

McAfee, Inc.  
Form DEFR14A  
June 27, 2008

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**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549**

**SCHEDULE 14A  
Proxy Statement Pursuant to Section 14(a) of the  
Securities Exchange Act of 1934  
(Amendment No. 1)**

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

**McAfee, Inc.**

(Name of Registrant as Specified In Its Charter)

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

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- No fee required.
- Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.
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(1) Amount Previously Paid:

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(4) Date Filed:

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**MCAFEE, INC.  
3965 FREEDOM CIRCLE  
SANTA CLARA, CALIFORNIA 95054**

**NOTICE OF ANNUAL MEETING OF STOCKHOLDERS  
To Be Held Monday, July 28, 2008**

You are cordially invited to join us at the annual meeting of stockholders of McAfee, Inc. on Monday, July 28, 2008, at 2:00 p.m. Pacific Daylight Time at our corporate headquarters located at 3965 Freedom Circle, Santa Clara, California 95054.

Our 2008 annual meeting of stockholders will be held for the following purposes:

1. To elect three Class III directors for two-year terms and three Class I directors for three-year terms;
2. To approve our Executive Bonus Plan to permit the deductibility of performance-based awards pursuant to Section 162(m) of the Internal Revenue Code;
3. To approve amendments to our 1997 Stock Incentive Plan, as amended, to increase the number of shares reserved for issuance, to make certain administrative changes and to permit the deductibility of performance-based awards pursuant to Section 162(m) of the Internal Revenue Code;
4. To ratify the appointment of Deloitte & Touche LLP as our independent public accountants for the year ending December 31, 2008; and
5. To transact any other business as may properly come before the meeting or any adjournment or postponement of the meeting.

Only stockholders owning our shares at the close of business on June 18, 2008 are entitled to attend and vote at the meeting. For ten days prior to the meeting, a complete list of these stockholders will be available during ordinary business hours at our corporate headquarters located at 3965 Freedom Circle, Santa Clara, California 95054.

It is important that your shares are represented and voted at the annual meeting. Whether or not you plan to attend the annual meeting, please complete, sign, date and promptly return the accompanying proxy in the enclosed postage-paid envelope or vote by telephone or the Internet by following the instructions on the proxy card. Returning the proxy does not deprive you of your right to attend the annual meeting.

On behalf of our board of directors, I would like to thank you for your continued interest in McAfee. I look forward to seeing you at the annual meeting.

By order of our board of directors,

Mark D. Cochran  
*Executive Vice President,*  
*General Counsel and Corporate Secretary*

Santa Clara, California  
June 25, 2008

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**MCAFEE, INC.  
3965 Freedom Circle  
Santa Clara, California 95054**

The accompanying proxy is solicited by our board of directors for use at the 2008 annual meeting of stockholders to be held on Monday, July 28, 2008, at 2:00 p.m. Pacific Daylight Time at our corporate headquarters located at 3965 Freedom Circle, Santa Clara, California 95054, or any adjournment or postponement of the meeting. This proxy statement contains important information for you to consider when deciding how to vote on the matters brought before the meeting. **Please read it carefully.**

We will bear the cost of soliciting proxies and we will reimburse brokerage firms and others for their reasonable expenses in forwarding solicitation material to stockholders. We may use the services of our officers, directors, and others to solicit proxies, personally or by telephone, without additional compensation. We have engaged the firm of Morrow & Co. to assist us in the solicitation of proxies. We have agreed to pay Morrow & Co. a fee of \$12,500 plus expenses for these services.

In some instances, we may deliver only one copy of this proxy statement to multiple stockholders sharing a common address. If requested in writing, we will promptly provide a separate copy of this proxy statement to a stockholder sharing an address with another stockholder. Requests in writing should be sent to our corporate secretary at our corporate headquarters. Stockholders sharing an address who currently receive multiple copies and wish to receive only a single copy should contact their broker or send a signed, written request to us at the address above.

These proxy solicitation materials will be mailed to all stockholders entitled to vote at the meeting, beginning on or about June 27, 2008

**IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR  
STOCKHOLDERS MEETING TO BE HELD ON JULY 28, 2008**

We are mailing or otherwise delivering to you the proxy statement, proxy card and annual report on Form 10-K, as amended, for the year ended December 31, 2007. These proxy materials are also available to you on the Internet. The proxy statement, proxy card and annual report on Form 10-K for the year ended December 31, 2007 are available at [investor.mcafee.com](http://investor.mcafee.com). You may access your proxy card on the Internet by following the instructions on the proxy card included at the end of the proxy statement. Please note that you will not be required to provide any personal information, other than the identification number provided on the proxy card, to execute a proxy.

**VOTING INFORMATION**

*Who may vote?* You may vote if you own shares of our stock at the close of business on June 18, 2008 (the record date). As of the record date, there were 156,769,389 shares outstanding.

*Can I revoke my proxy or change my vote?* Yes. Subject to any rules that your broker, trustee or nominee may have, if you are a stockholder whose shares are registered in your name, you may revoke your proxy or change your vote at any time before your proxy is voted at the annual meeting by:

delivering to our corporate secretary a written notice of revocation before the meeting;

executing a proxy bearing a later date; or

attending the meeting and voting in person.

If you hold your shares in street name (through a broker, bank or other nominee), you cannot revoke your proxy and will not be permitted to vote in person at the meeting unless you first obtain a legal proxy issued in your name from your broker, bank or other nominee (which is referred to as the record holder ).



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*What is the minimum number of stockholders that must attend for the meeting to be valid?* The holders of a majority of the outstanding shares of our stock as of the record date must be present in person or by proxy for the meeting to be authorized to transact business. This minimum number of required shares is referred to as a quorum.

*How many votes are required to approve an item of business?* The three directors receiving the most votes in each class will be elected. Stockholders may not cumulate their votes, which means that they cannot allocate more than one vote to a director candidate for each share they hold. All other proposals require the affirmative vote of the holders of a majority of the shares of stock present or represented and voting at the meeting.

We count abstentions for purposes of determining both (i) the presence or absence of a quorum for the transaction of business and (ii) the total number of votes cast with respect to a proposal (other than the election of directors). Accordingly, abstentions on a given proposal will have the same effect as a vote against the proposal, but it will not affect the election of directors. We count broker non-votes (shares held by a broker for which the beneficial stockholder has not given specific voting instructions) for purposes of determining the presence or absence of a quorum for the transaction of business, but not for purposes of determining the number of votes cast with respect to the particular proposal. Thus, a broker non-vote is not deemed to be a vote cast and, accordingly, will not affect the outcome of the voting on a proposal.

*What is the deadline for making stockholder proposals for next year's annual meeting of stockholders?* In order for stockholder proposals to be considered for inclusion in our proxy statement and proxy card and to be considered at the 2009 annual meeting, stockholders who wish to present proposals at that meeting must submit their proposals so that we receive them no later than February 27, 2009 (120 calendar days prior to the anniversary of the mailing date of this proxy statement.) If the date of next year's annual meeting is changed by more than 30 days before or after the anniversary date of this year's annual meeting, the deadline for inclusion of proposals in our proxy statement will instead be a reasonable time before we begin to print and mail our proxy materials. Such proposals also will need to comply with SEC regulations under Rule 14a-8 regarding the inclusion of stockholder proposals in company-sponsored proxy materials. Proposals should be addressed to:

McAfee, Inc.  
Attn: Corporate Secretary  
3965 Freedom Circle  
Santa Clara, CA 95054  
Fax: (408) 346-5348

We intend to hold our 2009 annual meeting of stockholders on a more traditional annual meeting calendar. Accordingly, we will instruct our stockholders as to the deadline for receipt of stockholder proposals for next year's annual meeting in a quarterly report on Form 10-Q scheduled to be filed with the SEC later this year.

