

ADVANCED MICRO DEVICES INC

Form PRE 14A

February 27, 2009

Table of Contents

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-11(c) or §240.14a-12

ADVANCED MICRO DEVICES, INC.

(Name of Registrant as Specified In Its Certificate)

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

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

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

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(1) Amount Previously Paid:

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(3) Filing Party:

(4) Date Filed:

Notes:

Table of Contents

ADVANCED MICRO DEVICES, INC.

ONE AMD PLACE

P.O. BOX 3453

SUNNYVALE, CALIFORNIA 94088-3453

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

We will hold the 2009 Annual Meeting of Stockholders of Advanced Micro Devices, Inc. at the Hyatt Regency Austin, 208 Barton Springs Road, Austin, Texas, on _____, _____, 2009. The meeting will start at 9 a.m. CDT. At the meeting, we will ask you to:

Elect nine directors;

Ratify the appointment of Ernst & Young LLP as our independent registered public accounting firm for the current fiscal year;

Approve a one-time exchange of outstanding employee stock options to purchase shares of our common stock that have an exercise price greater than the 52-week high trading price of our common stock on the NYSE at the commencement of our tender offer to our employees (other than options granted within the 12-month period preceding the commencement date of our tender offer to our employees and other than options held by our independent directors and named executive officers set forth on the Summary Compensation Table on page 36) to (i) provide renewed incentives and motivate eligible employees to achieve future stock price growth, (ii) avoid stockholder dilution that would result from the issuance of new option grants to incentivize employees and (iii) recapture value from compensation costs that we already are incurring with respect to outstanding options that have little or no retentive or incentive value (replacing such outstanding options should not create additional compensation expense (other than immaterial expenses));

Approve the amendment and restatement of the Advanced Micro Devices, Inc. 2004 Equity Incentive Plan; and

Transact any other business that properly comes before the meeting or any adjournment or postponement thereof.

By Order of the Board of Directors,

HARRY A. WOLIN

Corporate Secretary

This Proxy Statement is dated _____, 2009 and will first be mailed to the stockholders of Advanced Micro Devices, Inc. on or about _____, 2009.

WHETHER OR NOT YOU PLAN TO ATTEND THE MEETING, YOUR VOTE IS IMPORTANT AND WE ENCOURAGE YOU TO VOTE PROMPTLY. YOU MAY VOTE YOUR SHARES VIA A TOLL-FREE TELEPHONE NUMBER OR OVER THE INTERNET BY FOLLOWING THE INSTRUCTIONS CONTAINED IN THE PROXY CARD. YOU MAY ALSO SIGN, DATE AND MAIL THE PROXY CARD IN THE ENVELOPE PROVIDED. INSTRUCTIONS REGARDING METHODS OF SUBMITTING A PROXY ARE CONTAINED ON THE PROXY CARD.

IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR THE ANNUAL MEETING OF STOCKHOLDERS TO BE HELD ON _____, 2009: OUR PROXY STATEMENT AND ANNUAL REPORT ON FORM 10-K FOR THE FISCAL YEAR ENDED DECEMBER 27, 2008 ARE AVAILABLE ELECTRONICALLY AT WWW.PROXYVOTE.COM.

Table of Contents

TABLE OF CONTENTS

<u>QUESTIONS AND ANSWERS</u>	1
<u>ITEM 1 ELECTION OF DIRECTORS</u>	6
<u>CORPORATE GOVERNANCE</u>	10
<u>MEETINGS AND COMMITTEES OF THE BOARD OF DIRECTORS</u>	11
<u>2008 DIRECTORS COMPENSATION AND BENEFITS</u>	13
<u>PRINCIPAL STOCKHOLDERS</u>	17
<u>SECURITY OWNERSHIP OF DIRECTORS AND EXECUTIVE OFFICERS</u>	18
<u>EXECUTIVE OFFICERS</u>	19
<u>SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE</u>	20
<u>EQUITY COMPENSATION PLAN INFORMATION</u>	20
<u>COMPENSATION DISCUSSION AND ANALYSIS</u>	21
<u>COMPENSATION COMMITTEE REPORT</u>	34
<u>AUDIT COMMITTEE REPORT</u>	34
<u>EXECUTIVE COMPENSATION</u>	36
<u>CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS</u>	54
<u>ITEM 2 RATIFICATION OF THE APPOINTMENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM</u>	58
<u>ITEM 3 APPROVAL OF THE OPTION EXCHANGE</u>	58
<u>ITEM 4 APPROVAL OF THE AMENDMENT AND RESTATEMENT OF THE 2004 EQUITY INCENTIVE PLAN</u>	64
<u>AVAILABLE INFORMATION</u>	70
EXHIBIT:	
EXHIBIT A AMENDED AND RESTATED 2004 EQUITY INCENTIVE PLAN	

Table of Contents

ADVANCED MICRO DEVICES, INC.

PROXY STATEMENT

2009 ANNUAL MEETING OF STOCKHOLDERS

QUESTIONS AND ANSWERS

1. Q: WHY AM I RECEIVING THESE MATERIALS?

A: Our Board of Directors is providing these materials to you in connection with the Board's solicitation of proxies for use at our Annual Meeting, which will take place on _____, 2009 at the Hyatt Regency Austin, 208 Barton Springs Road, Austin, Texas. Our stockholders as of the close of business on _____, 2009, the record date for our Annual Meeting, are invited to attend the Annual Meeting and are requested to vote on the items described in this proxy statement.

