

TERADYNE, INC  
Form DEF 14A  
April 13, 2007  
Table of Contents

**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**SCHEDULE 14A**

(Rule 14a-101)

INFORMATION REQUIRED IN PROXY STATEMENT

**SCHEDULE 14A INFORMATION**

Proxy Statement Pursuant to Section 14(a) of the

Securities Exchange Act of 1934

(Amendment No. )

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material Pursuant to §240.14a-12

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

**Teradyne, Inc.**

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(Name of Registrant as Specified In Its Charter)

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(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

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x No fee required.

.. Fee computed on table below per Exchange Act Rules 14a-6(i)(4) and 0-11.

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

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

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(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

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(4) Proposed maximum aggregate value of transaction:

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(5) Total fee paid:

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.. Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

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

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(3) Filing Party:

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(4) Date Filed:

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**Table of Contents**

**TERADYNE, INC.**

**600 Riverpark Drive**

**North Reading, Massachusetts 01864**

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**NOTICE OF ANNUAL MEETING OF SHAREHOLDERS**

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**TO THE SHAREHOLDERS:**

The Annual Meeting of Shareholders of Teradyne, Inc., a Massachusetts corporation, will be held on Thursday, May 24, 2007, at 10:00 A.M. Eastern Time, at The Conference Center at Waltham Woods, 860 Winter Street, Waltham, Massachusetts 02451, for the following purposes:

1. To elect three members to the Board of Directors to serve as Class III directors.
2. To approve an amendment to the 1996 Employee Stock Purchase Plan to increase the aggregate number of shares of common stock that may be issued pursuant to the plan by 5,000,000 shares.
3. To approve an amendment to the Amended and Restated By-Laws to adopt majority voting in uncontested director elections.
4. To ratify the selection of the firm of PricewaterhouseCoopers LLP as independent auditors for the fiscal year ending December 31, 2007.
5. To transact such other business as may properly come before the meeting and any postponements or adjournments thereof.

Shareholders entitled to notice of and to vote at the meeting shall be determined as of the close of business on April 4, 2007, the record date fixed by the Board of Directors for such purpose.

By Order of the Board of Directors,

EILEEN CASAL, *Secretary*

April 13, 2007

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**Shareholders are requested to vote in one of the following three ways: (1) by completing, signing and dating the enclosed proxy card and returning it in the enclosed stamped envelope by return mail, (2)**

**by completing a proxy using the toll-free telephone number listed on the proxy card, or (3) by**

**completing a proxy on the Internet at the address listed on the proxy card.**

**Table of Contents**

**2007 ANNUAL MEETING OF SHAREHOLDERS**

**PROXY STATEMENT**

**TABLE OF CONTENTS**

<u>OWNERSHIP OF SECURITIES</u>	2
<u>SECURITIES OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT</u>	2
<u>SECTION 16(A) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE</u>	4
<u>PROPOSAL NO. 1 ELECTION OF DIRECTORS</u>	4
<u>NOMINEES FOR CLASS III DIRECTORS (TERMS EXPIRE AT THE 2008 ANNUAL MEETING)</u>	5
<u>NOMINEES FOR CLASS I DIRECTORS (TERMS EXPIRE AT THE 2008 ANNUAL MEETING)</u>	6
<u>NOMINEES FOR CLASS II DIRECTORS (TERMS EXPIRE AT THE 2008 ANNUAL MEETING)</u>	7
<u>CORPORATE GOVERNANCE</u>	8
<u>DIRECTOR INDEPENDENCE</u>	8
<u>RELATED PARTY TRANSACTION</u>	8
<u>CORPORATE GOVERNANCE GUIDELINES</u>	9
<u>CODE OF ETHICS</u>	9
<u>AVAILABILITY OF CORPORATE GOVERNANCE DOCUMENTS</u>	9
<u>THE BOARD</u>	10
<u>GENERAL</u>	10
<u>BOARD MEETINGS</u>	10
<u>BOARD COMMITTEES</u>	10
<i>Audit Committee</i>	10
<i>Compensation Committee</i>	11
<i>Compensation Committee Interlocks and Insider Participation</i>	12
<i>Nominating and Corporate Governance Committee</i>	12
<i>Qualifications of Director Candidates</i>	12
<i>Procedures for Shareholders to Recommend Director Candidates</i>	12
<u>SHAREHOLDER PROPOSALS AND BOARD CANDIDATES</u>	13
<u>COMMUNICATIONS WITH THE BOARD</u>	13
<u>AUDIT COMMITTEE REPORT</u>	13
<u>PRINCIPAL ACCOUNTANT FEES AND SERVICES</u>	15
<i>Fees for Services Provided by PricewaterhouseCoopers LLP</i>	15
<i>Audit Fees</i>	15
<i>Audit-Related Fees</i>	15
<i>Tax Fees</i>	16
<i>All Other Fees</i>	16
<i>Audit Committee Pre-Approval of Audit and Permissible Non-Audit Services of Independent Auditors</i>	16
<u>DIRECTOR COMPENSATION</u>	17
<u>CASH COMPENSATION</u>	17
<u>EQUITY COMPENSATION</u>	17
<u>DIRECTOR DEFERRAL PROGRAM</u>	17
<u>MISCELLANEOUS</u>	18
<u>DIRECTOR SUMMARY COMPENSATION TABLE</u>	18
<u>EXECUTIVE COMPENSATION</u>	19
<u>COMPENSATION COMMITTEE REPORT</u>	19
<u>COMPENSATION DISCUSSION AND ANALYSIS</u>	19
<i>Section 1 – Review of Compensation Programs</i>	19



