMR LLC, reported beneficial ownership of 11,497 of the shares, (v) Pyramis Global Advisors, LLC, or PGALLC, reported beneficial ownership of 363,980 of the shares, and Edward C. Johnson 3d and FMR LLC, through its control of PGALLC, each has sole dispositive power as to 724,850 of the shares and sole voting power as to 326,880 of the shares, (vi) Pyramis Global Advisors Trust Company, or PGATC, reported beneficial ownership of 762,330 of the shares, and Edward C. Johnson 3d and FMR LLC, through its control of PGATC, each has sole voting power as to 762,330 of the shares and sole dispositive power as to 1,149,940 of the shares, and (vii) FIL Limited, or FIL, which is a separate and independent corporate entity from FMR LLC, reported beneficial ownership of 2,080,020 of the shares, indicating that partnerships controlled by members of the family of Edward C. Johnson 3d, Chairman of FMR LLC and FIL, or trusts for their benefit, own shares of FIL voting stock with the right to cast between approximately 25% and 50% of the total votes which may be cast by all holders of FIL voting stock. FIL has sole dispositive power as to 1,331,540 of the shares owned by the International Funds, has sole voting power as to 1,294,440 of the shares held the International Funds and has no voting power as to 785,580 of the shares held by the International Funds. The address for the above-referenced persons and entities other than PGALLC, PGATC and FIL is 82 Devonshire Street, Boston, MA 02109. The address for PGALLC and PGATC is 900 Salem Street, Smithfield, RI 02917. The address for FIL is Pembroke Hall, 42 Crow Lane, Hamilton, Bermuda.

(5) Includes (i) 536,788 shares that Mr. Daane has a right to acquire within 60 days of the record date through exercise of options and/or vesting of RSUs, and (ii) 270,000 shares held indirectly by Mr. Daane through a trust.

(6) Includes 10,000 shares that Ms. Finney has the right to acquire within 60 days of the record date through exercise of options.

(7) Includes 21,667 shares that Mr. McGarity has the right to acquire within 60 days of the record date through exercise of options.

(8) Includes 1,395 shares that Mr. Nelson has the right to acquire within 60 days of the record date through exercise of options.

(9) Includes 6,667 shares that Mr. Nevens has the right to acquire within 60 days of the record date through exercise of options.

(10) Includes 54,093 shares that Mr. Pasek has the right to acquire within 60 days of the record date through exercise of options.

(11) Includes 41,667 shares that Mr. Shoemaker has the right to acquire within 60 days of the record date through exercise of options.

(12) Includes 10,000 shares that Mr. Waechter has the right to acquire within 60 days of the record date through exercise of options.

(13) Includes 55,833 shares that Ms. Wang has the right to acquire within 60 days of the record date through exercise of options.

(14) Includes 8,500 shares that Mr. Waters has the right to acquire within 60 days of the record date through exercise of options.

(15) Includes shares in the aggregate that our executive officers and directors have the right to acquire within 60 days of the record date through exercise of stock options and/or vesting of RSUs.

EXECUTIVE COMPENSATION

Compensation Discussion and Analysis

This section describes the compensation for our CEO and CFO in 2012, as well as each of our three most highly compensated executive officers employed at the end of 2012, all of whom we refer to collectively as our named executive officers or NEOs. Our named executive officers for 2012 are:

Chairman of the Board and CEO, John P. Daane;

- Senior Vice President, Finance and Chief Financial Officer, Ronald J. Pasek;

Senior Vice President, Military, Industrial and Computing Business Division, Jeffrey W. Waters;

Senior Vice President, Communications and Broadcast Business Division, Scott A. Bibaud; and

Senior Vice President, Worldwide Sales, Mark J. Nelson.