Under our bylaws, a stockholder's notice of business to be brought before an annual meeting must set forth, as to each proposed matter: (a) a brief description of the business desired to be brought before the meeting and the reasons for conducting such business at the meeting, (b) the name and address, as they appear on our books, of the stockholder proposing such business, (c) the class and number of shares that are beneficially owned by the stockholder, (d) any material interest of the stockholder in such business, (e) the name and address of any party or parties on whose behalf the stockholder is acting, a detailed description of any agreements, arrangements or understandings between the stockholder and such party or parties with respect to us and any material interest of such party or parties in such business, and (f) any other information that is required to be provided by the stockholder pursuant to Regulation 14A under the Securities Exchange Act of 1934, as amended. To be timely, a stockholder's notice must be delivered to or mailed and received at our principal executive offices not less than 120 days prior to the day and month of the prior year's proxy statement for that annual meeting, provided, however, that in the event that no annual meeting was held in

the prior year or the date of the annual meeting is more than 30 days prior to the anniversary date of the prior year's annual meeting, then notice by the stockholder to be timely must be received no later than the first to occur of (i) the end of our prior fiscal year or (ii) the 10<sup>th</sup> day following the date on which public announcement of the date of such meeting is first made.

The rules of the Securities and Exchange Commission ( SEC ) establish a different deadline for submitting stockholder proposals that are not intended to be included in our proxy statement with respect to discretionary

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voting. The discretionary vote deadline for the 2009 annual meeting of stockholders is May 13, 2009 (45 calendar days prior to the anniversary of the mailing date of this proxy statement). If the date of next year's annual meeting of stockholders is changed by more than 30 days from this year's annual meeting, then notice must be received a reasonable time before we send our proxy materials for the 2009 annual meeting. If a stockholder gives notice of a proposal after the discretionary vote deadline, our proxy holders will be allowed to use their discretionary voting authority to vote against the stockholder proposal when and if the proposal is raised at our 2009 annual meeting of stockholders. We have not been notified by any stockholder of his or her intent to present a stockholder proposal from the floor at this year's annual meeting of stockholders.

**PROPOSALS TO BE VOTED ON**

**Proposal No. 1 Election of Directors**

The total number of authorized directors is eleven members. We currently have eleven board members. The board of directors is divided into three classes, with three members in each of Classes II and III and five members in Class I. Mr. Bucknam and Ms. Wilson will serve the remainder of their current terms as Class I directors and they have decided not to stand for re-election to the board of directors at the 2008 annual meeting. The total number of authorized directors will be decreased to nine prior to the 2008 annual meeting.

Three of our current Class I directors were elected to three-year terms in 2005, so the board of directors has nominated three Class I directors for election to a three-year term at the 2008 annual meeting. In addition, the board of directors has nominated each current Class III director for election to a *two-year* term. Under ordinary circumstances the Class III directors would have been nominated for election in 2007 for three-year terms ending at our annual meeting of stockholders in 2010. However, we did not hold an annual meeting of stockholders in 2007 due to a pending restatement of our historical financial statements.

If elected:

Messrs. Darcy, O'Leary and Pangia each would serve as a Class III director until the annual meeting in 2010, or until his earlier death, resignation or removal from the board of directors; and

Messrs. Bass, Miller and Zingale each would serve as a Class I director until the annual meeting in 2011, or until his earlier death, resignation or removal from the board of directors.

All of the nominees for election at this meeting are currently directors. Messrs. O'Leary and Pangia were previously elected by the stockholders. Messrs. Darcy and Bass were appointed by the board of directors in January 2008 to fill existing vacancies. Messrs. Miller and Zingale were appointed by the board of directors in May 2008. The nominees in each Class receiving the highest number of affirmative votes will be elected as directors.

See Directors, Executive Officers and Corporate Governance below for additional detail regarding the board of directors.

**The board of directors recommends that you vote for the election of Messrs. Darcy, O'Leary and Pangia as Class III directors, and for the election of Messrs. Bass, Miller and Zingale as Class I directors.**

**Proposal No. 2 Approval of the Executive Bonus Plan**

We believe that performance-based bonuses are an important factor in attracting, motivating and retaining key employees who are essential to our success and to increasing stockholder value. The Executive Bonus Plan helps us

achieve these goals and also enables us to take a federal income tax deduction for certain compensation paid under the Bonus Plan.

At the recommendation of the compensation committee, the board of directors has approved the Executive Bonus Plan, subject to the approval of our stockholders. The affirmative vote of the holders of a majority of the shares of stock present or represented and voting at the meeting will be required to approve this proposal.

**The board of directors recommends a vote for the approval of the Executive Bonus Plan.**

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If our stockholders do not approve the adoption of the Executive Bonus Plan, it will not be adopted. If that happens, we may not be entitled to take a deduction for incentive cash compensation paid to our chief executive officer and certain other highly compensated executive officers. If you would like more information about the Executive Bonus Plan, a summary of its terms is included in Appendix A to this proxy statement.

### **Proposal No. 3 Approval of Amendments to the 1997 Stock Incentive Plan, as Amended**

We believe that equity awards are an important factor in attracting, motivating, and retaining qualified personnel who are essential to our success. The 1997 Stock Incentive Plan, as amended (the Incentive Plan ), provides a significant incentive by allowing employees to receive or purchase shares of our common stock.

Currently, a maximum of 38.5 million shares may be granted under the Incentive Plan. As of the record date, 37.6 million shares had been granted and 0.9 million shares remained available for grant. The proposed amendments to the Incentive Plan would increase the number of shares available for grant under the Plan by five million shares, bringing the total that may be granted under the Incentive Plan to 43.5 million shares. As of the record date, no benefits or amounts relating to the additional five million shares have been received by, or allocated to, any individuals.

The amendments will also clarify that, for awards with performance-based vesting conditions, the compensation committee (or any other committee comprised solely of at least two outside directors) will establish performance-based targets and will also determine whether performance-based vesting conditions are achieved.

In addition, the amendments will clarify that awards with performance-based vesting conditions may have performance periods of any duration, as determined by the compensation committee.

Finally, the amendments to the Incentive Plan will provide that awards may be transferred pursuant to a domestic relations order or other comparable legal document as a result of the end of a marriage.

The board of directors and/or the compensation committee, as appropriate, have approved the amendments to the Incentive Plan, subject to the approval of our stockholders where appropriate. The affirmative vote of the holders of a majority of the shares of stock present or represented and voting at the meeting will be required to approve this proposal.

**The board of directors recommends a vote for the approval of the amendments to the 1997 Stock Incentive Plan, as amended.**

If stockholders do not approve the proposed amendments to the Incentive Plan, as amended, we would soon be unable to continue making grants under the Incentive Plan. This would make it extremely difficult for us to attract new talent. If you would like more information about the 1997 Stock Incentive Plan, a summary of its terms is included in [Appendix B](#) to this proxy statement.

### **Proposal No. 4 Ratification of Independent Public Accountants**

The audit committee of our board of directors has selected Deloitte & Touche LLP ( Deloitte ), an independent registered public accounting firm, to audit our financial statements for the year ending December 31, 2008. This selection is being presented to the stockholders for ratification at the meeting as a matter of good corporate practice, though the approval of the stockholders is not actually required. A representative of Deloitte is expected to attend the annual meeting in order to respond to appropriate questions from stockholders and will have the opportunity to make a statement if they so desire or to respond to appropriate questions from stockholders.