**Table of Contents**

<u>Objectives of Compensation Programs</u>	19
<u>Role of the Compensation Committee</u>	20
<u>Role of Executive Officers in Determining Executive Pay</u>	20
<u>Benchmarking</u>	20
<u>Compensation Elements</u>	20
<u>Model Compensation</u>	20
<u>Cash Profit Sharing Plan</u>	21
<u>Equity Compensation</u>	21
<u>Retirement Benefits</u>	22
<u>Change in Control Agreements</u>	22
<u>Other Benefits</u>	23
<u>Section 2 – Review of 2006 and 2007 Compensation Decisions</u>	23
<u>Model Compensation</u>	23
<u>Actual 2006 Variable Compensation Payout</u>	23
<u>2006 Equity Award</u>	24
<u>2007 Equity Award</u>	24
<u>Impact of Accounting and Tax Treatment on Pay</u>	25
<u>Executive Compensation Recoupment Policy</u>	25
<u>Section 3 – Compensation Tables</u>	26
<u>Summary Compensation Table</u>	26
<u>Grants of Plan-Based Awards Table</u>	27
<u>Outstanding Equity Awards at Fiscal Year-End</u>	28
<u>Options Exercises and Stock Vested Table</u>	28
<u>Retirement and Post-Employment Tables</u>	28
<u>Pension Benefits Table</u>	28
<u>Nonqualified Deferred Compensation Table</u>	30
<u>Post-Termination Compensation Table</u>	30
<u>PROPOSAL NO. 2 APPROVAL OF AN AMENDMENT TO 1996 EMPLOYEE STOCK PURCHASE PLAN</u>	33
<u>PROPOSED AMENDMENT</u>	33
<u>DESCRIPTION OF THE ESPP</u>	33
<u>PROPOSAL NO. 3 APPROVAL OF AN AMENDMENT TO THE AMENDED AND RESTATED BY-LAWS TO ADOPT MAJORITY VOTING FOR UNCONTESTED ELECTIONS OF DIRECTORS</u>	36
<u>PROPOSAL NO. 4 RATIFICATION OF SELECTION OF AUDITORS</u>	37
<u>OTHER MATTERS</u>	37
<u>EXPENSES AND SOLICITATION</u>	37
<u>INCORPORATION BY REFERENCE</u>	37
<u>HOUSEHOLDING FOR SHARING THE SAME ADDRESS</u>	37
<u>APPENDIX A – 1996 EMPLOYEE STOCK PURCHASE PLAN</u>	A-1
<u>APPENDIX B – PROPOSED AMENDMENT TO THE AMENDED AND RESTATED BY-LAWS OF TERADYNE, INC.</u>	B-1

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**Table of Contents**

**TERADYNE, INC.**

**600 Riverpark Drive**

**North Reading, Massachusetts 01864**

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**PROXY STATEMENT**

*April 13, 2007*

Proxies in the form enclosed with this proxy statement are solicited by the Board of Directors ( **Board** ) of Teradyne, Inc. ( **Teradyne** ) for use at the Annual Meeting of Shareholders to be held on Thursday, May 24, 2007, at 10:00 A.M. Eastern Time, at The Conference Center at Waltham Woods, 860 Winter Street, Waltham, Massachusetts 02451.

