

TERADYNE, INC
Form DEF 14A
April 16, 2010
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 14A

(Rule 14a-101)

SCHEDULE 14A INFORMATION

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

(Amendment No.)

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement

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

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material Pursuant to §240.14a-12

Teradyne, Inc.

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TERADYNE, INC.

600 Riverpark Drive

North Reading, Massachusetts 01864

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

TO THE SHAREHOLDERS:

The Annual Meeting of Shareholders of Teradyne, Inc., a Massachusetts corporation, will be held on Friday, May 28, 2010 at 10:00 A.M. Eastern Time, at the offices of Teradyne, Inc. at 600 Riverpark Drive, North Reading, Massachusetts 01864, for the following purposes:

1. To elect the seven nominees named in the proxy statement to the Board of Directors to serve as directors for a one-year term.
2. To ratify the selection of the firm of PricewaterhouseCoopers LLP as the Company's independent registered public accounting firm for the fiscal year ending December 31, 2010.
3. 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 1, 2010, the record date fixed by the Board of Directors for such purpose.

By Order of the Board of Directors,

Charles J. Gray, Secretary

April 16, 2010

Shareholders are requested to vote in one of the following three ways: (1) by completing, signing and dating the proxy card provided by Teradyne and returning it by return mail to Teradyne in the enclosed envelope or at the address indicated on the proxy card, (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.

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TERADYNE, INC.

600 Riverpark Drive

North Reading, Massachusetts 01864

PROXY STATEMENT

April 16, 2010

Proxies in the form provided by Teradyne, Inc. (Teradyne or the Company) are solicited by the Board of Directors (Board) of Teradyne for use at the Annual Meeting of Shareholders to be held on Friday, May 28, 2010, at 10:00 A.M. Eastern Time, at the offices of Teradyne, Inc. at 600 Riverpark Drive, North Reading, Massachusetts 01864.

Only shareholders of record as of the close of business on April 1, 2010 (the Record Date) will be entitled to vote at this annual meeting and any adjournments thereof. As of the Record Date, 177,409,673 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 or Assistant 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.

**Important Notice Regarding the Availability of Proxy Materials for
the Shareholder Meeting to be Held on May 28, 2010**

**This Proxy Statement and the Accompanying Annual Report on Form 10-K, Letter to Shareholders, and Notice, are available at
www.proxyvote.com**

At the meeting, the shareholders will consider and vote upon the following proposals put forth by the Board:

1. To elect the seven nominees named in the proxy statement to the Board of Directors to serve as directors for a one-year term.
2. To ratify the selection of the firm of PricewaterhouseCoopers LLP as the Company's independent registered public accounting firm for the fiscal year ending December 31, 2010.

The Board recommends that you vote **FOR** the proposals listed above.

On or about April 16, 2010, the Company mailed to its stockholders of record as of April 1, 2010 a notice containing instructions on how to access this proxy statement and the Company's annual report online and to vote. Also on April 16, 2010, the Company began mailing printed copies of these proxy materials to stockholders that have requested printed copies.

If you received a notice by mail, you will not receive a printed copy of the proxy materials in the mail unless you request a copy. Instead, the notice instructs you on how to access and review all of the important information contained in the proxy statement and annual report. The notice also instructs you on how you may submit your proxy over the Internet. If you received a notice by mail and would like to receive a printed copy of the proxy materials, you should follow the instructions for requesting such materials included in the notice.

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.

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Shareholders may vote in one of the following three ways:

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

A majority of the outstanding shares represented at the meeting in person or by proxy shall constitute a quorum for the transaction of business. 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 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, on all 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 entitled Shareholder Proposals and Board Candidates for additional information.