**Audit Fees**

Deloitte & Touche LLP ( Deloitte ) served as our principal independent accountant for the years ended December 31, 2007 and 2006. Audit fees billed to us by Deloitte related to 2007 and 2006 for the audit of our consolidated financial statements included in our annual report on Form 10-K and its audit of our internal control over financial reporting, review of the quarterly reports on Form 10-Q, statutory audits for foreign entities and securities filings totaled \$5,423,000 and \$9,397,000, respectively.

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**Audit-Related Fees**

Audit-related fees billed to us by Deloitte related to 2007 and 2006 for assurance services and services related to our audits and reviews of our consolidated financial statements that are not considered audit fees totaled \$4,000 in each year. These fees included amounts paid for consulting on accounting matters.

**Tax Fees**

Fees billed to us by Deloitte related to 2007 and 2006 for tax related services, including compliance, planning and tax advice, totaled \$26,000 and \$505,000, respectively.

**All Other Fees**

Fees billed to us by Deloitte related to 2007 and 2006 for online accounting research tool subscriptions totaled \$3,000 and \$2,000, respectively. No other fees were billed to us by Deloitte during 2007 or 2006.

Our audit committee charter includes a requirement that the audit committee of the board of directors pre-approve the services provided by our independent public accountants, including both audit and non-audit services. The pre-approval of non-audit services performed by our independent public accountants includes making a determination that the provision of the services is compatible with maintaining the independence of our independent accountants. All of the services performed by Deloitte described above under the captions **Audit-Related Fees**, **Tax Fees** and **All Other Fees** were pre-approved by our audit committee.

The affirmative vote of the holders of a majority of the shares of stock present or represented and voting at the meeting will be required to approve this proposal.

**The board of directors recommends a vote for ratification of the appointment of Deloitte & Touche LLP as our independent accountants.**

**Table of Contents****DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE**

The names of our current executive officers, director nominees and continuing directors and related biographical information are set forth below.

**Directors Nominees and Continuing Directors**

<b>Name</b>	<b>Age</b>	<b>Principal Occupation</b>	<b>Committee Memberships</b>	<b>Year Term Expires</b>	<b>Director Since</b>
Nominees for Class III Directors:					
Thomas E. Darcy	58	Executive vice president, chief financial officer and director, Tocagen Inc.	Audit Committee, Chairman	2007(1)	2008(1)
Denis J. O'Leary	51	Private Investor and Consultant; Director, Fiserv, Inc.	Compensation Committee	2007(1)	2003
Robert W. Pangia	56	Partner, Ivy Capital Partners, LLC; Director, Biogen Idec Inc.	Audit Committee	2007(1)	2001
Nominees for Class I Directors:					
Carl Bass	50	President, chief executive officer and director, Autodesk, Inc.	Governance and Nominations Committee	2008	2008
Jeffery A. Miller	57	President and chief executive officer, JAMM Ventures Inc.; Director, Data Domain, Inc.	Governance and Nominations Committee Compensation Committee, effective June 27, 2008	2008	2008
Anthony Zingale	52	Director, Coverity, Inc. and Jive Software, Inc.	Compensation Committee, effective June 27, 2008	2008	2008
Continuing Class II Directors:					
Leslie G. Denend	67	Director, Verifone, Inc. and USAA	Compensation Committee, Chairman	2009	1995
David G. DeWalt	43	Chief executive officer and president, McAfee, Inc.; Director, Polycom, Inc.		2009	2007
Charles J. Robel	57	Director, Autodesk, Inc., DemandTec, Inc. and Informatica Corporation	Non-Executive Chairman of the Board Governance and Nominations Committee, Chairman Audit Committee	2009	2006



- (1) We did not hold an annual meeting of stockholders in 2007. Under our bylaws, directors hold office until their term expires *and* their respective successors are elected.

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<b>Name</b>	<b>Age</b>	<b>Position</b>
David G. DeWalt	43	Chief executive officer and president
Albert A. Rocky Pimentel	52	Chief financial officer and chief operating officer
Christopher S. Bolin	40	Executive vice president and chief technology officer
Mark D. Cochran	49	Executive vice president, general counsel and corporate secretary
Michael P. DeCesare	43	Executive vice president, worldwide sales operations
Keith S. Krzeminski	46	Senior vice president, finance and chief accounting officer

**Director Biographies**

*Thomas E. Darcy* has been a director of our company since January 2008. Since August 2007, Mr. Darcy has served as executive vice president, chief financial officer and director of Tocagen Inc., a biopharmaceutical company. Mr. Darcy previously served as executive vice president for strategic projects at Science Applications International Corporation, a provider of scientific, engineering, systems integration and technical services and solutions, since November 2005, and retired in April 2007. Prior to that, Mr. Darcy served Science Applications International as corporate executive vice president beginning in 2003 and chief financial officer beginning in 2000. Prior to joining Science Applications International, Mr. Darcy was with the accounting firm currently known as PricewaterhouseCoopers LLP from 1973 to 2000, where he served as partner from 1985 to 2000.

*Denis J. O Leary* has been a director of our company since July 2003. From 1993 to 2003, Mr. O Leary was executive vice president of J.P. Morgan Chase & Co., having joined the bank in June 1978. During his career at J.P. Morgan Mr. O Leary held a number of senior positions including director of finance, chief information officer, and head of retail branch banking. Mr. O Leary currently serves on the board of directors of Fiserv, Inc.

*Robert W. Pangia* has been a director of our company since April 2001. Since 2003, Mr. Pangia has been a general partner and the managing member of Ivy Capital Partners, LLC, a private equity fund. Prior to 2003, Mr. Pangia was self-employed as a private investor. From 1987 to 1996, Mr. Pangia held a number of senior level management positions at PaineWebber Incorporated, including director of investment banking. Mr. Pangia currently serves on the board of directors of Biogen Idec Inc.

*Carl Bass* has been a director of our company since January 2008. Mr. Bass joined Autodesk, Inc, a design innovation technology company, in 1993 and currently serves as its chief executive officer, president and director. From 2004 to 2006, Mr. Bass served as chief operating officer. From 2002 to 2004, Mr. Bass served as senior executive vice president, design solutions group. From 2001 to 2002, Mr. Bass served as executive vice president, emerging business and chief strategy officer. He has also held other executive positions within Autodesk.

*Jeffrey A. Miller* has been a director of our company since May 2008. He has served as president of JAMM Ventures Inc., a consulting and venture capital firm, since 2002. From 2002 to 2007, Mr. Miller also served as a venture partner with Redpoint Ventures, a venture capital firm focused on investments in information technology. Prior to his tenure at Redpoint, Miller served as chief executive officer of Documentum, Inc., a provider of content and storage management software, from 1993 to 2001. Mr. Miller currently serves on the board of directors of Data Domain, Inc.

*Anthony Zingale* has been a director of our company since May 2008. He served as president and chief executive officer of Mercury Interactive, a provider of business technology optimization (BTO) solutions that included the quality, performance, availability and governance of enterprise software applications, from 2004 until it was acquired by Hewlett Packard at the end of 2006. Prior to that, Mr. Zingale was a private investor from 2001 to 2004. From 2000 to 2001, Mr. Zingale served as president of Nortel Network's billion-dollar eBusiness Solutions Group. Prior to that, Mr. Zingale served as president and chief executive officer of Clarify, a customer relationship

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management (CRM) provider, from 1997 until it was acquired by Nortel Networks in 2000. Mr. Zingale currently serves on the board of directors of Coverity, Inc. and Jive Software, Inc.