Only shareholders of record as of the close of business on April 4, 2007 (the **Record Date** ), will be entitled to vote at this annual meeting and any adjournments thereof. As of the Record Date, 189,806,097 shares of common stock were issued and outstanding. Each share outstanding as of the Record Date will be entitled to one vote, and shareholders may vote in person or by proxy. Delivery of a proxy will not in any way affect a shareholder's right to attend the annual meeting and vote in person. Any shareholder delivering a proxy has the right to revoke it only by written notice to the Secretary delivered at any time before it is exercised, including at the annual meeting.

All properly completed proxy forms returned in time to be cast at the annual meeting will be voted. The shareholders will also consider and vote upon the following proposals put forth by the Board:

1. To elect three members to the Board of Directors to serve as Class III directors.
2. To approve an amendment to the 1996 Employee Stock Purchase Plan to increase the aggregate number of shares of common stock that may be issued pursuant to the plan by 5,000,000 shares.
3. To approve an amendment to the Amended and Restated By-Laws to adopt majority voting in uncontested director elections.
4. To ratify the selection of the firm of PricewaterhouseCoopers LLP as independent auditors for the fiscal year ending December 31, 2007.

If a shareholder completes and submits a proxy, the shares represented by the proxy will be voted in accordance with the instructions for such proxy. If a shareholder submits a proxy card but does not fill out the voting instructions, shares represented by such proxy will be voted **FOR** the proposals listed above. With respect to the election of directors, any shareholder submitting a proxy has a right to withhold authority to vote for any individual nominee by writing that nominee's name in the space provided on the proxy. The proxies will be voted as described under the section **Election of Directors**.

Shareholders may vote in one of the following three ways:

1. by completing, signing and dating the enclosed proxy card and returning it in the enclosed postage paid envelope by return mail,
2. by completing a proxy using the toll-free telephone number listed on the proxy card, or
3. by completing a proxy on the Internet at the address listed on the proxy card.

A majority of the outstanding shares represented at the meeting in person or by proxy shall constitute a quorum for the transaction of business. Votes withheld from any nominee, abstentions and broker non-votes are counted as present or represented for purposes of determining the presence or absence of a quorum for the meeting. A non-vote occurs when a nominee holding shares for a beneficial owner votes on one proposal, but





**Table of Contents**

does not vote on another proposal because the nominee does not have discretionary voting power and has not received instructions from the beneficial owner. For this annual meeting, Directors are elected by a plurality of the votes cast by shareholders entitled to vote at the meeting. On all other matters being submitted to shareholders, an affirmative vote of at least a majority of the shares voting on the matter at the meeting is required for approval. The vote on each matter submitted to shareholders is tabulated separately. Abstentions are not included in the number of shares present, or represented, and voting on each separate matter. Broker non-votes are also not included. An automated system administered by Teradyne's transfer agent tabulates the votes.

The Board knows of no other matter to be presented at the annual meeting. If any other matter should be presented at the annual meeting upon which a vote properly may be taken, shares represented by all proxies received by the Board will be voted in accordance with the judgment of those officers named as proxies and in accordance with the Securities and Exchange Commission's (SEC's) proxy rules. See the section called Shareholder Proposals and Board Candidates for additional information.

An annual report on Form 10-K containing financial statements for the fiscal year ended December 31, 2006 has been mailed to the shareholders with this proxy statement. This proxy statement, the annual report, and the accompanying proxy were first mailed to shareholders on or about April 17, 2007.

**OWNERSHIP OF SECURITIES****Securities Ownership Of Certain Beneficial Owners And Management**

The following table sets forth as of April 4, 2007 information relating to the beneficial ownership of Teradyne's common stock by each director and executive officer, individually and as a group.

Name	Amount and Nature of Ownership(1)(2)	Percent of Class
James W. Bagley(3)	160,456	*
Gregory R. Beecher	347,830	*
Michael A. Bradley(4)	905,463	*
Albert Carnesale	76,541	*
Eileen Casal	152,701	*
Edwin J. Gillis	0	*
Jeffrey Hotchkiss	112,413	*
Mark E. Jagiela	230,803	*
Vincent M. O'Reilly	65,320	*
Paul J. Tufano	30,241	*
Roy A. Vallee(5)	94,103	*
Patricia S. Wolpert(6)	93,041	*
All executive officers and directors as a group (12 people consisting of 5 executive officers and 7 non-employee directors)(7)	2,268,912	1.2%