2. Q: WHO IS SOLICITING MY VOTE?

A: This proxy solicitation is being made by the Board of Directors of Advanced Micro Devices, Inc. We have retained _____, professional proxy solicitors, to assist us with this proxy solicitation. We will pay the entire cost of this solicitation, including fee, which we expect to be approximately \$ _____.

3. Q: WHEN WERE MATERIALS MAILED TO STOCKHOLDERS?

A: The proxy materials were first mailed to stockholders on or about _____, 2009.

4. Q: WHAT MAY I VOTE ON?

A: You may vote on:

The election of directors to serve on our Board of Directors;

Ratifying the appointment of our independent registered public accounting firm for the current fiscal year;

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The approval of a one-time exchange of outstanding employee stock options to purchase shares of our common stock that have an exercise price greater than the 52-week high trading price of our common stock on the New York Stock Exchange, or NYSE, at the commencement of our tender offer to our employees (other than options granted within the 12-month period preceding the commencement date of our tender offer to our employees and other than options held by our independent directors and named executive officers) (Option Exchange); and

The approval of an amendment and restatement of the Advanced Micro Devices, Inc. 2004 Equity Incentive Plan (2004 Plan).

5. **Q: HOW DOES THE BOARD RECOMMEND I VOTE ON THE PROPOSALS?**

A: The Board of Directors recommends that you vote:

FOR each of the director nominees;

FOR the ratification of appointment of Ernst & Young LLP as our independent registered public accounting firm for the current fiscal year;

FOR the Option Exchange; and

FOR the approval of the amendment and restatement of the 2004 Plan.

Table of Contents

6. Q: WHY DOES THE BOARD RECOMMEND THAT I VOTE FOR THE OPTION EXCHANGE?

A: Our Board of Directors believes that the Option Exchange will provide an opportunity to (i) provide renewed incentives and motivate eligible employees to achieve future stock price growth, (ii) avoid stockholder dilution that would result from the issuance of new option grants to incentivize employees and (iii) recapture value from compensation costs that we already are incurring with respect to outstanding options that have little or no retentive or incentive value (replacing such outstanding options should not create additional compensation expense (other than immaterial expenses)). As a result of the extreme volatility in our stock price, many of our employee stock options are underwater. By realigning the exercise prices of previously granted stock options with the current value of our common stock, our Board of Directors believes that the new stock options will become an important tool to help motivate our eligible employees to continue to create stockholder value. See Item 3 Approval of the Option Exchange included elsewhere in this proxy statement.

7. Q: WHY DOES THE BOARD RECOMMEND THAT I VOTE FOR THE AMENDMENT AND RESTATEMENT OF THE 2004 PLAN?

A: The Board of Directors believes it is essential to obtain an additional 31,250,000 million shares for grant under the 2004 Plan and to increase the number of shares an individual may receive to 3,000,000 shares in any calendar year and to 6,000,000 shares during the first 12 months of an individual's service. The Board of Directors believes that these amendments are necessary to assist in the retention and hiring of employees, to allow us to continue awarding equity-based compensation, which is an important component of our overall compensation program, and to continue to provide our employees with an incentive to contribute to our future success by providing an opportunity to acquire shares of our common stock. The Board of Directors believes that the increased number of shares to fund awards under our equity compensation program represents a reasonable amount of potential equity dilution. Further, the Board of Directors believes that the increased number of awards an individual may receive provides additional flexibility to grant the equity awards required to attract, retain and motivate our employees. See Item 4-Approval of the Amendment and Restatement of the 2004 Equity Incentive Plan included elsewhere in this proxy statement.

8. Q: WHO IS ENTITLED TO VOTE?

A: Stockholders as of the close of business on _____, 2009, the record date for our Annual Meeting, are entitled to vote on all items properly presented at the Annual Meeting. On the record date, approximately _____ shares of our common stock were outstanding. Every stockholder is entitled to one vote for each share of common stock held on the record date. A list of these stockholders will be available during ordinary business hours at the principal place of business of AMD, located at One AMD Place, M/S 68, Sunnyvale, California, from the Assistant Corporate Secretary of the Company and at 7171 Southwest Parkway, M/S 100, Austin, Texas, 78735 from the Corporate Secretary of the Company, in each case at least ten days before the Annual Meeting. The list of stockholders will also be available at the time and place of the Annual Meeting.

9. Q: IF I AM A STOCKHOLDER OF RECORD, HOW DO I VOTE?

A: If you are a stockholder of record, you may vote in person at the Annual Meeting. We will give you a ballot when you arrive.

If you do not wish to vote in person or if you will not be attending the Annual Meeting, you may vote by proxy. If you complete and properly sign each proxy card you received and return it to us in the prepaid envelope, it will be voted by one of the individuals indicated on the card (your proxy) as you direct. If you return your signed proxy card or vote by proxy over the Internet but do not mark the boxes showing how you wish to vote, your shares will be voted FOR the election of the director

Table of Contents

nominees, FOR the ratification of the appointment of our independent registered public accounting firm, FOR the Option Exchange, FOR the amendment and restatement of the 2004 Plan, and in the discretion of the proxy holders for any other matter that may properly come before the Annual Meeting.