PROPOSAL NO. 1

ELECTION OF DIRECTORS

The Board presently consists of eight members, seven of whom are independent directors. Each director is elected annually for a one-year term. The terms of all classes of directors expire at the 2010 Annual Meeting of Shareholders. The Board, based on the recommendation of the Nominating and Corporate Governance Committee, has nominated all current directors for re-election other than Mr. O'Reilly who is retiring from the Board consistent with the Company's policy, effective upon the conclusion of the 2010 Annual Meeting of Shareholders. Teradyne has no reason to believe that any of the nominees 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. If elected, each director will hold office until the 2011 Annual Meeting of Shareholders.

The Board recommends a vote FOR the election to the Board of each of Messrs. Bagley, Bradley, Carnesale, Gillis, Tufano and Vallee and Ms. Wolpert.

The following table sets forth the nominees to be elected at this annual meeting, 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, any other public company boards on which he or she serves or has served in the past five years, and the nominee's qualifications to serve on the Board. In addition to the information presented below regarding each nominee's specific experience, qualifications, attributes and skills that led the Board to the conclusion that he or she should serve as a director, Teradyne also believes that all of its director nominees have a reputation for integrity, honesty and adherence to high ethical standards. They each have demonstrated business acumen and an ability to exercise sound judgment, as well as a commitment of service to Teradyne and the Board. Additionally, Teradyne values the directors' significant experience on other public company boards of directors and board committees.

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Nominees for Directors

Name	Year Became Director	Background and Qualifications
James W. Bagley	1996	<p>Mr. Bagley, 71, 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 Chief Executive Officer and Chairman of the Board of Directors and, from August 1997 until September 1998, served as Chief Executive Officer and director. 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 1993, Vice Chairman and Chief Operating Officer from January 1994 until October 1995, and Vice Chairman from October 1995 until May 1996. Since 1997, Mr. Bagley has served as a director of Micron Technology, Inc.</p> <p>Mr. Bagley contributes valuable executive experience within the semiconductor equipment industry and widespread knowledge of the issues confronting complex global technology and manufacturing companies.</p>
Michael A. Bradley	2004	<p>Mr. Bradley, 61, 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 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. Including service with the predecessor company, Mykrolis Corporation, Mr. Bradley has served as a director of Entegris, Inc. since 2001.</p> <p>Mr. Bradley contributes valuable executive experience from his 31 years in multiple management roles, including as President and Chief Executive Officer, within Teradyne.</p>
Albert Carnesale	1993	<p>Mr. Carnesale, 73, has served as Chancellor Emeritus and Professor 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. From August 2005 to April 2009, Mr. Carnesale served as a director of Westwood One, Inc., and since June 2009, Mr. Carnesale has served as a director of Nano Pacific Holdings, Inc. He was recently appointed to the U.S. Department of Energy's Blue Ribbon Commission on America's Nuclear Future.</p> <p>Mr. Carnesale contributes a very broad business perspective as well as extensive domestic and foreign public policy expertise.</p>

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Name	Year Became Director	Background and Qualifications
Edwin J. Gillis	2006	<p>Mr. Gillis, 61, 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 & Lybrand L.L.P. Since 2007, Mr. Gillis has served as a director of LogMeIn, Inc. Since November 2009, Mr. Gillis has served as a director of Sophos Plc. From 2007 to its acquisition by BMC Software in 2008, Mr. Gillis served as a director of BladeLogic, Inc. From 2006 to its acquisition by Dell Computer in 2008, Mr. Gillis served as a director of EqualLogic, Inc.</p> <p>Mr. Gillis contributes extensive experience relating to the issues confronting global technology companies and financial reporting expertise as a former Chief Financial Officer of several publicly-traded technology companies.</p>
Paul J. Tufano	2005	<p>Mr. Tufano, 56, has served as Executive Vice President and Chief Financial Officer of Alcatel-Lucent since December 2008. Prior to that, Mr. Tufano served as Executive Vice President and Chief Financial Officer of Solectron Corporation (Solectron) from January 2006 to October 2007 and as Interim Chief Executive Officer from February 2007 to October 2007. 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> <p>Mr. Tufano contributes widespread knowledge of the issues confronting complex technology and manufacturing companies and extensive financial reporting expertise.</p>
Roy A. Vallee	2000	<p>Mr. Vallee, 57, has been Chairman of the Board of Directors and Chief Executive Officer of Avnet, Inc. since July 1998 and a director of Avnet, Inc. since 1991. 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. Since 2003, Mr. Vallee has served as a director of Synopsys, Inc. He serves on the Federal Reserve's 12th District Advisory Counsel and the Board of the National Association of Wholesalers.</p> <p>Mr. Vallee contributes valuable executive experience within the global technology industry as well as extensive knowledge of the issues affecting complex technology companies.</p>