Executive Summary

2012 Executive Compensation Highlights

CEO's 2012 Total Compensation: \$5,502,128⁽¹⁾

- Base Salary: \$791,698
- Cash Incentive: \$86,000
- Performance-Based RSU Fair Value: \$2,738,017
- Stock Option Fair Value: \$1,881,913
- Other Compensation: \$4,500

Key 2012 Compensation Plan Design Changes

- Performance-Based RSUs ("PRSUs")
- 50% of the intended value of long-term incentive equity awards to our CEO was in the form of PRSUs and 50% was in the form of stock options ⁽²⁾

Existing Compensation Best Practices:

- Strong pay-for-performance alignment
- No employment agreements
- No change-in-control agreements
- No perquisites not generally available to our other employees
- No tax gross-ups except for gross-ups related to relocation benefits
- Bonuses capped at 250% of target
- Stock ownership guidelines for CEO, CFO and board of directors
- Hedging, pledging and margin loans prohibited
- An independent compensation consultant

(1) Performance-based RSU value and stock option value are calculated based on grant date fair value and reflect amounts shown in the "Summary Compensation Table" on page 32.

(2) The variance between intended equity grant value and actual grant date value is due to the difference in the stock price that is used to convert the intended value to the actual number of shares covered by the PRSUs and stock options and the closing stock price on the grant date.

Our Response to Our 2012 "Say on Pay" Vote

At our 2012 annual stockholders meeting, 66% of the votes cast voted to approve, on an advisory basis, our named executive officer compensation. This approval percentage, for what is commonly referred to as the "Say on Pay" proposal, was far lower than the 95% approval we received in 2011 and was a disappointment to our board and our management team. Beginning prior to the conclusion of voting at our 2012 annual stockholders meeting, we proactively engaged with our major stockholders and carefully considered their views in making executive compensation decisions in 2012. In response to our 2012 "Say on Pay" vote, we took the following steps:

Our compensation committee carefully considered the view expressed by some of our major stockholders at the time of the 2012 Say on Pay vote, as well as the reasons for the negative vote recommendation of one of the proxy advisory firms. The primary concerns in both cases related to the value and absence of performance-based vesting in the retention RSU award made to our CEO in 2011.

In response to these concerns, we redesigned our compensation program for our CEO in 2012 so that all of his equity awards were performance-based: 50% of the intended value granted was in the form of a PRSU and 50% of the intended value granted was in the form of a stock option.

The terms of the PRSUs granted to our CEO in 2012 provide that the number of shares that will vest is based on the number of percentage points by which the company's total shareholder return ("TSR") exceeds or falls below the TSR of the Philadelphia Semiconductor Index at the end of a three-year measurement period (see page 30 for a description of the terms of our CEO's PRSU award).

The value of the equity awards granted to our CEO in 2012 was \$4,619,930, which is comparable to his 2010 equity award value of \$4,084,500 (see the "Summary Compensation Table" at page 32). As we explained in our 2012 proxy statement, the 2011 aggregate equity award granted to our CEO, which was valued at \$27,523,400, included a special retention grant of 402,000 RSUs and 360,000 stock options (comprising 78% of the fair value of the aggregate equity award), in addition to 98,000 RSUs and 140,000 stock options that he received as a result of his 2010 performance evaluation. The special retention awards were granted based on our compensation committee's belief that our CEO's contributions to the company are a significant factor in the increase in stockholder return over the past several years, and that retaining our CEO was consistent with our stockholders' long-term interests.

In late 2012, the company contacted stockholders representing approximately 40% of our aggregate shares outstanding as well as two proxy advisory firms to discuss the changes that we had made in our equity compensation program and to consider their input prior to the compensation committee's executive compensation decision-making for 2013.

The compensation committee has taken our stockholders' views on executive compensation into account in deciding to make PRSUs 50% of the intended value of the long-term equity awards to our CEO in 2013.

To further align the compensation of our other executive officers with the interests of our stockholders, the compensation committee has also made PRSUs 40% of the intended value of long-term equity awards to those executive officers in 2013. (See page 31)

How We Align Pay With Performance

Our executive compensation programs are intended to align our executive officers' interests with those of our stockholders by rewarding performance that meets or exceeds the goals established by the compensation committee.

These goals are established with the objective of improving the company's performance and increasing stockholder value. Our executive officers' total compensation is comprised of a mix of base salary, annual cash incentive compensation, and long-term incentive compensation in the form of equity awards. Consistent with our compensation philosophy, the total compensation received by our executive officers will vary based on individual and corporate performance measured against annual and long-term performance goals. Additionally, because a large percentage of our executive officers' pay is comprised of equity awards, the value of their pay increases and decreases with fluctuations in our stock price.