If you live in the United States or Canada, you may submit your proxy by following the Vote by Telephone instructions on the proxy card. If you have Internet access, you may submit your proxy from any location in the world by following the Vote by Internet instructions on the proxy card.

10. Q: WHO CAN ATTEND THE ANNUAL MEETING?

A: Only stockholders as of the close of business on _____, 2009, holders of proxies for those stockholders and other persons invited by us can attend. If your shares are held by your broker in _____ street name, you must bring a letter from your broker to the Annual Meeting showing that you were the direct or indirect (_____ beneficial) owner of the shares on _____, 2009 to attend the Annual Meeting.

11. Q: CAN I VOTE AT THE MEETING?

A: Yes. If you held your shares in your own name on the record date, you may vote your shares in person at the Annual Meeting. If you wish to vote your shares in person at the Annual Meeting and they are held by your broker in _____ street name, you must obtain a proxy from the record holder and bring a letter from the broker to the Annual Meeting showing that you were the beneficial owner of the shares on _____, 2009.

12. Q: CAN I CHANGE MY VOTE AFTER I HAVE VOTED?

A: Yes. You may change your vote at any time before the voting concludes at the Annual Meeting. You may vote again on the Internet or by telephone (only your latest Internet or telephone proxy submitted prior to the Annual Meeting will be counted), or by signing and returning a new proxy card with a later date or by attending the Annual Meeting and voting in person. However, your attendance at the Annual Meeting will not automatically revoke your proxy unless you vote again at the Annual Meeting or specifically request in writing that your prior proxy be revoked.

13. Q: HOW DO I VOTE MY SHARES IF THEY ARE HELD IN STREET NAME?

A: If your shares are held by your broker in _____ street name, you will receive a form from your broker seeking instruction as to how your shares should be voted. We urge you to complete this form and instruct your broker how to vote on your behalf. Instead, you can vote in person at the Annual Meeting, but you must bring a letter from the broker showing that you were the beneficial owner of your shares on _____, 2009.

14. Q: WHAT IS A QUORUM ?

A: For the purposes of the Annual Meeting, a quorum is a majority of the outstanding shares. They may be present at the Annual Meeting or represented by proxy. There must be a quorum for the Annual Meeting to be held. If you voted on the Internet, by telephone or by properly submitting a proxy card, even if you abstain from voting, your shares will be considered part of the quorum.

15. **Q: WHAT IS BROKER DISCRETIONARY VOTING?**

A: Under the rules of the NYSE, if you hold your shares through a broker, your broker is permitted to vote your shares on the election of directors and the ratification of our independent registered public accounting firm in its discretion if it has transmitted the proxy materials to you and has not received

Table of Contents

voting instructions from you on how to vote your shares before the deadline set by your broker. Under the NYSE rules, your broker does not have discretionary authority to vote on the proposal to approve the Option Exchange or the proposal to amend and restate the 2004 Plan, so it is very important that you instruct your broker how to vote on these proposals. A broker non-vote occurs where your broker has not received instructions from you as to how to vote your shares on a proposal and does not have discretionary authority to vote on the proposal.

16. Q: HOW ARE MATTERS PASSED OR DEFEATED?

A: Each of the nine director nominees will be elected if each of them receives a majority of the votes cast. A majority of the votes cast means that the number of votes cast for a director must exceed the number of votes cast against that director. Abstentions will not be counted in the determination of the majority of votes cast and will thus have no effect on this proposal. Broker non-votes will have no effect on the outcome of the election of directors. Each incumbent director has submitted a written resignation to the Board that will be effective if he/she does not receive a majority of the votes cast and the resignation is accepted by the Board. Ratification of the appointment of our independent registered public accounting firm must receive affirmative votes from the majority of the shares of common stock entitled to vote and represented, in person or by proxy, at the meeting. An abstention has the same effect as a vote against this proposal. Broker non-votes will have no effect on the outcome of the ratification of the appointment of our independent registered public accounting firm. The proposal to approve the Option Exchange and the proposal to amend and restate the 2004 Plan both require the affirmative vote of a majority of votes cast, provided that the total vote cast on the proposal represents over 50% of the outstanding common stock entitled to vote on the proposals. Abstentions will not be counted as a vote for or against these proposals, but will be counted for purposes of determining whether the total votes cast on each proposal represents over 50% of the outstanding common stock entitled to vote on the proposals. Broker non-votes will not be counted in the determination of the majority of votes cast or the determination of whether the total votes cast on the proposals represent over 50% of the outstanding common stock entitled to vote on the proposals.

17. Q: WHO WILL COUNT THE VOTES?

A: Proxies will be tabulated by Broadridge Financial Solutions, Inc. (Broadridge), formerly known as ADP-ICS.

18. Q: WHERE CAN I FIND THE VOTING RESULTS OF THE ANNUAL MEETING?

A: We will announce preliminary voting results at the Annual Meeting and publish final results in our quarterly report on Form 10-Q for the second fiscal quarter of 2009.

19. Q: IS MY VOTE CONFIDENTIAL?

A: Proxy cards, ballots and voting tabulations that identify individual stockholders are mailed or returned directly to Broadridge and handled in a manner that protects your voting privacy. Your vote will not be disclosed except (1) as needed to permit Broadridge to tabulate and certify the vote and (2) as required by law. However, comments written on the proxy card may be forwarded to management. In that case, your identity may not be kept confidential.