\* less than 1%

- (1) Unless otherwise indicated, the named person possesses sole voting and dispositive power with respect to the shares. The address for each named person is: c/o Teradyne, Inc., 600 Riverpark Drive, North Reading, Massachusetts 01864.
- (2) Includes shares of common stock which have not been issued but which either (i) are subject to options which either are presently exercisable or will become exercisable within 60 days of April 4, 2007, or (ii) with respect to certain non-employee directors, are issuable pursuant to the Teradyne Deferral Plan for Non-Employee Directors (the Deferral Plan) within 90 days of the date the non-employee director ceases to serve as such, as follows: Mr. Bagley, 87,035 shares (including 16,535 shares issuable pursuant to the Deferral Plan); Mr. Beecher, 325,961 shares; Mr. Bradley, 796,381 shares; Mr. Carnesale, 70,500 shares; Ms. Casal, 140,000 shares; Mr. Hotchkiss, 90,000 shares; Mr. Jagiela, 211,511 shares; Mr. O'Reilly, 61,699

**Table of Contents**

- shares (including 1,199 shares issuable pursuant to the Deferral Plan); Mr. Tufano 25,000 shares; Mr. Vallee, 86,862 shares (including 7,362 shares issuable pursuant to the Deferral Plan); Ms. Wolpert, 70,500 shares; all directors and executive officers as a group, 1,965,449 shares (including 25,096 shares issuable pursuant to the Deferral Plan).
- (3) Includes 73,421 shares of common stock held in a family trust for the benefit of Mr. Bagley and his wife.
  - (4) Includes 109,082 shares of common stock over which Mr. Bradley shares voting and dispositive power with his wife.
  - (5) Includes 7,241 shares of common stock held in a family trust for the benefit of Mr. Vallee and his wife.
  - (6) Includes 3,000 shares of common stock held by Ms. Wolpert's husband.
  - (7) The group is comprised of Teradyne's executive officers and directors on April 4, 2007. Includes (i) an aggregate of 1,940,353 shares of common stock which the directors and executive officers as a group have the right to acquire by exercise of stock options within 60 days of April 4, 2007 granted under the stock plans and (ii) an aggregate of 25,096 shares of common stock issuable to non-employee directors pursuant to the Deferral Plan.

Listed below are certain persons who, based upon Schedule 13G filings made since December 31, 2006, own beneficially more than five percent of Teradyne's common stock.

Name and Address of Beneficial Owner	Amount and	
	Beneficial Ownership	Percent of Class
FMR Corp.(1) 82 Devonshire Street  Boston, Massachusetts 02109	28,454,822	14.9%
T. Rowe Price Associates, Inc. (2) 100 E. Pratt Street Baltimore, Maryland 21202	17,313,089	9.1%
Capital Group International, Inc.(3) 11100 Santa Monica Boulevard, 15th Floor  Los Angeles, California 90025	16,450,510	8.7%

- (1) As set forth in Amendment No. 9 to a Schedule 13G, filed on February 14, 2007, FMR Corp. had, as of December 31, 2006, sole dispositive power with respect to all of the shares and sole voting power with respect to 1,470,358 shares. Fidelity Management and Research Company, Fidelity Management Trust Company and Strategic Advisers, Inc., each a wholly owned subsidiary of FMR Corp., are the beneficial owners of 26,990,464 shares, 6,200 shares and 171,353 shares, respectively. The interest of Magellan Fund, an investment company registered under the Investment Company Act of 1940, as amended, amounted to 19,805,264 shares.
- (2) The securities are owned by various individual and institutional investors, which T. Rowe Price Associates, Inc. ( Price Associates ) serves as investment adviser with power to direct investments and/or sole power to vote the securities. For purposes of the reporting requirements of the Securities Exchange Act of 1934, as amended (the Exchange Act ), Price Associates is deemed to be a beneficial owner of such securities; however, Price Associates expressly disclaims that it is, in fact, the beneficial owner of such securities.
- (3) As set forth in Amendment No. 12 to a Schedule 13G, filed on February 12, 2007, Capital Group International, Inc. ( Capital Group ) had, as of December 29, 2006, sole dispositive power with respect to all of the shares and sole voting power with respect to 13,802,050 shares. Capital Group is the parent holding company of a group of investment management companies that hold investment power and, in some cases, voting power over the shares. Capital Group does not have direct investment power or voting power over any of the shares and disclaims beneficial ownership over all of the shares, however, Capital Group may be deemed to beneficially own such shares by virtue of Rule 13d-3 under the Exchange Act.

**Table of Contents**

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

Section 16(a) of the Exchange Act requires Teradyne's directors, executive officers and any person who owns more than 10% of Teradyne's common stock to file reports of initial common stock ownership and changes in common stock ownership with the SEC and the New York Stock Exchange. Such persons are required by SEC regulations to furnish us with copies of all Section 16(a) forms that they file. Based solely on a review of these forms and written representations received from the directors and executive officers, Teradyne believes that all Section 16 filing requirements were met during the year January 1, 2006 through December 31, 2006.