Attributes of Our Pay-for-Performance Approach

- Our executives' annual incentive compensation, and therefore their total compensation, varies significantly from year to year based on the company's annual financial performance, as well as individual performance against goals (see page 25).
- Our executives' total compensation is comprised of elements addressing both short-term and long-term financial performance (see page 25). Our cash bonus payouts align with the company's financial performance over the prior fiscal year, while our equity compensation aligns with long-term financial performance.
- All of our CEO's equity awards granted in 2012 were performance-based: 50% of the intended value was granted in the form of a PRSU and 50% of the intended value was granted in the form of a stock option (see page 29).
- A substantial percentage of the equity awards granted to our other NEOs in 2013 was performance-based: 40% of the intended value was granted in the form of a performance-based RSU ("PRSU") and 60% of the intended value was granted in the form of a stock option (see page 25).
- The substantial majority of our NEOs' compensation in 2012 (84% in the case of our CEO) was in the form of equity compensation, which motivates them to increase stockholder value (see page 29).

Our pay-for-performance philosophy is reflected in the chart below depicting the composition of our CEO's 2012 compensation. When stock options are included, which our compensation committee strongly believes are performance-based compensation, 84% percent of Mr. Daane's 2012 compensation is performance-based.

Our 2012 Executive Compensation Aligns With Our Financial Performance

Our 2012 corporate performance, as well as our longer term financial performance as measured by total stockholder return, was a crucial factor in the compensation outcomes for 2012:

Operating margin is one of two key metrics for determining annual incentive awards under our executive bonus plan, which we refer to as the 2012 Bonus Plan. Operating margin in 2012 was 33.2%, resulting in a payout percentage of 8.4% for this performance metric under the 2012 Bonus Plan. (See page 25)

Revenue growth is the second key metric for determining annual incentive awards. Because our revenues decreased from 2011 to 2012, there was no payout under the 2012 Bonus Plan for this performance metric. (See page 25) Based on our financial performance in 2012, as well as differences in individual performance, the annual incentive awards for our NEOs ranged from 7.1% to 8.4% of target payouts and from 4.6% to 10.7% of eligible salary in 2012. (See page 28) ⁽³⁾

(3) For purposes of calculating annual incentive awards, eligible salary amounts for Messrs. Bibaud, Nelson and Waters were pro-rated based on hire and promotion dates, as applicable.

Good Governance Underpins Our Compensation Programs

Our compensation programs build upon our solid existing compensation governance framework and strong pay-for-performance practices, which are exemplified by:

• A “no hedging” policy in our insider trading policy that prohibits our directors, named executive officers, and other executive officers from hedging the economic interest in the Altera shares they hold.

• A “no pledging” policy in our insider trading policy that prohibits our directors, named executive officers, and other executive officers from pledging or taking margin loans against Altera shares they hold.

• The absence of perquisites other than those generally available to our employees.

• Our review of compensation practices of our peers in designing compensation programs.

• Our consideration of succession planning in making compensation determinations.

• The compensation committee's engagement of its own independent consultant that does not provide any services to management and has no conflicts of interest.

• The absence of any NEO employment, severance or change-in-control agreements.

• Stock ownership guidelines for our CEO and CFO, as well as members of our board of directors.

Compensation Philosophy and Objectives

The compensation committee is responsible for establishing all elements of our compensation programs in consultation with the independent members of our board of directors and the compensation committee's independent compensation consultant. Our compensation philosophy recognizes that we are in a highly competitive global industry that competes worldwide for the best talent. Continuing to develop and bring to market the products that drive our financial performance requires that we attract, motivate, and retain the best people on a worldwide basis. The compensation committee also seeks to establish compensation arrangements that drive stockholder value and that do not encourage excessive risk-taking. Consequently, when reviewing executive compensation programs each year, the compensation committee seeks to incentivize achievement of both short-term and long-term performance goals, such as achieving annual financial targets in the former case, and achieving stock price appreciation in the latter case. Due to the highly cyclical nature of the semiconductor industry, this may lead to years where financial results drive lower bonus and equity compensation, despite excellent individual performance, as was the case in 2012. Conversely, in years of rapid growth combined with high individual and company performance, the bonus and equity results may be higher. The compensation committee strives to balance the company's short-term financial and operational results with the longer-term strategic decisions needed to maintain the company's growth and achieve long-term goals.