*Leslie G. Denend* has been a director of our company since June 1995. From December 1997 to April 1998, Mr. Denend was president of our company. From 1993 to 1997, Mr. Denend was chief executive officer and president of Network General Corporation, which merged with McAfee Associates to form McAfee, Inc. Mr. Denend serves on the board of directors of Verifone, Inc. and United Services Automobile Association (USAA).

*David G. DeWalt* has served as our chief executive officer and president, and as a director, since April 2007. Prior to joining McAfee, Mr. DeWalt served as executive vice president and president customer operations and content management software, at EMC Corporation from 2005 to 2007 and as its executive vice president, EMC Software Group from 2003 to 2005. EMC is a provider of information infrastructure technology and solutions. Mr. DeWalt joined EMC in 2003 upon its acquisition of Documentum, Inc., where he served as its chief executive officer and president from 2001 to 2003. Prior to joining Documentum, Mr. DeWalt was founding principal and vice president of Eventus Software, a web content software company, where he was responsible for marketing and sales, consulting services and support, product management and business development. Mr. DeWalt currently serves on the board of directors of Polycom, Inc.

*Charles J. Robel* has been a director of our company since June 2006 and has served as the non-executive chairman of our board of directors since October 2006. He served as a managing member and chief operating officer at Hummer Winblad Venture Partners, a venture capital fund, from 2000 to 2005. Mr. Robel began his career at PricewaterhouseCoopers LLP, from which he retired as a partner in 2000. Mr. Robel currently serves on the board of directors of Autodesk, Inc., DemandTec, Inc. and Informatica Corporation.

## **Executive Officer Biographies**

Information pertaining to Mr. DeWalt, who is both a director and an executive officer, may be found in the section above entitled Director Biographies.

*Albert A. Rocky Pimentel* has served as our chief financial officer and chief operating officer since May 2008. Prior to that, Mr. Pimentel served as executive vice president and chief financial officer of Glu Mobile, Inc., a publisher of mobile games, since 2004. Prior to joining Glu Mobile, Mr. Pimentel served as executive vice president and chief financial officer of Zone Labs, Inc., an end-point security software company, from 2003 until it was acquired in 2004 by Checkpoint Software, Inc. From 2001 to 2003, he served as a partner of Redpoint Ventures. Prior to joining Redpoint, he served as chief financial officer for WebTV Networks, Inc., a provider of set-top Internet access devices and services acquired by Microsoft Corporation, and LSI Logic Corporation, a semiconductor and storage systems developer.

*Christopher S. Bolin* has served as our executive vice president and chief technology officer since April 2004. Mr. Bolin served as our senior vice president of engineering from 2002 to 2004, vice president of engineering from 2000 to 2002, and director of engineering from 1999 to 2000.

*Mark D. Cochran* has served as our executive vice president and general counsel since September 2007, and as our corporate secretary since January 2008. Prior to joining McAfee, Mr. Cochran served as vice president and general counsel of Hyperion Solutions Corporation, a provider of business performance management software, from 2005 to 2007. Prior to joining Hyperion, Mr. Cochran was vice president, general counsel and secretary of Brocade Communications Systems, Inc., a storage networking company, from 2003 to 2004. From 1999 to 2003, he served as vice president and general counsel at AvantGo, a provider of mobile enterprise software and now subsidiary of Sybase Inc.

*Michael P. DeCesare* was appointed executive vice president, worldwide sales operations in October 2007. Prior to that, Mr. DeCesare served as senior vice president, worldwide field operations of EMC Corporation, from 2004 to 2007, and as executive vice president of worldwide field operations for Documentum (then a division of EMC), from 2002 until 2004. Prior to joining Documentum, Mr. DeCesare served as executive vice president, worldwide sales and alliances, at Asera Inc., a provider of e-business infrastructure that accelerates implementation of enterprise software applications, from 2001 to 2002.

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*Keith S. Krzeminski* has served as our chief accounting officer since March 2008. Mr. Krzeminski has also served as our senior vice president, finance since joining us in March 2007. Prior to that, Mr. Krzeminski served as senior vice president and chief financial officer of Home Interiors & Gifts, Inc., a marketer and manufacturer of home décor products, from 2005 to 2006. Before joining Home Interiors & Gifts, Mr. Krzeminski worked for Electronic Data Systems Corporation ( EDS ), a global information technology services company, where he served in several capacities during his six-year tenure. From 2004 to 2005, he served as vice president of planning and financial analysis. Mr. Krzeminski served as chief financial officer of EDS product lifecycle management software and services business, from 2003 to 2004. From 2002 to 2003, Mr. Krzeminski served as global finance director of EDS applications and information technology consulting business. Mr. Krzeminski joined EDS in 1999 as chief accounting officer, where he served until 2002.

Our executive officers serve at the discretion of the board of directors. There are no family relationships among any of our directors and executive officers.

## **Board of Directors and Board Committees**

During 2007, the board of directors held fourteen meetings. Each director, with the exceptions of Messrs. Robert Dutkowsky and Dale Fuller, who resigned from the board of directors in 2007, attended at least 75% of all board and applicable committee meetings during 2007. The board of directors has determined that each of its members, other than Mr. DeWalt, is independent as defined under the New York Stock Exchange corporate governance standards, and has no material relationship with us. Mr. Robel serves as non-executive chairman of the board of directors and has been designated as our lead independent director for presiding over executive sessions of the board of directors without management.

Our board of directors has a standing audit committee, compensation committee and governance and nominations committee. Each committee has a written charter, which is available on our investor relations website at [investor.mcafee.com](http://investor.mcafee.com) under Governance Documents, or by calling or writing the corporate secretary at our corporate headquarters. During 2006, our board of directors formed a special committee comprised of Messrs. Bucknam, Robel and Fuller to review our historical stock option grant practices and related accounting and other issues. Mr. Fuller resigned from the special committee upon his appointment in October 2006 as our interim chief executive officer and president. The special committee held seventeen meetings during 2007.

### ***Audit Committee***

The audit committee reviews, acts and reports to our board of directors on various auditing and accounting matters, including the appointment of our independent accountants, the scope of our annual audits, fees to be paid to the independent accountants, the approval of services to be performed by our independent accountants, the performance of our independent accountants and our accounting practices. The audit committee held twelve meetings during 2007. Messrs. Denend, Pangia and Robel served as members of the audit committee during 2007, with Mr. Robel serving as chairman during 2007. In January 2008, Mr. Darcy was appointed to the audit committee and in February he was appointed chairman. Mr. Robel served as the audit committee financial expert (as defined under the SEC rules implementing Section 404 of The Sarbanes-Oxley Act) during 2007, and Mr. Darcy has served as an additional audit committee financial expert since joining the committee in January 2008. Mr. Denend no longer serves as a member of the audit committee.

### ***Compensation Committee***

The compensation committee is primarily responsible for reviewing and approving all executive officer and non-employee director compensation programs and decisions, administering our various equity compensation plans,

and providing advice to the board of directors and management regarding other compensation and benefit programs. The compensation committee held twelve meetings during 2007. Messrs. O Leary and Pangia and Ms. Wilson were members of the compensation committee during 2007, with Mr. O Leary serving as chairman during 2007. In February 2008, Mr. Denend was appointed as chairman of the compensation committee. Mr. Pangia no longer serves as a member of the compensation committee. On June 27, 2008, Messrs. Miller and Zingale will join the compensation committee and Ms. Wilson will depart from the compensation committee.