20. Q: HOW WILL VOTING ON ANY BUSINESS NOT DESCRIBED IN THIS PROXY STATEMENT BE CONDUCTED?

A: We do not know of any business to be considered at the Annual Meeting other than the items described in this proxy statement. If any other business is presented at the Annual Meeting, your proxy gives authority to Derrick R. Meyer, our Chief Executive Officer, and Harry A. Wolin, our Senior Vice President, General Counsel and Corporate Secretary, to vote on such matters at their discretion.

Table of Contents

21. Q: WHEN ARE THE STOCKHOLDER PROPOSALS FOR THE 2010 ANNUAL MEETING DUE?

A: Under the SEC rules, for stockholder proposals to be considered for inclusion in the proxy statement for the 2010 Annual Meeting, they must be submitted in writing to our Corporate Secretary, Advanced Micro Devices, Inc., 7171 Southwest Parkway, M/S 100, Austin, Texas, 78735 on or before November , 2009. In addition, our bylaws provide that for directors to be nominated or other proposals to be properly presented at the 2010 Annual Meeting, a separate notice of any nomination or proposal must be received by us between January 7, 2010 and February 6, 2010. If our 2010 Annual Meeting is not held within 30 days of , 2010, to be timely, the notice by the stockholder must not be later than the close of business on the tenth day following the earlier of the day on which the first public announcement of the date of the 2010 Annual Meeting was made or the notice of the meeting was mailed. The public announcement of an adjournment or postponement of the 2010 Annual Meeting will not trigger a new time period (or extend any time period) for the giving of a stockholder notice as described in this proxy statement. More information about the information required to be included in a stockholder s notice of a nomination is included in this proxy statement under Consideration of Stockholder Nominees for Director.

22. Q: WILL YOU WEBCAST THE ANNUAL MEETING?

A. Yes. The Annual Meeting will be webcast live. You can access it by going to our Investor Relations Web site at: www.amd.com. The webcast will enable you to listen only. You will not be able to ask questions. The Annual Meeting audio webcast will be available on our Web site for a period of time after the meeting.

23. Q: WHAT IS HOUSEHOLDING AND HOW DO I OBTAIN A SEPARATE SET OF PROXY MATERIALS IF I SHARE AN ADDRESS WITH OTHER STOCKHOLDERS?

A. We have adopted a procedure called householding, which has been approved by the SEC. Under this procedure, we will deliver only one copy of our Annual Report on Form 10-K and Proxy Statement to stockholders of record who share the same address (if they appear to be members of the same family) unless we have received contrary instructions from an affected stockholder. A separate proxy card for each stockholder of record will be included in the materials. This procedure reduces our printing costs and mailing costs and fees. Upon written or oral request, we will promptly deliver a separate Annual Report and Proxy Statement to any stockholder at a shared address to which a single copy of either of those documents was delivered. To receive a separate copy of the Annual Report or this Proxy Statement, contact us at (408) 749-4000 or at Advanced Micro Devices, Inc., 7171 Southwest Parkway, M/S 100, Austin, Texas 78735, attention: Corporate Secretary, or by email to Corporate.Secretary@amd.com. If you would like to revoke your householding consent or you are a stockholder eligible for householding and would like to participate in householding, please contact Broadridge at 1-800-842-1061.

A number of brokerage firms have instituted householding. If you hold your shares in street name, please contact your bank, broker or other holder of record to request information about householding.

Table of Contents

ITEM 1 ELECTION OF DIRECTORS

Nine directors will be elected at the Annual Meeting. All directors are elected annually and serve a one-year term until the next Annual Meeting.

The Nominating and Corporate Governance Committee of the Board of Directors selected, and the Board of Directors accepted, the following nine persons as nominees for election to the Board: Dr. Hector de J. Ruiz, Dr. W. Michael Barnes, Mr. John E. Caldwell, Mr. Bruce L. Claflin, Mr. Frank M. Clegg, Ms. H. Paulett Eberhart, Mr. Derrick R. Meyer, Mr. Robert B. Palmer and Mr. Morton L. Topfer. All of the nominees are currently directors of AMD.

The Board of Directors expects all nominees named below to be available for election. If a nominee declines or is unable to act as a director, your proxy may vote for any substitute nominee proposed by the Board. Your proxy will vote **FOR** the election of these nominees, unless you instruct otherwise. Directors are strongly encouraged to attend annual meetings of our stockholders, and we expect all of our current Board member nominees to be present at the 2009 Annual Meeting. All of the Board member nominees set forth in our 2008 Proxy Statement were present at the 2008 Annual Meeting.