The primary objectives of our executive compensation program are to:

• attract, motivate, and retain highly qualified executives;

• align management and stockholder interests by tying a substantial percentage of executives' compensation, in the form of cash and long-term equity incentives, to the financial performance of the company (i.e., “pay-for-performance”);

• reward superior performance by basing decisions regarding cash incentive compensation on the overall performance of executives, including performance against individual and group goals; and

• compensate executives at levels competitive with peer companies.

In general, the types of compensation and benefits provided to our named executive officers are equivalent to those provided to most other employees, and include base salary, cash bonuses, equity awards, and other benefits. The amount and mix of compensation differs, however, depending on an executive's position, level of responsibility, experience, performance and geographic location.

The compensation committee is responsible for implementing our executive compensation program. The compensation committee does not have a pre-established policy or target for allocating between either cash and equity or short-term and long-term incentive compensation, nor do its decisions regarding one component of compensation necessarily influence decisions regarding other components. However, as an executive's level of responsibility increases, the percentage of total compensation represented by variable incentive compensation increases.

Additionally, while the compensation committee considers internal equity in setting compensation, the company did not have formal internal equity guidelines applicable to 2012. The majority of executives' total compensation historically has been provided as long-term incentive compensation in the form of equity awards because the compensation committee believes that this is the most effective way to align executives' interests with those of our stockholders.

Process

On an annual basis, the compensation committee: (1) leads the independent members of the board of directors in a discussion and evaluation of the performance of the CEO; (2) evaluates and establishes the compensation of the CEO based on the CEO's self-assessment and the independent directors' assessment of the CEO's performance; and (3) evaluates and establishes the compensation of each executive officer based on his or her self-assessment, the recommendation of the CEO and its own assessment of the performance of each executive officer. The compensation committee makes compensation decisions for the other executive officers in the same way and using similar factors as with respect to the CEO.

Compensation decisions related to our annual performance review process are made based in part on an evaluation of the executive's contributions and performance, including achievement of individual and group goals that are established by each executive officer and reviewed with the board of directors prior to the start of the fiscal year. At the end of the year, each executive officer prepares a self-assessment of his or her performance against goals and on other accomplishments, which is presented to the board of directors. Additionally, the CEO provides input to the compensation committee on the performance of each executive officer.

In establishing and changing compensation paid to our executive officers, the compensation committee compares each element of compensation (base salary, bonus, and equity) paid to each executive officer to the compensation paid to executives in similar positions at the peer companies listed below. This comparison is based on data from the Radford Global Technology Survey and the Radford Global Sales Survey, which we refer to collectively as the Radford Survey, and, where available, reported proxy data. The compensation committee may also take into account Radford Survey data for a larger list of companies and other competitive compensation information provided by its consultant. For 2012, the compensation committee also considered Radford Survey data for high technology companies with revenues between \$1 billion and \$5 billion.

In making recommendations to the compensation committee regarding the compensation of other executive officers, the CEO takes into account the peer company data discussed in the previous paragraph together with his evaluation of the individual and relative performance of executive officers, the individual's scope of responsibility at and contributions to the company, the individual's succession potential, the executive officer's experience and the similarity or dissimilarity of responsibilities between the company's executive officer and peer company executives. The CEO's recommendations are reviewed and considered by the compensation committee in making its final decisions regarding executive compensation.