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### ***Governance and Nominations Committee***

The governance and nominations committee addresses issues relating to the board and board committees, including identifying prospective director nominees, developing and recommending governance principles applicable to us, overseeing the evaluation of the board of directors and management and recommending nominees for the board committees. The committee also reviews and provides guidance relating to broader corporate governance practices and initiatives. The governance and nominations committee held four meetings during 2007. Messrs. Bucknam and Denend and Ms. Wilson were members of the committee during 2007, with Mr. Bucknam serving as chairman during 2007. In February 2008, Messrs. Robel and Bass were appointed to serve as members of the governance and nominations committee, with Mr. Robel to serve as chairman of the governance and nominations committee. In May 2008, Mr. Zingale was appointed to serve as a member of the governance and nominations committee. Messrs. Bucknam and Denend and Ms. Wilson no longer serve as members of the governance and nominations committee.

### **Identification and Evaluation of Candidates for Board Membership**

In evaluating director nominees, the governance and nominations committee evaluates each individual in the context of the board of directors as a whole, with the objective of recommending individuals who will best serve our interests and the interests of our stockholders. Nominees for director are selected based on a range of criteria, including:

- broad experience in business, trade, finance or management;
- knowledge of regional, national and international business affairs;
- reputation for working constructively with others;
- absence of conflicts of interest;
- wisdom, integrity, and moral character;
- ability to make independent analytical inquiries; and
- understanding of our business and willingness to devote adequate time to board duties.

The governance and nominations committee may also consider other factors as it may deem are in our best interests and the best interests of our stockholders.

For nominations of directors to be elected at an annual meeting of stockholders, the governance and nominations committee identifies nominees by first determining the current members of the board of directors willing to continue in service. Those willing to continue in service are evaluated based on skills and experience that are relevant to our business to determine whether they will be considered for re-nomination. The committee balances the value of continuity of service by existing members of the board of directors with the value of the fresh perspective that a new board member would bring. If the board of directors decides not to nominate a member for re-election, the governance and nominations committee identifies the desired skills and experience of a new nominee in light of the criteria above and any other factors the governance and nominations committee may deem are in our best interests and the best interests of our stockholders. Current members of the governance and nominations committee and board of directors are polled for suggestions for individuals meeting the criteria of the governance and nominations committee. The committee may engage third-party consultants to assist in identifying, evaluating and narrowing down the list of potential nominees. For nominations of directors to be appointed by the board of directors to fill a vacancy on the



board, the committee follows a similar process to determine the desired skills and experience for a nominee, and to identify and evaluate candidates.

We do not have a formal policy concerning stockholder recommendations to the governance and nominations committee. However, the committee considers any nominee recommended by a stockholder if the nomination is submitted as described below. In order to be considered timely for our 2009 annual meeting, written notice of a stockholder's nominee must be received by our corporate secretary by February 27, 2009. (Notwithstanding the

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foregoing deadlines, we intend to hold our 2009 annual meeting of stockholders on a more traditional annual meeting calendar. We will instruct our stockholders as to the deadlines for receipt of stockholder proposals for next year's annual meeting in our quarterly report on Form 10-Q scheduled to be filed with the SEC later this year. Each deadline will be a reasonable time before we begin to print and send our proxy materials related to our 2009 annual meeting.) The notice must include the name and address of the stockholder and nominee; a representation that the stockholder is a holder of record of our stock and intends to appear in person or by proxy at the annual meeting to nominate the nominee; a description of all arrangements or understandings between the stockholder and nominee and any other persons pursuant to which the nomination is made; all other information regarding the nominee as required to be included in a proxy statement filed with the SEC had the nominee been nominated by the board of directors; and the consent of the nominee to serve as a director.

A stockholder desiring to recommend a nominee to the governance and nominations committee should review all of the requirements contained in our bylaws that address the process by which a stockholder may nominate an individual to stand for election to the board of directors. Our bylaws are available on our investor relations website at [investor.mcafee.com](http://investor.mcafee.com) under Governance Documents.

We strive to be a leader in corporate governance best practices. Therefore, the governance and nominations committee will periodically consider whether to adopt a formal policy concerning stockholder recommendations of board nominees.

## **Communications with the Board of Directors**

Stockholders and other interested parties who would like to communicate directly with the board of directors should send their communications in writing to our corporate secretary at our corporate headquarters at McAfee, Inc., 3965 Freedom Circle, Santa Clara, California, 95054. Our corporate secretary will review the communication and deliver it to the director or directors named in the correspondence, provided that it relates to our business and it is not determined to be inappropriate for consideration by the board of directors. If the communication requires a response, the corporate secretary will work with the appropriate director(s) to prepare and send a response.

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

Section 16(a) of the Securities Exchange Act of 1934, as amended (the Exchange Act), requires our officers and directors, and persons who own more than ten percent of a registered class of our equity securities, to file certain reports of ownership with the SEC. Such officers, directors and stockholders are also required by SEC rules to furnish us with copies of all Section 16(a) forms they file. All reports required to be filed during 2007 pursuant to Section 16(a) of the Exchange Act by directors, executive officers and 10% beneficial owners were filed on timely basis, except with respect to the Form 3 filing reporting Mr. DeCesare's initial holdings in our securities upon his designation as a Section 16 person by the board of directors on October 2, 2007, and the Form 4 filings reporting the October 29, 2007 stock option grants to Messrs. DeCesare and Cochran. Each of these three reports was subsequently filed with the SEC.

## **Other Corporate Governance Matters**

The board of directors has adopted corporate governance guidelines, a code of business conduct and ethics, and a separate code of ethics that applies to our chief executive officer, chief financial officer, corporate controller and other senior finance organization employees (Senior Executive Code). These guidelines and codes establish minimum standards of professional responsibility and ethical conduct. They can be viewed at [investor.mcafee.com](http://investor.mcafee.com) under Governance Documents, or may be obtained without charge by writing the corporate secretary at our corporate headquarters. If we make any substantive amendments to the Senior Executive Code or grant any waiver, including

any implicit waiver, from a provision of the code to our chief executive officer, chief financial officer or corporate controller, we will disclose the amendment or waiver on that website or in a report on Form 8-K.

Our bylaws require our chairman of the board of directors to attend stockholder meetings. Although we do not have a formal policy regarding attendance by any other members of the board of directors at our annual meeting of stockholders, our other directors are encouraged to attend the meeting. Four of our board members, including our

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chairman and chief executive officer, attended the 2006 annual meeting. We did not hold an annual meeting of stockholders in 2007.

**COMPENSATION DISCUSSION AND ANALYSIS**

**A. Executive Summary**

This compensation discussion and analysis explains our 2007 executive compensation programs and compensation paid under those programs. Most of the discussion relates to our named executive officers for 2007, who were:

David G. DeWalt	Chief executive officer and president
Christopher S. Bolin	Executive vice president and chief technology officer
Michael P. DeCesare	Executive vice president, worldwide sales operations
Mark D. Cochran	Executive vice president, general counsel and corporate secretary
Roger J. King(1)	Executive vice president, worldwide channel operations
Richard J. Decker(1)	Senior vice president and chief information officer

**Former Executive Officers**

Eric F. Brown(2)	Former chief operating officer and chief financial officer
Dale L. Fuller(3)	Former interim chief executive officer and president

- (1) This individual, who currently serves in the capacity indicated, served as one of our executive officers for part of 2007 but not as of December 31, 2007.
- (2) This individual served as our chief operating officer and chief financial officer until April 4, 2008.
- (3) This individual served as our interim chief executive officer and president until April 1, 2007.