**PROPOSAL NO. 1**

**ELECTION OF DIRECTORS**

The Board presently consists of eight members, six of whom are independent directors and seven of whom are not employees of Teradyne. The Board is currently divided into three classes, with each class serving a three-year term. However, the Board recently amended Teradyne's bylaws to provide that each director be elected annually for a one-year term. The amendment is effective at the 2008 annual meeting of shareholders. As a result, the terms of all classes of directors will expire at the 2008 annual meeting. The Board, based on the recommendation of the Nominating and Corporate Governance Committee, has nominated Messrs. Gillis and Tufano and Ms. Wolpert for election. Teradyne has no reason to believe that any of the three nominees for election will be unable to serve, however, if that should be the case, proxies will be voted for the election of some other person (nominated in accordance with Teradyne's bylaws) or the Board will decrease the number of directors that currently serve on the Board. As stated above, if elected, each director will hold office until the 2008 annual meeting of shareholders, at which time all of the members of the Board will stand for election.

**The Board recommends a vote FOR the election to the Board of each of Messrs. Gillis and Tufano and Ms. Wolpert.**

The following table sets forth the nominees to be elected at this annual meeting and all other current directors, the year each person was first appointed or elected, the principal occupation of that person during at least the past five years, that person's age, and any other public company boards on which he or she serves.

**Table of Contents****Nominees for Class III Directors (Terms Will Expire at the 2008 Annual Meeting)**

<b>Director's Name</b>	<b>Year</b>	<b>Position, Age, Principal Occupation,</b>
<b>Director</b>	<b>Nominee First Became</b>	<b>Business Experience and Other Directorships</b>
Edwin J. Gillis	2006	<p>Director</p> <p>Mr. Gillis, 58, served as Senior Vice President of Administration and Integration of Symantec Corporation from July 2005 to December 2005, following the merger of Veritas Software Corporation and Symantec Corporation. He served as Executive Vice President and Chief Financial Officer of Veritas Software Corporation from November 2002 to June 2005. From September 1995 to November 2002, Mr. Gillis served as the Executive Vice President and Chief Financial Officer of Parametric Technology Corporation. From 1991 to September 1995, Mr. Gillis served as the Chief Financial Officer of Lotus Development Corporation. Prior to joining Lotus, Mr. Gillis was a Certified Public Accountant and partner at Coopers &amp; Lybrand L.L.P.</p>
Paul J. Tufano	2005	<p>Director</p> <p>Mr. Tufano, 53, has served as Executive Vice President and Chief Financial Officer of Solectron Corporation ( Solectron ) since January 2006. On February 14, 2007, Mr. Tufano assumed the additional role of interim Chief Executive Officer of Solectron. Prior to joining Solectron, Mr. Tufano served as President and Chief Executive Officer at Maxtor Corporation from February 2003 to November 2004. Prior to that time, he served as Executive Vice President and Chief Operating Officer from April 2001 and as Chief Financial Officer from July 1996 at Maxtor Corporation. From 1979 until he joined Maxtor Corporation in 1996, Mr. Tufano held a variety of management positions in finance and operations at International Business Machines Corporation ( IBM ).</p>
Patricia S. Wolpert	1996	<p>Chair of the Board</p> <p>Ms. Wolpert, 57, has been the owner of Wolpert Consulting LLC since October 2003. From December 2001 until her retirement in March 2003, she served as Vice President, Sales Transformation, Americas, at IBM. From June 2000 until December 2001, Ms. Wolpert served as Vice President, Central Region, Americas, at IBM and from January 1999 until June 2000, served as Vice President, Business Operations, Americas, at IBM. From January 1993 until December 1998, she served in various capacities at IBM, including General Manager System Sales, Latin America; Executive Assistant to the Chairman's Office; General Manager, Northeast Area; Vice President of Operations, Northeast Area; and General Manager, Northern New England. In January 2007, Ms. Wolpert began serving as the independent Chair of the Board. Ms. Wolpert is</p>