The compensation committee believes that it must maintain flexibility and judgment in making compensation decisions in light of the inherent limitations of competitive compensation data to retain the best talent, and to reward superior performance. While the compensation committee generally targets total cash compensation to fall between the 50th and 75th percentile of the total cash compensation paid to executives at peer companies, actual total cash compensation paid may be above or below the targeted range due to a number of factors, including but not limited to: company and individual performance, differences in responsibilities between executives at peer companies, executives' experience and tenure with the company, an executive's performance and contributions relative to other executives at the company, and succession planning concerns. The compensation committee generally targets equity compensation to fall between the 50th and 75th percentile of the equity compensation paid to executives at peer companies, but the value of equity compensation awards to particular executives may be above or below the targeted range due to the factors listed above with regards to total cash compensation, as well as the following additional factors: perceived limitations in the compensation survey data as it relates to equity compensation; the executive's potential future contributions to the company, the executive's expected tenure, and the retention value, or holding power, of existing equity compensation awards.

The companies that comprised our peer group for 2012 compensation decisions are:

• Advanced Micro Devices, Inc.
• Analog Devices, Inc.
• Atmel Corporation
• Autodesk, Inc.
• Avago Technologies Limited
• Broadcom Corporation
• Cadence Design Systems, Inc.
• Fairchild Semiconductor International, Inc.
• KLA-Tencor Corporation
• Lam Research Corporation
• Linear Technology Group Ltd.
• LSI Corporation
• Marvell Technology Group Ltd.
• Maxim Integrated Products, Inc.
• Microchip Technology, Inc.
• Nvidia Corporation
• On Semiconductor Corporation
• Skyworks Solutions, Inc.
• Synopsys, Inc.
• Teradyne, Inc.
• Xilinx, Inc.

The compensation committee reviews the composition of the peer group annually to ensure that the companies remain relevant for comparative purposes. The following criteria were used to develop the peer group for 2012 compensation decisions: each company must be an independent public corporation, headquartered in the U.S., within the semiconductor industry or in a business related to the semiconductor industry, with revenues between \$1 billion and \$5 billion, or 0.5 to 2.5 times the company's 2011 revenue. Advanced Micro Devices, Inc., Avago Technologies Limited, Broadcom Corporation and Skyworks Solutions were added to our peer group for 2012 compensation decisions. Brocade Communications Systems, Inc., Memc Electronic Materials, Inc., National Semiconductor Corporation, Novellus Systems, Inc. and Spansion, Inc. were removed from our peer group for 2012 compensation decisions.

In 2012, the compensation committee directly engaged Compensia as its compensation consultant to provide independent advice on executive compensation matters. Compensia provided insight into a wide range of external market factors, including: (1) current compensation trends; (2) market survey data and peer group practices; and (3) general observations on our executive compensation program, including program design alternatives. The compensation committee considers all of this information and relies on each member's individual experience, knowledge of the company, knowledge of our peer companies, knowledge of the named executive officers and business judgment in making decisions regarding executive compensation.

Components of Compensation

Our compensation program for executive officers, including named executive officers, consists of three elements: base salary, annual cash incentive award and long-term incentive compensation in the form of equity awards, which are summarized in the table below.

Compensation element	Key features	Purpose
Base salary	Fixed cash compensation that is based on scope of responsibilities, performance, experience, and competitive pay practices	Provides a fixed, baseline level of compensation
Cash incentive compensation	Cash payment tied to company and individual performance during the fiscal year. Includes any discretionary cash bonus in addition to annual cash incentive compensation	Rewards Altera achieving or exceeding annual performance objectives and individual contributions to the company's performance; discretionary bonuses, in addition to annual cash incentive compensation, are used in limited circumstances to reward exceptional contributions to the company's success and provide competitive compensation to attract and retain highly qualified executives
Long-term equity compensation	Equity compensation in the form of stock options, RSUs and/or PRSUs	Attracts, retains, and motivates executives to build stockholder value over the life of the equity award and provides retention value over the vesting term of the award