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Name	Year Became Director	Background and Qualifications
Patricia S. Wolpert	1996	<p>Ms. Wolpert, 60, 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. Since 2006, Ms. Wolpert has served as a director of Lam Research Corporation.</p> <p>Ms. Wolpert contributes valuable executive experience within the worldwide technology industry as well as extensive knowledge in sales and service operations.</p>

PROPOSAL NO. 2

RATIFICATION OF SELECTION OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Audit Committee has selected (and the Board of Directors has approved) PricewaterhouseCoopers LLP to serve as Teradyne's independent registered public accounting firm for the fiscal year ending December 31, 2010. PricewaterhouseCoopers LLP, or its predecessor Coopers & Lybrand L.L.P., has served as Teradyne's independent registered public accounting firm since 1968. Teradyne expects that a representative from PricewaterhouseCoopers LLP will be at the annual meeting, will have the opportunity to make a statement if so desired and will be available to respond to appropriate questions. The ratification of this selection is not required by the laws of The Commonwealth of Massachusetts, where Teradyne is incorporated, but the results of this vote will be considered by the Audit Committee in selecting an independent registered accounting firm for future fiscal years.

The Board recommends a vote FOR ratification of the selection of PricewaterhouseCoopers LLP.

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CORPORATE GOVERNANCE AND BOARD OF DIRECTORS

Corporate Governance and Board Policies

Teradyne is committed to good corporate governance to ensure that it is managed for the long-term benefit of its shareholders. The Board of Directors has adopted Corporate Governance Guidelines (Guidelines) to provide a framework for the effective governance of Teradyne. The Nominating and Corporate Governance Committee periodically reviews the Guidelines and recommends changes, as appropriate, to the Board of Directors for approval. The Board of Directors has also adopted written charters for its standing committees (Audit, Compensation, and Nominating and Corporate Governance), and the Company has a Standards of Business Conduct applicable to all directors, officers and employees. Copies of the Guidelines, committee charters, and Standards of Business Conduct are available on the Company's web site at www.teradyne.com under the Corporate Governance section of the Investors link. Teradyne posts additional information on its web site from time to time as the Board makes changes to Teradyne's corporate governance policies.

Teradyne has instituted a variety of policies and practices to foster and maintain corporate governance. The Board reviews these practices on an ongoing basis. Teradyne's current policies and practices include the following:

Independent Directors as Majority of Board and independent Board Chair;

All Directors Elected Annually for One-Year Term with Majority Voting for Uncontested Board Elections;

Policy that Poison Pill Requires Shareholder Approval;

Recoupment of Incentive Compensation from Executives for Fraud Resulting in Financial Restatement;

Director and Executive Officer Stock Ownership Guidelines;

Annual Board and Committee Self-Assessment; and

Review by Nominating and Corporate Governance Committee of Director's Change in Position.

Board Nomination Policies and Procedures

Director nominees are evaluated on the basis of a range of criteria, including (but not limited to): integrity, honesty and adherence to high ethical standards; business acumen, experience and ability to exercise sound judgments and contribute positively to a decision-making process; commitment to understand Teradyne and its industry, and to regularly attend and participate in Board and Committee meetings; ability to ensure that outside commitments do not materially interfere with duties as a Board member; absence of a conflict of interest or appearance of a conflict of interest; and other appropriate considerations. Nominees, excluding directors serving on Teradyne's Board on January 28, 1997, shall be 72 years or younger as of the date of election or appointment. No director may serve on more than four other public company boards.