The experience and background of each of the nominees follow:

Dr. Hector de J. Ruiz Dr. Ruiz, 63, has been a director since 2000. Dr. Ruiz is currently our Executive Chairman and Chairman of the Board. Dr. Ruiz joined AMD as President and Chief Operating Officer in January 2000 and became our Chief Executive Officer on April 25, 2002. Dr. Ruiz was appointed Chairman in April 2004. Dr. Ruiz served as Chief Executive Officer and Chairman until July of 2008. Before joining AMD, Dr. Ruiz served as President of the Motorola, Inc. Semiconductor Products Sector since 1997. From 1991 to 1995, Dr. Ruiz was Senior Vice President and General Manager of Motorola's paging and messaging businesses and in 1996 became Executive Vice President and General Manager of those businesses. Dr. Ruiz joined Motorola in 1977 and, from 1977 to 1991, he held various executive positions in Motorola's Semiconductor Products Sector. Before joining Motorola, Dr. Ruiz worked at Texas Instruments, Inc. from 1972 to 1977. Dr. Ruiz is a member of the Board of Directors of Eastman Kodak Company.

Dr. W. Michael Barnes Dr. Barnes, 66, has been a director since 2003. Dr. Barnes served as Senior Vice President and Chief Financial Officer of Rockwell International Corporation (Rockwell), a diversified NYSE company, from 1991 until his retirement in 2001. Dr. Barnes joined Collins Radio Company (Collins) in 1968 as a member of the corporate operations research staff. Collins was acquired by Rockwell in 1973, and Dr. Barnes held various management positions at Rockwell until 1991. He was named a distinguished alumnus by the Texas A&M University College of Engineering in 1992, is a member of the Texas A&M University Chancellor's Century Council and is on the university's Engineering Advisory Board. Dr. Barnes is a member of the Board of Directors of MetroPCS Communications, Inc.

John E. Caldwell Mr. Caldwell, 59, has been a director since October 2006. Mr. Caldwell is currently a member of the Board of Directors and Chief Executive Officer of SMTC Corporation, an electronics manufacturing services company, and has held these positions since March 2003. Before joining SMTC, Mr. Caldwell held positions in the Mosaic Group, a marketing services provider, as Chair of the Restructuring Committee of the Board, from October 2002 to September 2003 and in GEAC Computer Corporation Limited, a computer software company, as President and Chief Executive Officer from October 2000 to December 2001. Mr. Caldwell was a director of ATI Technologies Inc. until October 25, 2006, when we acquired ATI. Currently he is a director of Faro Technologies, Inc., a producer of three dimensional manufacturing measurement systems, and IAMGOLD Corporation, a mid-tier gold producer.

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Bruce L. Clafin Mr. Clafin, 57, has been a director since 2003. Mr. Clafin was President, Chief Executive Officer, and a member of the Board of Directors of 3Com Corporation (3Com), a provider of voice and data networking products and services, from January 2001 until he retired in 2006. He joined 3Com as President and Chief Operating Officer in August of 1998. Prior to 3Com, Mr. Clafin served as Senior Vice

Table of Contents

President and General Manager, sales and marketing, for Digital Equipment Corporation. Mr. Claflin also worked for 22 years at IBM, where he held various sales, marketing and management positions, including general manager of IBM PC Company's worldwide research and development, product and brand management, as well as president of IBM PC Company Americas. Mr. Claflin is a member of the Board of Directors of Ciena Corporation.

Frank M. Clegg Mr. Clegg, 54, has been a director since May 2007. Since February 2005, Mr. Clegg has been a member of the Board of Directors of Indigo Books and Music, a Canadian book retailer. He has been Chairman of Navantis, Inc., a provider of IT software solutions and services, since October 2005. From 1991 to 1996 and from 2000 to 2005, Mr. Clegg was the President of Microsoft Canada. From 1996 to 2000, Mr. Clegg was Vice President, Central U.S. and Canada Region, for Microsoft.

H. Paulett Eberhart Ms. Eberhart, 55, has been a director since 2004. Ms. Eberhart was President and Chief Executive Officer of Invensys Process Systems, a provider of products, services and solutions for the automation and optimization of plant operation in the process industries from January 2007 until January 2009. Before joining Invensys Process Systems in January 2007, Ms. Eberhart was the President Americas of Electronic Data Systems Corporation (EDS), an information technology and business process outsourcing company, from 2003 until she retired from EDS in 2004. Ms. Eberhart had been an employee of EDS since 1978. Prior to serving as President Americas, Ms. Eberhart was the Senior Vice President EDS and President Solutions Consulting and had held various other executive operating and financial roles in EDS. She also was a member of the Board of Directors of AT Kearney, a subsidiary of EDS. Ms. Eberhart is a certified public accountant and is a member of the Financial Executives Institute and American Institute of Certified Public Accountants. She also is a member of the Board of Directors of Anadarko Petroleum Corporation.

Derrick R. Meyer Mr. Meyer, 47, has been a director since November 2007. Mr. Meyer is our President and Chief Executive Officer. Mr. Meyer joined AMD in 1995 and was Vice President of Engineering for the Computation Products Group before being promoted to Group Vice President, Computation Products Group in 2001. In April 2002, Mr. Meyer became an executive officer of AMD and was promoted to Senior Vice President of our Computation Products Group. Mr. Meyer became our Executive Vice President of our Computation Products Group in 2004 and was named President and Chief Operating Officer of the Microprocessor Solutions Sector in April 2005. He was promoted to President and Chief Operating Officer in January 2006 and to President and Chief Executive Officer in July 2008. Before joining us, Mr. Meyer was employed by Digital Equipment Corporation beginning in 1986 and by Intel Corporation from 1983 to 1986.