Base Salary

Salaries are intended to provide predictable, competitive compensation that aligns with our policy of attracting, motivating, and retaining highly qualified executives. The compensation committee establishes base salaries for our executives by considering the scope of their responsibilities, performance and accomplishments, as well as peer company compensation data. The compensation committee may also take into account an individual's experience level, market factors and internal equity considerations. Base salaries are reviewed on an annual basis as part of our performance and compensation review process, and are modified by the compensation committee as appropriate based on the foregoing factors. In February 2012, the compensation committee determined that it was appropriate to increase the annual base salary of Mr. Daane to \$800,000 from \$750,000 and of Mr. Pasek to \$420,000 from \$400,000, based on peer company compensation data for their positions. Messrs. Bibaud and Waters joined the company in June 2012 and January 2012, respectively, and the compensation committee set their base salaries based on peer company compensation data and consideration of compensation paid by prior employers. Mr. Waters' salary was increased in June 2012 based on the compensation committee's reassessment of the competitiveness of his compensation in light of his performance and scope of responsibilities. Mr. Nelson's base salary reflects an increase due to his promotion on August 1, 2012 to the position of Senior Vice President, Worldwide Sales.

Discretionary Bonus

The board of directors has discretion to award cash bonuses to our NEOs beyond those awarded pursuant to our annual cash incentive plan (which are referred to below as the 2012 Bonus Plan and 2013 Bonus Plan). The compensation committee authorized a sign-on bonus for each of Messrs. Bibaud and Waters in connection with their commencement of employment in June 2012 and January 2012, respectively, as reflected in the "Summary

Compensation Table” on page 32.

Overview of 2012 Bonus Plan

In February 2012, the compensation committee adopted a bonus plan applicable to 2012, which we refer to as the 2012 Bonus Plan. The purpose of the 2012 Bonus Plan was to promote the interests of the company and its stockholders by providing key employees with financial rewards upon achievement of specified business objectives, as well as to help the company attract and retain key employees by providing compensation opportunities linked to performance results.

All of our executive officers were eligible to participate in the 2012 Bonus Plan. Payouts under the 2012 Bonus Plan were determined at the sole discretion of the compensation committee. In exercising its discretion, the compensation committee took into account (1) the company's operating income as a percentage of revenue for 2012, which we refer to as the operating margin metric; (2) the company's percent of revenue growth (as measured by net sales) in 2012 as compared to 2011, which we refer to as the revenue growth metric (collectively, with the operating margin metric, referred to as the financial performance metrics); and (3) the individual's performance during the year.

Operating margin was defined as earnings before interest income and other, interest expense, and taxes (including the expense associated with the payout under the 2012 Bonus Plan) divided by net sales. For purposes of determining the operating margin metric and the revenue growth metric, "net sales" is defined consistently with the convention used in our reporting to the SEC. The compensation committee has discretion to exclude significant, non-recurring items, as well as amounts attributable to Altera's non-qualified deferred compensation plan, from the calculation of the financial performance metric. Significant non-recurring transactions are defined as items that could have a material effect on the outcome of the calculated bonus, are unusual in nature and occur infrequently. For purposes of the calculation, items are deemed to have a material effect if they have a positive or negative impact on operating margin income of greater than 1% of net sales or \$10 million for the full year impact (net of any resulting dollar savings) of each type of unusual or infrequently occurring item (whether they occur in one or more transactions). Unusual in nature refers to those transactions or events that possess a high degree of abnormality and are of a type clearly unrelated to, or only incidentally related to, the ordinary and typical activities of Altera and the industry. Examples of significant, non-recurring items that the compensation committee may elect to exclude from the calculation of the operating margin metric include, but are not limited to, the following: (1) restructuring charges as defined by United States Generally Accepted Accounting Provisions, or U.S. GAAP; (2) business combinations as defined by U.S. GAAP; (3) asset impairment or discontinuation of operations recognized under U.S. GAAP; and (4) earthquake, tsunami, flood, hurricane, typhoon, or fire resulting in an expense recognized under U.S. GAAP.

The financial performance metrics and potential payout percentages are specified in the table below. If the results of the financial performance metric fell between the amounts indicated, the potential payout percentage was calculated on a proportional basis.