The Nominating and Corporate Governance Committee is responsible for identifying, evaluating and recommending candidates for election to the Board. The Nominating and Corporate Governance Committee does not distinguish between nominees recommended by shareholders and other nominees. All nominees must meet, at a minimum, the board membership criteria described above.

The Board seeks nominees with a broad diversity of viewpoints, professional experience, education, geographic representation, backgrounds and skills. The Board does not assign specific weights to particular criteria for prospective nominees. Teradyne believes that the backgrounds and qualifications of directors, considered as a group, should provide a significant composite mix of experience, knowledge and abilities that will allow the Board to fulfill its responsibilities.

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Shareholders wishing to suggest candidates to the Nominating and Corporate Governance Committee for consideration as potential director nominees may do so by submitting the candidate's name, experience, and other relevant information to the Nominating and Corporate Governance Committee, 600 Riverpark Drive, North Reading, MA 01864. Shareholders wishing to nominate directors may do so by submitting a written notice to the Secretary at the same address in accordance with the nomination procedures set forth in Teradyne's bylaws. Additional information regarding the nomination procedure is provided in the section below captioned "Shareholder Proposals and Board Candidates."

Director Independence

Teradyne's Corporate Governance Guidelines require that at least a majority of the Board shall be independent. To be considered independent, a director must satisfy the definitions pursuant to the SEC and NYSE rules, meet the standards regarding director independence adopted by Teradyne, and, in the Board's judgment, not have a material relationship with Teradyne. The standards for determining independence are available on Teradyne's web site at www.teradyne.com under the "Corporate Governance" section of the "Investors" link.

The Board has determined that the following directors are independent using the criteria identified above: James W. Bagley, Albert Carnesale, Edwin J. Gillis, Vincent O. Reilly, Paul J. Tufano, Roy A. Vallee and Patricia S. Wolpert. In determining the independence of Teradyne's directors, the Board reviewed and determined that the following did not preclude a determination of independence under Teradyne's standards: Mr. Bagley's position as a director of Micron Technology, Inc., one of Teradyne's customers and suppliers; Mr. Tufano's position as Executive Vice President and Chief Financial Officer of Alcatel-Lucent, one of Teradyne's customers; and Mr. Vallee's position as Chairman of the Board and Chief Executive Officer of Avnet, Inc., one of Teradyne's customers and suppliers, and his position as a director of Synopsys, Inc., one of Teradyne's customers. The Board has determined that Mr. Bradley is not independent because he is Teradyne's Chief Executive Officer and President.

All members of the Company's three standing committees—the Audit, Compensation and Nominating and Corporate Governance Committee—are required to be independent and have been determined by the Board to be independent pursuant to the SEC and NYSE rules, as well as Teradyne's standards.

The Board and its standing committees periodically hold meetings of only the independent directors of the Board or committee, as applicable, without management present.

Board Leadership Structure

Since January 2007, Patricia Wolpert has served as an independent Chair of the Board separating the roles of Chief Executive Officer and Chair. The Board believes that having an independent Chair is the preferred corporate governance structure for the Company because it strikes an effective balance between management and independent leadership participation in the Board process.

Code of Ethics

The Standards of Business Conduct and Ethics is Teradyne's ethics policy. The Board has established a means for anyone to report violations of the ethics policy on a confidential or anonymous basis. Teradyne's Standards of Business Conduct and Ethics is available on Teradyne's web site at www.teradyne.com under the "Corporate Governance" section of the "Investors" link.

Teradyne maintains an insider trading policy as part of its Standards of Business Conduct. Among other things, the insider trading policy prohibits trading on material non-public information and provides that directors,

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executive officers and certain other employees are prohibited from buying or selling Teradyne securities during the Company's non-trading periods, also called "blackout periods", except pursuant to an approved trading plan.