Robert B. Palmer Mr. Palmer, 68, has been a director since 1999. Mr. Palmer was the Chairman and Chief Executive Officer of Digital Equipment Corporation (Digital) from 1995 until his retirement in 1998. Mr. Palmer was appointed Chief Executive Officer and President of Digital in October 1992. From 1985 to 1992, Mr. Palmer served in various executive positions at Digital. Before Digital, Mr. Palmer was Executive Vice President of Semiconductor Operations at United Technologies Corporation (UTC), joining UTC in 1980 when it acquired Mostek Corporation, where he was a member of the founding team in 1969. Mr. Palmer is on the Board of Trustees of the Cooper Institute for Aerobic Research, a non-profit preventative medicine research and education organization.

Morton L. Topfer Mr. Topfer, 72, has been a director since February 2005. Mr. Topfer is the Managing Director of Castletop Capital L.P., an investment firm that focuses on private equity and real estate investments. Before forming Castletop Capital in 2002, Mr. Topfer was Vice Chairman of Dell Computer Corporation (Dell), counselor to Dell's Chief Executive Officer and a member of Dell's office of the Chief Executive Officer. Before joining Dell in 1994, Mr. Topfer held various positions with Motorola, Inc., last serving as Corporate Executive Vice President and President of the Land Mobile Products Sector. Before joining Motorola in 1971, Mr. Topfer spent 11 years with RCA Laboratories in various research and development and management positions. Mr. Topfer serves on the Board of Directors of Measurement Specialties, Inc.

Table of Contents

Consideration of Stockholder Nominees for Director

The policy of the Nominating and Corporate Governance Committee is to consider properly submitted stockholder nominations for candidates to serve on our Board. Pursuant to our bylaws, stockholders who wish to nominate persons for election to the Board of Directors at the 2010 Annual Meeting must be a stockholder of record when they give us notice and at the meeting, must be entitled to vote at the meeting and must comply with the notice provisions in our bylaws. A stockholder's notice must be delivered to our Corporate Secretary not less than 90 nor more than 120 days before the anniversary date of the immediately preceding annual meeting. For our 2010 Annual Meeting, the notice must be delivered between January 7, 2010 and February 6, 2010. However, if our 2010 Annual Meeting is not within 30 days of _____, 2010, the notice must be delivered no later than the close of business on the 10th day following the earlier of the day on which the first public announcement of the date of the 2010 Annual Meeting was made or the day the notice of the 2010 Annual Meeting is mailed. Notwithstanding the foregoing, if the number of directors to be elected to the Board at an annual meeting is increased and we do not make a public announcement naming all of the nominees for director or specifying the size of the increased Board at least 100 days prior to the first anniversary of the preceding year's annual meeting, the stockholder's notice will be considered timely, but only with respect to nominees for any new positions created by the increase, if it is delivered to our Corporate Secretary not later than the close of business on the 10th day following the day on which we first make such public announcement. The stockholder's notice must include the following information for the person making the nomination:

name, age, nationality, business and residence addresses;

principal occupation and employment;

the class and number of shares of the Company owned beneficially or of record;

any derivative, swap or other transaction which gives economic risk similar to ownership of shares of the Company;

any proxy, agreement, arrangement, understanding or relationship that confers a right to vote any shares of the Company;

any agreement, arrangement, understanding or relationship, engaged in to increase or decrease the level of risk related to, or the voting power with respect to, shares of the Company;

any performance related fees that the nominating person is entitled to based on any increase or decrease in the value of any shares of the Company; and

any other information required by the SEC to be disclosed in a proxy statement.

The stockholder's notice must also include the following information for each proposed director nominee:

financial or other relationships between the nominating person and the nominee during the past three years;

the same information as for the nominating person (see above); and

all information required to be disclosed in a proxy statement in connection with election of directors.

The Chair of the Annual Meeting will determine if the procedures in the bylaws have been followed, and if not, declare that the nomination be disregarded. If the nomination was made in accordance with the procedures in our bylaws, the Nominating and Corporate Governance Committee of the Board of Directors will apply the same criteria in evaluating the nominee as it would any other Board nominee candidate and will recommend to the Board whether or not the stockholder nominee should be nominated by the Board and included in our proxy statement. These criteria are described below in the description of the Nominating and Corporate Governance Committee on page 10. The nominee must be willing to provide a written questionnaire, representation and agreement, if requested by us, and any other information reasonably requested by the Nominating and Corporate Governance Committee in connection with its evaluation of the nominee's independence.

Table of Contents

Communications with the Board or Non-Management Directors

Interested parties who wish to communicate with our Board of Directors or with non-management directors may send their communications in writing to our Corporate Secretary, 7171 Southwest Parkway, M/S 100, Austin, Texas 78735 or send an email to Corporate.Secretary@amd.com. Our Corporate Secretary will forward all of these communications to our lead independent director.

The Board of Directors unanimously recommends that you vote FOR each of the director nominees. Unless you indicate otherwise, your proxy will vote FOR the proposed nominees.

Table of Contents

CORPORATE GOVERNANCE

The Board of Directors has adopted Principles of Corporate Governance (the Principles) to address significant corporate governance issues. The Principles provide a framework for our corporate governance matters and include topics such as Board and Board committee composition and evaluation. The Nominating and Corporate Governance Committee is responsible for reviewing the Principles and reporting and recommending any changes to the Principles to the Board of Directors.