**Table of Contents**

**Class I Directors (Terms Will Expire at the 2008 Annual Meeting)**

<b>Director's Name</b>	<b>Year</b>	<b>Position, Age, Principal Occupation, Business Experience and Other Directorships</b>
James W. Bagley	1996	<p>Director</p> <p>Mr. Bagley, 68, has served as Executive Chairman of the Board of Directors of Lam Research Corporation since June 2005 and previously, from September 1998 to June 2005, served as Chairman of the Board of Directors and, from August 1997 until June 2005, served as Chief Executive Officer. He served as Chairman and Chief Executive Officer of OnTrak Systems, Inc. from May 1996 until July 1997. From November 1981 until May 1996, Mr. Bagley served in various capacities at Applied Materials, Inc., including President and Chief Operating Officer from 1987 through 1994, Vice Chairman and Chief Operating Officer from January 1994 until October 1995, and Vice Chairman from October 1995 until May 1996. Mr. Bagley is also a director of Micron Technology, Inc.</p>
Michael A. Bradley	2004	<p>Director, President and Chief Executive Officer</p> <p>Mr. Bradley, 58, has served as a director since April 2004 and as Chief Executive Officer since May 2004 and as President since May 2003. He served as President of the Semiconductor Test Division from April 2001 until May 2003 and as Chief Financial Officer from July 1999 until April 2001. He served in various Vice President positions within Teradyne from 1992 until 2001. Mr. Bradley is also a director of Entegris, Inc.</p>
Vincent M. O'Reilly	1998	<p>Director</p> <p>Mr. O'Reilly, 70, has served as a Distinguished Senior Lecturer at the Carroll Graduate School of Management of Boston College since October 1997. From 1969 until his retirement in September 1997, he was a partner, Chief Operating Officer or Vice-Chairman at Coopers &amp; Lybrand L.L.P. Mr. O'Reilly is also a director Eaton Vance Corp.</p>

**Table of Contents**

**Class II Directors (Terms Will Expire at the 2008 Annual Meeting)**

Nominee's Name	Year	Director	Position, Age, Principal Occupation,
	First Became	Director	Business Experience and Other Directorships
Albert Carnesale	1993	Director	<p>Mr. Carnesale, 70, has served as Chancellor Emeritus of the University of California, Los Angeles since July 2006 and served as Chancellor from July 1997 to July 2006. He served as Provost of Harvard University from October 1994 until June 1997 and was the Dean of The John F. Kennedy School of Government from November 1991 through December 1995 where he also served as Professor of Public Policy from 1974 through 1995. Mr. Carnesale is also a director of Westwood One, Inc.</p>
Roy A. Vallee	2000	Director	<p>Mr. Vallee, 54, has been Chairman of the Board of Directors and Chief Executive Officer of Avnet, Inc. since July 1998. From November 1992 until July 1998, he was Vice Chairman of the Board of Directors of Avnet, Inc. He also served as President and Chief Operating Officer of Avnet, Inc. from March 1992 until July 1998. Mr. Vallee is also a director of Synopsys, Inc.</p>

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**Table of Contents**

**CORPORATE GOVERNANCE**

**Director Independence**

Under current SEC and New York Stock Exchange rules, a director only qualifies as independent if the board of directors affirmatively determines that he or she has no material relationship with Teradyne (either directly or as a partner, shareholder or officer of an organization that has a relationship with us). In addition to a director meeting the independence tests pursuant to New York Stock Exchange rules, in order to be considered independent he or she must also meet the following categorical standards that Teradyne has adopted:

- (1) If a director is an executive officer of a charitable organization, Teradyne's contributions to the organization during the last fiscal year do not exceed the greater of \$1 million or 2% of such charitable organization's consolidated gross receipts.
- (2) If a director is an executive officer, general partner, or significant equity holder (in excess of 10%) of another company that makes payments to, or receives payments from us for property or services, the amount of such payments, during the last fiscal year, does not exceed the greater of \$1 million or 2% of the other company's consolidated gross revenues.
- (3) If a director is an executive officer, general partner or significant equity holder (in excess of 10%) of another company which is indebted to Teradyne, or to which Teradyne is indebted to, the total amount of either company's indebtedness to the other during the last fiscal year does not exceed 5% of the total consolidated assets of the other company.

The categorical standards for determining independence are available on Teradyne's website at [www.teradyne.com](http://www.teradyne.com) under the Corporate Governance section of the Investors link.

The Board has determined that the following directors are independent within the meaning of the SEC and New York Stock Exchange rules, have no material relationship with Teradyne and meet the categorical standards:

James W. Bagley  
Albert Carnesale

Edwin J. Gillis  
Vincent M. O'Reilly

Roy A. Vallee  
Patricia S. Wolpert

In determining the independence of Teradyne's directors, the Board reviewed and determined that Mr. Vallee's position as Chairman of the Board and Chief Executive Officer of Avnet, Inc., one of Teradyne's suppliers, and his position as a director of Synopsys, Inc., one of Teradyne's customers and suppliers, are not material under the categorical standards.