All executive compensation decisions are approved by the compensation committee of the board of directors. The compensation committee currently consists of three non-employee directors who meet the independence requirements established by SEC and the New York Stock Exchange.

Our executive compensation programs for named executive officers consist primarily of cash compensation in the form of base salary and performance-based cash bonuses, and equity awards in the form of stock options, restricted stock units and restricted stock awards. We are now granting performance stock units, which are restricted stock units that vest based on achievement of specific objectives, rather than based solely on continued employment. All named executive officers except Messrs. Decker and King are entitled to severance and/or change of control benefits.

Salaries are generally established based on market comparables among our peer companies. Performance-based cash bonuses and equity awards are linked to company and individual executive performance against key performance metrics that are established at least annually for each executive. The compensation committee also considers other factors, such as leadership effectiveness, integrity, innovation, work ethic and competitive benchmarking in determining bonus and equity awards. The size and timing of equity awards are determined based on all of these factors. Vesting is based on continued service and, for certain grants, on the achievement of performance metrics. When it makes executive compensation decisions, the compensation committee focuses on total direct compensation (the total compensation to be paid if all performance goals are fully met) as well as on specific elements of compensation.

The compensation committee relies primarily on performance-based compensation and equity to attract, reward and retain a talented and dedicated executive team and to ensure a strong connection between executive compensation and our financial performance. Base salaries are a minor portion of total compensation, and perquisites are generally minimal, so these are not significant elements in attracting or retaining executives.

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In 2008, we continue to refine the performance-based components of our executive compensation programs. We are expanding our use of performance stock units. We adopted a new Executive Bonus Plan (subject to stockholder approval at our 2008 annual meeting of stockholders) to replace our 2007 cash bonus program. Payments under the new plan are tied solely to achievement of objective performance criteria.

**B. Executive Compensation Design**

***1. Compensation Objectives and Philosophy***

Our executive compensation programs have three primary objectives:

Attract, reward and retain the most talented and dedicated executives available;

Link cash and equity incentives to individual and corporate performance; and

Align executive incentives with stockholder value creation.

The compensation committee reviews total compensation for each executive annually, and determines the appropriate amount and mix of compensation based on the following principles:

Use simple and reasonable measures of performance;

Minimize executive perquisites;

For executives in more senior positions, provide cash compensation that is primarily weighted toward variable (bonus) compensation, which is linked primarily to performance;

For executives in more senior positions, provide total compensation that is primarily weighted toward equity compensation (performance stock units, restricted stock units and options) rather than cash, to reflect senior executives' greater influence on overall corporate results and stockholder return;

Use multi-year equity vesting to ensure that senior executives hold sufficient unvested equity value to provide a meaningful retention incentive;

Use competitive benchmarking with peer companies (described in Section C3); and

Use an outside consulting firm, as appropriate, to validate market practices and trends for our industry.

***2. Elements of Compensation***

The compensation committee evaluates executive compensation with a goal of establishing compensation components that the compensation committee believes are similar to those provided to executives in comparable companies that have comparable performance. Accordingly, our executive officers' compensation has three primary components:

Base salary;

Annual or quarterly cash bonuses; and

Equity compensation in the form of performance stock units, restricted stock units and stock options.

**3. Key Performance Metrics (KPMs) and Other Performance Criteria**

Cash bonuses and equity awards for executives are linked to performance assessments against quarterly and/or annual key performance metrics ( KPMs ). KPMs generally include a combination of financial metrics, including revenue-related and profit-related objectives reflected in our internal business plan, because they are the most direct indicators of increased stockholder value.

KPMs may also include, among others, measures of customer success and employee success both of which have a less direct, but nonetheless significant, impact on stockholder value. Financial metrics are drawn from our internal business plan, but in situations where these financial performance metrics are also line items in our GAAP financial statements, the metrics may differ from the GAAP line items. These non-GAAP metrics exclude items that

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are not, in management's view, related to the ongoing operating performance, such as restructuring charges, the amortization expense associated with purchased intangible assets, and non-cash stock-based compensation expense, among others. KPMs typically also include operational goals that are specific to each executive's respective area of responsibility. See Section D2 below for specific details on 2007 KPMs.

Although performance against KPMs is the primary determinant of bonus and equity compensation, the compensation committee also considers the following secondary factors, among others, to determine final compensation:

Leadership style and effectiveness, including teamwork;

Integrity;

Innovation; and

Work ethic.

### **4. *Base Salaries***

Base salaries are intended to provide a fixed amount of cash compensation for services rendered during the year. We believe that setting competitive base salaries assists us in hiring and retaining individuals in a competitive environment. In determining individual salaries, the compensation committee considers the scope of job responsibilities, individual contribution, business performance, job market conditions, the Radford Executive Survey, third-party compensation data and current compensation levels.

### **5. *Cash Bonuses***

Our executive cash bonus program provides quarterly or annual cash payments to executive officers. The compensation committee establishes target cash bonus amounts for each executive officer, designated as a percentage of base salary, at the beginning of the year. Actual payments are primarily contingent on successful achievement of certain KPMs approved by the compensation committee, as described above. The compensation committee typically establishes KPMs for the CEO. The CEO then proposes KPMs for the remaining executives, which are reviewed and approved by the compensation committee.

During 2007, KPMs were generally set as quarterly targets, and performance against them was assessed on a quarterly basis. These quarterly check points served as preliminary indicators of potential bonus payouts. However, in most cases actual payments were determined and paid on an annual basis, shortly after completion of the year. As an exception, bonuses for Mr. Brown, our chief operating officer and chief financial officer during 2007, were determined and paid quarterly in accordance with his employment agreement. Although performance against KPMs is the primary determinant of these cash payments, in 2007 the compensation committee had discretion to consider other more subjective factors, including those listed in Section B3, to determine final payments.

For 2008, we adopted a new Executive Bonus Plan (subject to stockholder approval at the 2008 annual meeting of stockholders) to replace our 2007 cash bonus program. Payments under the new plan will be tied solely to objective performance criteria. The compensation committee will not have discretion to increase any award beyond what is payable based on performance, but it may, in its discretion, reduce an award. We expect that all payments under the new plan will be tax deductible because they will qualify as performance-based for purposes of Section 162(m) of the Internal Revenue Code. See Section E below for a more detailed discussion of tax considerations relating to executive compensation.



**6. *Equity Compensation in General***

Equity compensation is a key element of compensation at McAfee. This is particularly true for our executive officers, for whom equity compensation generally represents a majority of total direct compensation. Equity awards with multi-year vesting periods or performance measurement periods allow us to:

Strengthen the link between the creation of stockholder value and long-term executive compensation;

Provide an opportunity for increased equity ownership by executives;

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Provide long-term retention incentives to executives; and

Maintain competitive levels of total direct compensation.

The majority of our executive equity awards are made when an executive is initially hired, and then in subsequent years, during the first half of the year, as part of our annual performance and compensation review process. The size of initial and follow-on grants varies among executives based on equity award practices among our peer group, the scope of their responsibilities and their performance against KPMs.

***7. Stock Options, Restricted Stock Units and Restricted Stock Awards***

Prior to fiscal 2006, our primary form of equity awards for all employees, including executives, was non-qualified stock options. In 2005, we granted a limited number of restricted stock awards ( RSAs ) to certain members of our executive team. In 2006, we began granting restricted stock units ( RSUs ) to our executive team and certain other employees. We are now shifting to more regular use of performance stock units ( PSUs ) which are RSUs with performance-based vesting. RSUs, RSAs and PSUs have some important advantages compared to stock options, particularly for employees with relatively large equity awards, for the reasons described below. The compensation committee has determined that these types of awards are particularly useful to recruit senior level executives if a prospective candidate has existing in-the-money unvested equity awards that the executive would lose if he or she joined our company.