Revenue Growth Percentage	Operating Margin Percentage	Potential Payout Percentage
Less than 3	Less than 33	—
3	33	10
4	34	30
5	35	50
6	36	70
7	37	95
8	38	100
9	39	110
10	40	120
11	41	140
12	42	170
13 or higher	43 or higher	200

In January 2013, the compensation committee certified that the operating margin metric for 2012 was 33.2%, and that the revenue growth metric for 2012 was 0%, which resulted in a potential payout percentage of 8.4%. In calculating the payout percentage, the operating margin metric and revenue growth metric were weighted 60% and 40%, respectively, as reflected in the formula below:

The compensation committee did not exclude from the calculation of the financial performance metric any significant, non-recurring items, but did exclude the amounts attributable to our non-qualified deferred compensation plan. The compensation committee multiplied the potential payout percentage by the individual's target bonus percentage and then increased or decreased that bonus percentage based on an evaluation of the individual's performance, as described further below. The target bonus percentages varied depending on the executive's position and level of responsibility within the company. Payouts under the plan were capped at 2.5 times the applicable target bonus percentage. The target and maximum bonus percentages in 2012 were: (1) 150% and 375%, respectively, in the case of our CEO; and (2) 75% and 187.5%, respectively, in the case of our CFO. For our remaining NEOs, the target payout percentages range from 60% to 75%, and the maximum payout percentages range from 150% to 187.5%. The final bonus percentage was then multiplied by the individual's 2012 salary and rounded up or down slightly to arrive at a 2012 Bonus Plan payout.

The compensation committee evaluated the performance of the CEO and each executive officer to determine a 2012 Bonus Plan payout. In evaluating performance, the compensation committee considered, among other factors, performance against individual and group goals that were generally established prior to the start of the fiscal year. However, in some cases, non-financial goals were added or eliminated after the start of the fiscal year due to changes in responsibilities or changes in corporate goals or priorities. Goals were not modified after the start of the fiscal year to compensate for unexpected changes in the company's financial performance. Our named executive officers' 2012 goals fell within the following categories:

Market share and financial goals. The goals in this category identified matters such as specific customers, (1) categories of customers, and end market sub-segments we were targeting in order to increase revenue and market share vis-à-vis our competitors. They also related to achievement of key business metrics.

(2) Sales and marketing plans, strategies, and campaigns. Many of the goals within this category related to our plans and strategies for increasing design wins that would result in future revenues.

Planned improvements in business processes, compliance, and profitability. The goals represented by this category (3) included efficiency improvements in a broad range of business processes as well as financial compliance and controllership.

Product development plans, schedules and strategies. The goals within this category related to the timing of and (4) contingencies for the development and release of future products as well as longer term strategic research initiatives.

Personnel and organizational matters. The goals within this category related to the individuals and departments that (5) comprised our internal organization, including but not limited to succession planning, retention, diversity and employee-development plans.

We do not disclose the specific goals and objectives within the above categories because we believe such disclosure would cause us competitive harm in that it would reveal confidential future business plans and objectives. Nor do we disclose the weightings that applied to the goals; such information is confidential and would cause future competitive harm since the weightings indicate the priority we place on certain activities or programs. Moreover, such information is potentially misleading because an executive may have more than one goal within the above categories; as a result, the weighting applied to a particular category of goals would in fact be an accumulation of the weightings applied to individual goals.

Consistent with our compensation philosophy, payouts under our executive bonus plans vary substantially from year to year because the level of achievement against the financial performance metrics has varied considerably over the

past several years and achievement against individual goals varies year to year and between executives. Our operating margin (including equity compensation expense and excluding amounts attributable to our non-qualified deferred compensation plan) was 44.4% in fiscal year 2010, 41.1% in 2011 and 33.2% in 2012. Revenue growth, which was added as a second financial performance metric beginning with the fiscal 2011 Bonus Plan, was 5.6% in fiscal year 2011 and 0% in 2012.

The table below indicates the actual payouts received (as a percentage of base salary) under the 2012 Bonus Plan and under prior non-equity incentive plans that had financial and individual performance metrics comparable to those in the 2012 Bonus Plan. The variation in payouts from year to year is consistent with the compensation committee's policy of tying variable, incentive compensation to the company's financial performance as well as individual performance.

Name	Year	Target Percentage (% of Base Salary)	Performance Against Financial Goals (% of Target)	Individual Performance Percentage	Actual Payout % Under Non-Equity Incentive Plan (% of Base Salary)
John P. Daane	2012	150.0	8.4	85.0	10.7
	2011	125.0	165.5	84.0	