The Principles provide that a substantial majority of the members of the Board must meet the criteria for independence as required by applicable law and the listing standards of the NYSE. No director qualifies as independent unless the Board of Directors determines that the director has no direct or indirect material relationship with us. On an annual basis, each director and executive officer is obligated to complete a director and officer questionnaire which requires disclosure of any transactions with us in which the director or executive officer, or any member of his or her immediate family, have a direct or indirect material interest. We also review our relationship to any entity employing a director or on which the director serves as a member of the Board of Directors. Our Board of Directors has determined that all directors who served during our 2008 fiscal year and all of our director nominees, other than Mr. Meyer and Dr. Ruiz, are independent in accordance with SEC and NYSE rules. The Board has concluded that there are no business relationships that are material or that would interfere with the exercise of independent judgment by any of the directors in his or her service on our Board of Directors or the Audit Committee.

In 2007, the Board of Directors approved an amendment to our bylaws to change the plurality vote standard for the election of directors to a majority vote standard with respect to uncontested elections. The standard requires each director to receive a majority of the votes cast to be elected. A majority of the votes cast means that the number of votes cast for a director must exceed the number of votes cast against that director. In contested elections, where the number of nominees exceeds the number of directors to be elected, the vote standard will continue to be a plurality of votes cast. Each incumbent director has submitted a written resignation to the Board which will be effective if he/she does not receive a majority of the votes cast and the resignation is accepted by the Board.

On December 3, 2008, the Board of Directors approved an amendment and restatement of our bylaws including the advance notice provisions which set forth the procedures for stockholders to propose business or director nominees to be considered at annual or special meetings and to act by written consent in lieu of a meeting. These amendments are intended to establish a process for stockholders seeking to take such actions, as well as to elicit information relevant to our and our stockholders' evaluation of the proposed action.

The Board of Directors has adopted a code of ethics that applies to all directors and employees entitled, Worldwide Standards of Business Conduct, which we designed to help directors and employees resolve ethical issues encountered in the business environment. The Worldwide Standards of Business Conduct covers topics such as conflicts of interest, compliance with laws, fair dealing, protecting AMD property and confidentiality of AMD information and encourages the reporting of any behavior not in accordance with the Worldwide Standards of Business Conduct.

The Board of Directors has also adopted a Code of Ethics for the Chief Executive Officer, the Chief Financial Officer, the Corporate Controller and all other senior finance executives. The Code of Ethics covers topics such as financial reporting, conflicts of interest and compliance with laws, rules, regulations and our policies.

Each of the Committees described below has adopted a charter, which has been approved by the Board of Directors. You can access our bylaws, the latest Committee Charters, the Principles, the Worldwide Standards of Business Conduct and the Code of Ethics on the Investor Relations Web page of our Web site at www.amd.com, by writing to us at Corporate Secretary, AMD, 7171 Southwest Parkway, M/S 100, Austin, Texas,

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78735, or emailing us at Corporate.Secretary@amd.com. We will provide you with this information free of charge. Please note that information contained on our Web site is not incorporated by reference in, or considered to be a part of, this document.

Table of Contents

MEETINGS AND COMMITTEES OF THE BOARD OF DIRECTORS

The Board of Directors held ten regularly scheduled and special meetings during fiscal 2008. All directors attended at least 75 percent of the meetings of the Board of Directors in 2008. The Board has Audit, Nominating and Corporate Governance, Compensation and Finance Committees. The members of the Committees and their Chairs are selected by the Nominating and Corporate Governance Committee and then appointed by the Board annually. In 2008, the Board of Directors reappointed Mr. Robert Palmer as the lead independent director of the Board of Directors. In that capacity, Mr. Palmer chairs executive sessions of the non-management directors, which are held at regularly scheduled sessions, and the meetings of the Nominating and Corporate Governance Committee. Sessions of the non-management directors were held six times in 2008.

Audit Committee. The Audit Committee consists of Ms. H. Paulett Eberhart, as Chair, Dr. W. Michael Barnes, Mr. Bruce L. Claflin and Mr. Morton L. Topfer, each of whom was determined by the Board of Directors to be financially literate and independent under the applicable SEC and NYSE rules. All members of the Audit Committee are qualified to be designated as audit committee financial experts. However, the Board of Directors determined that only Ms. Eberhart would be designated to be an audit committee financial expert. The Audit Committee held 12 meetings during 2008. The Audit Committee assists the Board with its oversight responsibilities regarding the integrity of our financial statements, our compliance with legal and regulatory requirements and the performance of our internal audit function. The Audit Committee is also directly responsible for the appointment, independence, compensation, retention and oversight of the work of the independent registered public accounting firm, which reports directly to the Audit Committee. The Audit Committee meets alone with our senior management, our financial, legal and internal audit personnel, and with our independent registered public accounting firm, which has free access to the Audit Committee. The director of our Internal Audit Department reports directly to the Chair of the Audit Committee and dotted-line to our Chief Financial Officer and serves a staff function for the Audit Committee. All members of the Audit Committee attended at least 75 percent of the meetings of the Audit Committee in 2008.