RSUs give an executive the right to receive a specified number of shares of our common stock, at no cost, if the executive remains with McAfee until the shares vest. RSAs are similar to RSUs, but the executive actually owns the shares as of the grant date (subject to vesting), rather than having a right to receive stock at vesting. Vesting of RSUs and RSAs granted through 2007 is contingent on the executive's continued employment with us. We are now granting PSUs, with vesting based on achievement of performance objectives. For PSUs and RSUs that do not vest because an executive's employment terminates, and PSUs that do not vest because the performance criteria are not satisfied, the unvested shares are never issued. For RSAs, if an executive's employment terminates, the executive must generally return to us all shares that are unvested on the termination date.

The vesting of equity awards held by our named executives may accelerate in certain termination situations. For details, see *Severance and Change of Control Benefits* on page 30 of this document.

The compensation value to an executive of each RSU, PSU or RSA (assuming it will vest) equals our stock price on the grant date of the award (less \$0.01 per share for RSAs), adjusted for any subsequent change in stock price that occurs prior to vesting. Thus, RSUs, PSUs and RSAs provide immediate, meaningful and measurable economic value for executives as of the grant date and an incentive to remain with McAfee through vesting. Moreover, these types of awards retain value, and encourage retention, regardless of short-term stock price fluctuations. In contrast, the entire value to executives of stock options depends on future stock price appreciation, so options have little perceived value if the stock price declines after the grant date. Because of these differences, restricted equity awards can deliver more immediate tangible value to executives at grant than stock options, with significantly fewer shares and potentially less dilution for our stockholders. We typically determine the size of RSU, PSU and RSA grants based on a ratio of one share for every two to three stock option shares that we would otherwise grant, using a Black-Scholes pricing model as a reference.

Recent RSU and RSA grants generally vest over three years, with one-third vesting at the end of each year. RSUs granted in 2006 generally vest 50% after two years and 50% after three years. These infrequent, but sizable vesting tranches create a strong incentive to continue employment with us over the vesting period. Although vesting of the

awards through 2007 was based solely on continued service, the size of the grant to each executive was linked to performance. In addition, part of the value of the RSUs will depend on the performance of the executive team and our company during the vesting period, as measured by our stock price.

**8. *Mix of Salary, Cash Bonuses and Equity; Total Direct Compensation***

The compensation committee does not use a specific formula for allocating compensation among the compensation components described above. Rather, the committee uses a market-based approach. We assign a significant majority of our executives' total compensation to the variable cash bonus program and equity

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compensation, in order to focus our executives on achievements that will create stockholder value. We consider equity compensation to be the most important performance-based compensation component, so it represents the highest proportion of total compensation for senior executives. When the compensation committee makes executive compensation decisions, it focuses on total direct compensation (the total compensation to be paid if all performance goals are fully met) as well as on specific elements of compensation.

### ***9. Severance and Change of Control Arrangements***

During 2007, each named executive officer other than Messrs. Decker and King had an agreement in place to provide severance and/or change of control benefits. The compensation committee believes these types of agreements are essential in order to attract and retain qualified executives and promote stability and continuity in our senior management team. We believe that the stability and continuity provided by these agreements are in the best interests of our stockholders. For details, see *Severance and Change of Control Benefits* on page 30 of this document.

### ***10. Perquisites and Other Benefits***

In general, we do not view perquisites as a significant component of our executive compensation structure. The compensation committee occasionally approves perquisites, primarily for retention purposes or to accommodate specific, and usually temporary, circumstances of executives who do not reside near their work locations. See the *Summary Compensation Table* for more details. Our executive officers are eligible to participate in our benefit plans on the same terms as other full-time employees. These plans include medical and dental insurance, life insurance, vision, short and long-term disability insurance, 401(k) plan, employee stock purchase plan and discounts on our products.

## **C. Executive Compensation Implementation**

### ***1. Independent Compensation Committee Determines Executive Compensation***

The compensation committee determines compensation for our named executive officers. All three members are independent of company management. Executive compensation is reviewed annually by the compensation committee in connection with executive performance evaluations. During the first quarter of each year, the compensation committee typically conducts an evaluation of the chief executive officer's performance, utilizing formal individual input from each of our independent directors. The compensation committee also reviews the performance of the other named executive officers with the chief executive officer. The compensation committee then evaluates total current compensation to determine if any changes are appropriate based on the considerations explained throughout this compensation discussion and analysis. The compensation committee reviews and gives considerable weight to the chief executive officer's compensation recommendations for the other named executive officers because of his direct knowledge of the executives' performance and contributions. No other named executive officers have any input on the compensation committee's executive compensation decisions. The compensation committee members make independent decisions based on their collective judgment.

### ***2. The Role of Consultants***

During 2007, the compensation committee selected and directly engaged the services of Compensia, an executive compensation consulting firm, and Heidrick & Struggles, an executive search firm. No member of the compensation committee or any named executive officer has any affiliation with either Compensia or Heidrick & Struggles. Each firm was retained by both the compensation committee and our company, but for purposes of executive compensation matters, it reported directly to the chairman of the compensation committee.

In connection with specific compensation decisions, the compensation committee sought input from Compensia on a range of external market factors, including appropriate comparison companies for benchmarking purposes, market survey data, and best practices for executive compensation arrangements. Although Compensia provided extensive data, it does not determine or recommend the amount or form of compensation for any executives. During the second half of 2007, Compensia also conducted an extensive review and evaluation of our

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executive compensation programs. Based in part on Compensia's review and evaluation, the committee identified certain program and process improvements to adopt for 2008.

We hired three key executives during 2007. In connection with determining the compensation packages for those key hires, the committee sought input, including extensive competitive market data, from Compensia and Heidrick & Struggles.

**3. The Role of Peer Groups, Survey Data and Benchmarking**

With the assistance of Compensia, the compensation committee selected the peer group of technology companies listed below for executive compensation benchmarking. Peer companies were selected in order to include (i) our most direct business competitors; (ii) companies with whom we compete for talent; and (iii) companies that are roughly comparable to us in terms of market capitalization and/or revenue. We seek to maintain stability in the peer group from year to year. However, we have eliminated a number of peer companies that have been acquired over the past few years as our industry consolidates. This has contributed to a reduction in the size of the peer group. We also make occasional changes to ensure that the peer group continues to meet the selection criteria described above. The table below shows data regarding each of the peer companies, as compared to us.