Teradyne shall disclose any change to or waiver from the Standards of Business Conduct and Ethics granted to an executive officer or director within four business days of such determination by disclosing the required information on its web site at www.teradyne.com under the "Corporate Governance" section of the "Investors" link.

Board Oversight of Risk

Management is responsible for the day-to-day management of risks the Company faces, while the Board of Directors, as a whole and through its committees, has responsibility for the oversight of risk management. Management attends regular Board and committee meetings and discusses with the Board or committee various risks confronting the Company, including operational, legal, market and competitive risks.

Related Party Transactions

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.

Shareholder Communications with Board of Directors

Shareholders and other interested parties may communicate with one or more members of the Board, including the Chair, or the non-management directors as a group by writing to the Non-Management Directors, Board of Directors, 600 Riverpark Drive, North Reading, MA 01864 or by electronic mail at nonmanagementdirectors@teradyne.com. Any communications that relate to ordinary business matters that are not within the scope of the Board's responsibilities, such as customer complaints, will be sent to the appropriate executive. Solicitations, junk mail, computer viruses, and obviously frivolous or inappropriate communications will not be forwarded, but will be made available to any director who wishes to review them.

Under Teradyne's Corporate Governance Guidelines, each director is expected to attend each annual meeting of shareholders. All directors attended the 2009 Annual Meeting of Shareholders held on May 28, 2009, except for Albert Carnesale and Paul Tufano, who could not attend.

Board Meetings

The Board met seven times and took action by unanimous written consent twice during the year ended December 31, 2009. The non-employee directors, all of whom are independent, held executive sessions in which they met without management after four of the regularly scheduled meetings during 2009. The Chair of the Board presides over all Board meetings and each executive session. During 2009, 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 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.

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

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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. 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:

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

The Audit Committee has four members, all of whom have been determined by the Board to be independent pursuant to the SEC and NYSE rules, as well as Teradyne's independence 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, described in greater detail in its charter, include, among other things:

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

performance of the internal audit function;

compliance with legal and regulatory requirements; and

appointment and activities of the independent registered public accounting firm.

The Audit Committee met twelve times during 2009. The responsibilities of the Audit Committee and its activities during 2009 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 NYSE rules, as well as Teradyne's independence standards. The Compensation Committee's primary responsibilities, discussed in greater detail in its charter, include, among other things:

oversight of Teradyne's compensation plans and policies;

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.

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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 assists in administering the compensation plans and programs.

The Compensation Committee met five times and took action by written consent once during 2009.

In 2009, the Compensation Committee retained Compensia, Inc. (Compensia), an independent executive compensation advisor, to perform a review of Teradyne's executive and Board compensation policies and practices, including: (1) an executive officer compensation competitive analysis; (2) a director compensation competitive analysis; (3) a peer group analysis; and (4) a Tally sheet analysis for executive officers. Compensia has provided no other services to the Compensation Committee or Teradyne.

The Compensation Committee also uses proprietary compensation surveys prepared by Pearl Meyer & Partners and the Radford Executive Survey, a technology company executive compensation survey.

Compensation Committee Interlocks and Insider Participation

The Compensation Committee is comprised entirely of independent directors. None of Teradyne's executive officers serves on the Compensation Committee of any of the companies in which the directors are affiliated.

Nominating and Corporate Governance Committee

The Nominating and Corporate Governance Committee has three members, all of whom have been determined by the Board to be independent pursuant to SEC and NYSE rules, as well as Teradyne's independence standards. The Nominating and Corporate Governance Committee's primary responsibilities, discussed in greater detail in its charter, include, among other things:

identify individuals qualified to become Board members;

recommend to the Board the nominees for election or re-election as directors at the annual meeting of shareholders;

develop and recommend to the Board a set of corporate governance principles;

oversee and advise the Board with respect to corporate governance matters; and

oversee the evaluation of the Board.