Teradyne has two directors who the Board has determined are not independent. Mr. Bradley is not independent because he is Teradyne's Chief Executive Officer and President. Mr. Tufano is not independent because he is the interim Chief Executive Officer and Chief Financial Officer of Solectron, one of Teradyne's customers and suppliers. As described further below, Teradyne's purchases from Solectron exceed two percent (2%) of Solectron's consolidated gross revenues, and therefore Mr. Tufano is not considered an independent director within the meaning of the rules of the New York Stock Exchange or the categorical standards.

**Related Party Transaction**

Mr. Tufano, who joined the Board in March 2005, became Executive Vice President and Chief Financial Officer of Solectron in January 2006. In the ordinary course of business, Teradyne has for the past 10 years purchased printed circuit board assemblies from and also sold in-circuit testers to Solectron. In 2006, Teradyne purchased \$229.9 million of printed circuit boards from Solectron and sold in-circuit testers to Solectron of \$5.7 million. Teradyne believes that these purchases and sales were made on terms and conditions that were fair and



**Table of Contents**

not less favorable to us than Teradyne could have obtained from unaffiliated parties. Mr. Tufano receives no direct interest in the transaction. Teradyne expects to continue the business relationship with Solectron in 2007 on similar terms.

In fiscal year 2006, Teradyne had only one related party transaction, the relationship with Solectron. Under Teradyne's written Conflict of Interest Policy the Chief Financial Officer notifies the Audit Committee of any investment or other arrangement to be entered into by Teradyne that could or would be perceived to represent a conflict of interest with any of the executive officers or directors. Every year Teradyne makes an affirmative inquiry of each of the executive officers and directors as to their existing relationships. Teradyne reports the results of these inquiries to the Audit Committee. The Audit Committee has reviewed the relationship with Solectron since Mr. Tufano became its Chief Financial Officer.

**Corporate Governance Guidelines**

The Corporate Governance Guidelines provide the framework for the conduct of the Board's business. It addresses several policies with respect to the composition of the board, the limits on the number of public company boards each director may serve on, the director selection process, the director orientation and continuing education program and other policies. In January 2007, the Board amended the guidelines to include a policy statement on shareholder rights plans, commonly referred to as poison pills. Pursuant to the policy the Board shall seek and obtain shareholder approval before adopting a poison pill. However, the Board may adopt a poison pill, if under the circumstances, the Board, including a majority of the independent directors, deems it in the best interests of the shareholders to adopt a poison pill without the delay in first seeking their approval.

**Code of Ethics**

The Standards of Business Conduct and Ethics is Teradyne's ethics policy. It is applicable on a worldwide basis and provides the standards and guidelines of conduct for Teradyne's employees, officers and directors, and for others doing business with Teradyne. The Board has established a means for anyone to report violations of the ethics policy on a confidential or anonymous basis by contacting the Ethics Office at 600 Riverpark Drive, North Reading, MA 01864 or calling a toll-free telephone number 1-800-224-8113.

**Availability of Corporate Governance Documents**

Teradyne's Corporate Governance Guidelines, the ethics policy and the charters for each of the standing committees of the Board are available on the company's website at [www.teradyne.com](http://www.teradyne.com) under the Corporate Governance section of the Investors link, or in print by writing to Teradyne at 600 Riverpark Drive, North Reading, MA 01864. Attention: Investor Relations.

**Table of Contents**

**THE BOARD**

**General**

In January 2007, Patricia Wolpert assumed the role of independent Chair of the Board upon George W. Chamillard’s retirement. Also in January 2007, the Board voted to repeal the classified board structure and amend Teradyne’s bylaws to provide that all directors be elected annually for a one-year term, effective immediately prior to the opening of the polls at the 2008 annual meeting of shareholders. At next year’s annual meeting, all of the directors will stand for election by the shareholders.

**Board Meetings**

The Board met nine times and took action by unanimous written consent once during the year ended December 31, 2006. The non-employee directors (also known as the non-management directors) held executive sessions in which they met without management after four of the regularly scheduled meetings during 2006. The independent directors also met without management after one of the regularly scheduled meetings during 2006. During 2006, each non-employee director served from time to time as the presiding director at each executive session as service rotated among directors on a per meeting basis. However, since Ms. Wolpert became the independent Chair of the Board, the lead director policy was eliminated. Ms. Wolpert now presides over all Board meetings and each executive session. During 2006, each director attended at least 75% of the total number of meetings of the Board and committee meetings. Teradyne’s Corporate Governance Guidelines, which are available at [www.teradyne.com](http://www.teradyne.com) under the Corporate Governance section of the Investors link, provide a framework for the conduct of the Board’s business and also lists some of the duties of the independent Chair. Also under the Corporate Governance Guidelines, each director is expected to attend each annual meeting of shareholders. Accordingly, all directors attended the 2006 Annual Meeting of Shareholders held on May 25, 2006.