Nominating and Corporate Governance Committee. The Nominating and Corporate Governance Committee consists of Mr. Robert B. Palmer, as Chair, Dr. W. Michael Barnes, Mr. John E. Caldwell, Mr. Bruce L. Claflin, Mr. Frank M. Clegg, Ms. H. Paulett Eberhart and Mr. Morton L. Topfer, each determined by the Board of Directors to be independent under the applicable SEC and NYSE rules. The Nominating and Corporate Governance Committee met six times in 2008. The Nominating and Corporate Governance Committee met once during 2009 to consider director nominees for the 2009 Annual Meeting and other corporate governance matters. The Nominating and Corporate Governance Committee assists the Board in discharging its responsibilities regarding the identification of qualified candidates to become Board members, the selection of nominees for election as directors at the next annual meeting of stockholders (or special meeting of stockholders at which directors are to be elected), the selection of candidates to fill any vacancies on the Board, the development and recommendation to the Board of corporate governance guidelines and principles, including the Principles, and oversight of the evaluation of the Board and management. The Nominating and Corporate Governance Committee retains a search firm for the purpose of obtaining information regarding potential candidates for Board membership. In evaluating candidates to determine if they are qualified to become Board members, the Nominating and Corporate Governance Committee looks principally for the following attributes: personal and professional character, integrity, ethics and values; general business experience and leadership profile, including experience in corporate management, such as serving as an officer or former officer of a publicly held company; strategic planning abilities and experience; aptitude in accounting and finance; expertise in domestic and international markets; experience in our industry and with relevant social policy concerns; understanding of relevant technologies; expertise in an area of our operations; communications and interpersonal skills; and practical and mature business judgment. The Nominating and Corporate Governance Committee also evaluates Board members and nominees' service on the Board of other public companies. Also, in considering whether to nominate any incumbent director for re-election, the Board will take into account whether or not the incumbent director has tendered an irrevocable resignation that will be effective if he/she does not receive a majority of the votes cast and the resignation is accepted by the Board. Although the Nominating and Corporate

Table of Contents

Governance Committee uses these and other criteria to evaluate potential nominees, there are no stated minimum criteria for nominees. The Nominating and Corporate Governance Committee uses the same standards to evaluate all director candidates, whether or not the candidates were proposed by stockholders. All members of the Nominating and Corporate Governance Committee attended at least 75 percent of the meetings of the Nominating and Corporate Governance Committee in 2008. Mr. Clegg joined the Nominating and Corporate Governance Committee on May 8, 2008 and attended all committee meetings held during the remainder of 2008.

Compensation Committee. The Compensation Committee consists of Mr. Bruce L. Claflin, as Chair, Mr. Frank M. Clegg, Mr. Robert B. Palmer and Mr. Morton L. Topfer, each determined by the Board to be independent under the applicable SEC and NYSE rules. During 2008, the Compensation Committee met nine times. The Compensation Committee assists the Board in discharging its responsibilities relating to the compensation of all Section 16 officers and members of the Board. In consultation with management, the Board and the Compensation Committee's compensation consultant, the Compensation Committee designs, recommends to the Board for approval and evaluates employment, severance and change of control agreements with Section 16 officers and our compensation plans, policies and programs. The Compensation Committee ensures that compensation programs are designed to encourage high performance, promote accountability and align employee interests with the Company's strategic goals and with the interests of our stockholders. All members of the Compensation Committee attended at least 75 percent of the meetings of the Compensation Committee in 2008. Mr. Clegg joined the Compensation Committee on May 8, 2008 and attended four of the five compensation committee meetings held during the remainder of 2008.

Finance Committee. The Finance Committee consists of Dr. W. Michael Barnes, as Chair, Ms. H. Paulett Eberhart, and Mr. John E. Caldwell. During 2008, the Finance Committee met five times. The Finance Committee assists the Board by reviewing and making recommendations to the Board about our financial affairs and policies and the nature and structure of major financial commitments. All members of the Finance Committee attended at least 75 percent of the meetings of the Finance Committee in 2008, other than Mr. Caldwell, who attended 60 percent of the meetings.

Table of Contents**DIRECTORS COMPENSATION AND BENEFITS**

The table below summarizes the compensation paid by us to non-employee directors for serving as directors for the fiscal year ended December 27, 2008.

2008 NON-EMPLOYEE DIRECTOR COMPENSATION

<u>Name</u>	<u>Fees Earned or Paid in Cash⁽¹⁾</u>	<u>Stock Awards^{(2),(3)(4)}</u>	<u>Option Awards^{(2),(3)(4)}</u>	<u>All Other Compensation⁽⁵⁾</u>	<u>Total</u>
W. Michael Barnes	\$ 86,200	\$ 108,280	\$ 0	\$ 21,977 ⁽⁶⁾	\$ 216,457
John E. Caldwell	\$ 72,600	\$ 131,555	\$ 69,738	\$ 3,007 ⁽⁷⁾	\$ 276,900
Bruce L. Claflin	\$ 88,600	\$ 108,280	\$ 0	\$ 4,595 ⁽⁸⁾	\$ 201,475
Frank M. Clegg	\$ 69,400	\$ 101,510	\$ 0	\$ 13,169 ⁽⁹⁾	\$ 184,079
H. Paulett Eberhart	\$ 96,200	\$ 108,280	\$ 0	\$ 22,894 ⁽¹⁰⁾	\$ 227,374
Robert B. Palmer	\$ 93,800	\$			