The Nominating and Corporate Governance Committee identifies director candidates through numerous sources, including recommendations from existing Board members, executive officers, and shareholders and through engagements with executive search firms.

Non-employee directors must notify the Nominating and Corporate Governance Committee if the director experiences a change of position from that held upon first becoming a member of the Board. Upon any such notification, the Nominating and Corporate Governance Committee will review the appropriateness of the director's continued membership under the circumstances. Teradyne's Corporate Governance Guidelines also provide that the continuation of a former Chief Executive Officer of the Company on the Board is a matter to be decided by the Board, upon recommendation of the Nominating and Corporate Governance Committee.

The Nominating and Corporate Governance Committee met four times during 2009.

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Director Compensation

Teradyne uses a combination of cash and stock-based incentive compensation to attract and retain qualified candidates to serve on the Board. Non-employee directors' compensation is determined by the Board at the recommendation of the Compensation Committee. Directors who are employees of Teradyne receive no compensation for their service as a director.

Cash Compensation

In 2009, the non-employee directors were compensated at the rate of \$65,000 per year and the Board Chair was compensated at the rate of \$180,000 per year. The chairs of the Compensation Committee and Nominating and Corporate Governance Committee each received an additional \$7,500 per year. The Chair of the Audit Committee received an additional \$12,500 per year.

Due to deteriorating business conditions, the non-employee directors initiated a temporary 10% reduction in their annual cash retainer effective January 1, 2009. Subsequently, the non-employee directors approved further temporary reductions ultimately reaching a level of 20% as of July 1, 2009. The non-employee directors eliminated the reductions and restored their annual cash retainer, effective January 1, 2010.

Equity Compensation

Each non-employee director receives an annual grant having a fair market value equal to \$110,000 on the earlier of (i) the date that the annual meeting of shareholders is held and (ii) the last Thursday in May. Each new non-employee director is granted an award on the date first elected or appointed to the Board (other than pursuant to an election at the annual meeting of shareholders) having a fair market value equal to \$110,000 prorated daily to reflect the period between the director's date of election or appointment and the date of the next annual board grant.

In November 2008, the Board voted to change the time of the annual award from the first Monday in February in order to align the timing of the award with the annual election of directors. Accordingly, in 2009, each non-employee director received 15,428 restricted stock units having a fair market value of approximately \$110,000 at the time of the grant on May 28, 2009. This annual grant vests in full on the one year anniversary of the date of grant. Due to the change in timing of the annual grant, the Board also approved in May 2009 a one-time transition grant of restricted stock units to each non-employee director for the four-month period from the beginning of February 2009 to the end of May 2009 valued at one-third of the \$110,000 annual grant value. Accordingly, each non-employee director received a transition grant of 5,143 restricted stock units having a fair market value of approximately \$36,671 at the time of the grant on May 28, 2009. This transition grant vests in full on the one year anniversary of the date of grant.

Director Deferral Program

The non-employee directors may elect to defer their cash and/or equity compensation and have the compensation invested into (1) an interest bearing account (based on ten-year treasury note interest rates) or (2) a deferred stock unit (DSU) account. If a non-employee director elects to participate in the plan, he or she will receive either the cash value of the interest bearing account or shares of the common stock underlying the DSU s within ninety (90) days following the end of his or her board service.

Director Stock Ownership Guidelines

The Company maintains stock retention and stock ownership guidelines to align the interests of directors with those of the shareholders and ensure that the directors have an ongoing financial stake in the Company's success. Pursuant to the guidelines, directors are expected to attain and maintain an investment level in stock equal to three times the annual cash retainer of a director. All of the directors other than Mr. O'Reilly, who is retiring from the Board, met the ownership guidelines as of year-end.

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The table below summarizes the compensation Teradyne paid to its non-employee directors for the fiscal year ended December 31, 2009.