**Board Committees**

The Board has three standing committees: an Audit Committee, a Compensation Committee and a Nominating and Corporate Governance Committee. In accordance with the rules of the New York Stock Exchange, all of the committees are comprised of independent directors. The members of each committee are appointed by the Board based on the recommendation of the Nominating and Corporate Governance Committee. Charters for each committee are available on the company’s website at [www.teradyne.com](http://www.teradyne.com) under the Corporate Governance section of the Investors link and are also available upon written request. Each committee performs a self-evaluation and reviews its charter annually. Actions taken by any committee are reported to the Board, usually at the next Board meeting following the action. The table below shows the current membership of each of the standing committees:

		<b>Nominating and Corporate</b>
<b>Audit Committee</b>	<b>Compensation Committee</b>	<b>Governance Committee</b>
James W. Bagley*	Albert Carnesale	Albert Carnesale*
Edwin J. Gillis	Roy A. Vallee*	Roy A. Vallee
Vincent M. O’Reilly	Patricia S. Wolpert	Patricia S. Wolpert

\* Committee Chair  
*Audit Committee*

The Audit Committee has three members, all of whom have been determined by the Board to be independent pursuant to the SEC and New York Stock Exchange rules, as well as the categorical standards. In addition, the Board determined that each member of the Audit Committee is financially literate and an audit committee financial expert as defined in the rules and regulations promulgated by the SEC. The Audit Committee’s oversight responsibilities, discussed in greater detail in the charter, include, among other things:

matters relating to the financial disclosure and reporting process, including the system of internal controls,



**Table of Contents**

performance of the internal audit function,

compliance with legal and regulatory requirements, and

appointment and activities of the independent auditors.

The Audit Committee met ten times during 2006. The responsibilities of the Audit Committee and its activities during 2006 are more fully described in the Audit Committee Report contained in this proxy statement.

*Compensation Committee*

The Compensation Committee has three members all of whom have been determined by the Board to be independent pursuant to the SEC and New York Stock Exchange rules, as well as the categorical standards. The Compensation Committee's primary responsibilities, discussed in greater detail in its charter, include, among other things:

review and oversight of Teradyne's compensation plans and policies (including the administration of the incentive, equity-based and other compensatory plans),

recommend changes and/or recommend the adoption of new plans to the Board, as appropriate,

review and recommend to the Board each year the compensation for non-employee directors and committee members,

evaluation of and recommendation to the independent directors of the Board the annual cash and equity compensation and benefits to be provided for the Chief Executive Officer, and

review and approval of the cash and equity compensation and benefit packages of the other executive officers.

The Compensation Committee has the authority to and does engage the services of outside advisors, experts and others to assist it from time to time. Teradyne's compensation and benefits group in the Human Resources Department supports the Compensation Committee in its work and performs various functions in administering the compensation plans and programs.

The Compensation Committee met five times during 2006. The Compensation Committee establishes a calendar each year to ensure the complete review of compensation-related matters. The standard topics addressed by the Compensation Committee during these meetings include executive officer compensation, equity plan budgets, overall review of benefit plans including retirement plans, executive stock ownership positions and directors' compensation. The Compensation Committee also performs a review and evaluation each year of its performance against the responsibilities and duties contained in the Compensation Committee Charter. In general, except for executive sessions, the meetings are also attended by the Board Chair, the Chief Executive Officer, the General Counsel and several members of the Human Resources Department.

In determining executive officer compensation for 2006 and 2007, the Compensation Committee engaged the services of Pearl Meyer & Partners, an executive compensation consulting firm. The Compensation Committee has used this firm over the past four years to assist it in determining executive officer compensation levels. Specifically for both 2006 and 2007, Pearl Meyer & Partners reviewed the comparator peer group and provided a report on competitive analysis of total direct compensation (including base salary, short-term incentives, long-term incentives and retirement benefits) for the Chief Executive Officer and all executive officers. A representative of Pearl Meyer & Partners attended the January 2006 Compensation Committee meeting to answer any questions the committee had about its report. Teradyne does not use Pearl Meyer & Partners for any other consulting work, although it does purchase Pearl Meyer & Partners' proprietary compensation surveys.