Name	Fees Earned or Paid in Cash \$(1)	Stock Awards \$(2)(3)	All Other Compensation (\$)	Total (\$)
James W. Bagley	\$ 54,926	\$ 146,671	\$ 0	\$ 201,597
Albert Carnesale	\$ 62,426	\$ 146,671	\$ 0	\$ 209,097
Edwin J. Gillis	\$ 67,426	\$ 146,671	\$ 0	\$ 214,097
Vincent M. O Reilly	\$ 54,926	\$ 146,671	\$ 0	\$ 201,597
Paul J. Tufano	\$ 54,926	\$ 146,671	\$ 0	\$ 201,597
Roy A. Vallee	\$ 62,426	\$ 146,671	\$ 0	\$ 209,097
Patricia S. Wolpert	\$ 152,100	\$ 146,671	\$ 0	\$ 298,771

- (1) The amounts reflect the temporary reductions in the annual cash retainers in effect during 2009.
- (2) The amounts in the Stock Awards column represent the grant date fair value of the 2009 RSU grant calculated in accordance with FASB ASC Topic 718 (previously FAS 123R). For a discussion of the assumptions underlying this valuation please see Note B to the Consolidated Financial Statements included in the Annual Report on Form 10-K for fiscal year 2009.
- (3) As of December 31, 2009, non-employee directors had the following vested options outstanding: Mr. Bagley 41,250, Mr. Carnesale 41,250, Mr. O Reilly 31,250, Mr. Tufano 25,000, Mr. Vallee 41,250 and Ms. Wolpert 41,250.

Audit Committee Report

In 2010, the Audit Committee reviewed Teradyne's audited financial statements for the fiscal year ended December 31, 2009 and met with both management and PricewaterhouseCoopers LLP (PricewaterhouseCoopers), Teradyne's independent registered public accounting firm, to discuss those financial statements.

The Audit Committee also reviewed the report of management contained in Teradyne's Annual Report on Form 10-K for the fiscal year ended December 31, 2009 filed with the SEC, as well as PricewaterhouseCoopers' report included in Teradyne's Annual Report on Form 10-K related to its audit of (i) the consolidated financial statements and financial statement schedule and (ii) the effectiveness of internal control over financial reporting.

The Audit Committee has received from and discussed with PricewaterhouseCoopers various communications required by the Statement on Auditing Standards No. 114, as amended and as adopted by the Public Company Accounting Oversight Board in Rule 3200T.

The Audit Committee has received from and discussed with PricewaterhouseCoopers the written disclosures required by the Public Company Accounting Oversight Board's Rule 3256, Communication with Audit Committee Concerning Independence, regarding the independent registered accounting firm's communication with the Audit Committee concerning independence, and has discussed with PricewaterhouseCoopers its independence.

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Based on these reviews and discussions with management and PricewaterhouseCoopers, the Audit Committee recommended to the Board (and the Board has approved) that Teradyne's audited financial statements be included in its Annual Report on Form 10-K for the fiscal year ended December 31, 2009.

AUDIT COMMITTEE

Edwin J. Gillis (Chair)

James W. Bagley

Vincent M. O'Reilly

Paul J. Tufano

The information contained in the report above shall not be deemed to be soliciting material or to be filed with the SEC, nor shall such information be incorporated by reference into any future filing under the Securities Act of 1933 (the Securities Act), as amended or the Exchange Act, except to the extent that Teradyne specifically incorporates it by reference in any such filing.

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Principal Accountant Fees and Services

Fees for Services Provided by PricewaterhouseCoopers LLP

The following table sets forth the aggregate fees for services provided by PricewaterhouseCoopers, the Company's independent registered public accounting firm, for the fiscal years ended December 31, 2009 and December 31, 2008.

	2009	2008
Audit Fees	\$ 1,788,550	\$ 2,297,900
Audit-Related Fees		
Tax Fees		
All Other Fees	1,500	1,500
Total:	&nbs	