<b>Company</b>	<b>Fiscal 2007 Revenue (\$MM)(3)</b>	<b>Market Cap as of 12/31/2007 (\$MM)</b>	<b>1-Yr Stockholder Return</b>	<b>3-Yr Stockholder Return</b>
<b>McAfee</b>	<b>\$ 1,308.2</b>	<b>\$ 6,020.5</b>	<b>32.1%</b>	<b>9.0%</b>
Autodesk	\$ 2,171.9	\$ 11,444.8	(5.9)%	11.9%
BEA Systems	\$ 1,535.8	\$ 6,517.6	51.6%	29.9%
BMC Software	\$ 1,580.4	\$ 7,170.8	42.2%	16.3%
Business Objects(1)	\$ 1,510.0	N/A	N/A	N/A
Cadence Design Systems	\$ 1,615.0	\$ 4,672.5	(5.0)	7.2%
CIBER	\$ 1,082.0	\$ 371.2	(9.9)%	(14.1)%
Citrix Systems	\$ 1,391.9	\$ 7,121.6	40.5%	15.8%
Cognos(2)	\$ 979.3	N/A	N/A	N/A
Mentor Graphics	\$ 879.7	\$ 978.2	(55.6)%	(16.0)%
Novell	\$ 932.5	\$ 2,408.7	26.0%	1.7%
Parametric Technology	\$ 941.3	\$ 2,047.4	(0.2)%	9.7%
Sybase	\$ 1,025.5	\$ 2,275.3	5.6%	9.4%
Synopsys	\$ 1,212.5	\$ 3,795.4	25.5%	20.3%
VeriSign	\$ 1,496.3	\$ 8,381.4	56.4%	3.8%

(1) Data other than revenue not available as Business Objects was acquired by SAP in January 2008

(2) Data other than revenue not available as Cognos was acquired by IBM in January 2008

(3) Autodesk, BEA Systems and Mentor Graphics each have a January 31 fiscal year end; data relates to fiscal 2008

Compensia provides reports to the compensation committee comparing compensation of our most senior executive officers to that of the most senior executive officers at our peer group companies. Peer company data is derived from

the Radford Executive Survey (which is focused on compensation in the technology sector) and SEC filings by our peer companies. The committee does not establish specific percentile targets for executive compensation. Rather, it makes each decision based on what it believes is necessary and appropriate to attract, motivate and/or retain the executives under the particular circumstances in which the decision is made. These circumstances include but are not limited to the external competitive landscape. In light of the recent challenges we have faced stemming from our 2006 stock option investigation, the committee's executive compensation decisions have resulted in top quartile compensation for the named executives.

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**4. *Equity Grant Practices***

All 2007 equity-based awards were approved by our compensation committee. During 2007, we adopted a formal equity granting policy that includes the following refinements to our grant policies and procedures:

All new-hire, promotional and retention grants are aggregated for approval on predetermined dates (typically once per quarter following our earnings announcements);

No individual or committee other than the compensation committee or the board of directors is authorized to approve grants;

All grants are approved at a meeting of the compensation committee or the board of directors, and not by written consent;

We determine the exercise price of a stock option based on the fair market value of our common stock on the grant date (unless otherwise legally required for grants to non-US individuals); and

There are detailed procedures in place for grant approvals and documentation.

**D. 2007 Executive Compensation Decisions**

**1. *Overview***

This section describes the executive compensation decisions made by the compensation committee for 2007. The compensation decisions made during 2007 related to the hiring of three key executives: David DeWalt as chief executive officer and president; Mark Cochran as executive vice president and general counsel; and Michael DeCesare as executive vice president of worldwide sales.

For executives who were already employed at the beginning of 2007, only one received a salary increase. None received any equity grants because the 2006 RSU grants were intended to cover equity compensation for 2006 and 2007. The only other specific decisions made with respect to their compensation were establishing bonus plan objectives and determining bonus amounts to be paid.

Please see the compensation tables following this compensation discussion and analysis for more details about 2007 compensation.

**2. *Key Performance Metrics for 2007***

The compensation committee established 2007 KPMs for overall company performance as well as individual objectives for each named executive officer. The compensation committee also identified specific measurement methods for each KPM. As noted in Section B5 above, the performance period for some objectives was annual and for other objectives, the performance period was quarterly. The following table shows a selection of the KPMs that (i) were the most heavily weighted and therefore had the most significant impact on executive compensation and/or (ii) were consistent from quarter to quarter. The compensation committee did not rely on an explicit weighting formula between company-wide and individual KPMs. It used its discretion based on the specific roles and responsibilities of each executive.

Name and Title	Company-Wide KPMs	Executive-Specific KPMs
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**David G. DeWalt**, chief executive officer and president

Achieve operating plan (non-GAAP) financial targets, including:  
Bookings  
Earnings per share

Enhance the financial controls environment  
Ensure development of long-term company strategy  
Ensure development of effective recruiting, training, retention and personnel programs

**Christopher S. Bolin**, executive vice president and chief technology officer

Achieve operating plan (non-GAAP) financial targets, including:  
Bookings  
Earnings per share

Ship new products and product upgrades in a timely manner  
Develop and refine product roadmap  
Prepare the business case for each new product idea

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<b>Name and Title</b>	<b>Company-Wide KPMs</b>	<b>Executive-Specific KPMs</b>
<b>Mark D. Cochran</b> , executive vice president, general counsel and corporate secretary	Achieve operating plan (non-GAAP) financial targets, including: Bookings Earnings per share	Conduct analysis and develop strategies for litigation Close acquisitions Assess and develop legal team
<b>Michael P. DeCesare</b> , executive vice president, worldwide sales operations	Achieve operating plan (non-GAAP) financial targets, including: Bookings Earnings per share	Increase sales capacity Assess sales processes Leverage compensation model
<b>Roger J. King</b> , executive vice president, worldwide channel operations	Achieve operating plan (non-GAAP) financial targets, including: Bookings Earnings per share	Achieve sales goals designated by product, customer segment and geography
<b>Richard J. Decker</b> , senior vice president and chief information officer	Achieve operating plan (non-GAAP) financial targets, including: Bookings Earnings per share	Deploy and operate key internal technologies in a timely and effective manner Integrate operational functions of acquired companies Support CFO in remediating financial controls environment issues
<b>FORMER EXECUTIVES</b>		
<b>Eric F. Brown</b> , former chief operating officer and chief financial officer	Achieve operating plan (non-GAAP) financial targets, including: Bookings Earnings per share	Complete restatement of financial results and related SEC filings Remediate financial controls environment issues Support CEO and sales in closing strategic deals
<b>Dale L. Fuller</b> , former interim chief executive officer and president	N/A see discussion below	N/A see discussion below

Our strong financial performance in 2007 resulted in executives achieving 107.0% of the company-wide financial metrics in their KPMs. The compensation committee believed that achievement of the designated company-wide financial metrics was reasonably challenging, and in fact the designated metrics were not attained in two of the four fiscal quarters. We do not publicly disclose annual business plan bookings, revenue, operating income or earnings per share targets, as our business plan is highly confidential. Disclosing specific objectives would provide competitors and other third parties with insights into the planning process and would therefore cause competitive harm.

### **3. Compensation for David G. DeWalt**

Mr. DeWalt was hired as our new chief executive officer and president in April 2007. Board members were seeking a particularly strong leader. We had recently completed a preliminary investigation of stock option grant irregularities and shortly thereafter, our chief executive officer retired and our president was terminated. When Mr. DeWalt joined us, he replaced an interim chief executive officer, and we were in the midst of preparing a restatement of our financial

results to reflect changes in our accounting for numerous stock option grants. Further, the number of vacancies then existing in key positions within the company would cause a greater burden to fall on the chief executive officer. To attract an outstanding executive under these circumstances, the board of directors determined that it was necessary to offer total compensation of at least the 75th percentile for chief executive officers at relevant peer companies. In connection with negotiating Mr. DeWalt's compensation, the board of directors and the committee considered detailed benchmarking data as well as our overall compensation philosophy and objectives.

Based on the considerations described above, and our belief that compensation for a chief executive officer should be heavily weighted toward long-term equity awards, Mr. DeWalt's initial compensation package consisted of the components described below, as part of a formal employment letter (as subsequently amended). His cash

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compensation is in the second highest quartile compared to peer companies. The value of his long-term equity awards brought his total compensation into the top quartile.

Starting annual base salary of \$900,000.

Annual target bonus of \$1,000,000, with a \$600,000 minimum guaranteed for 2007.

Reimbursement of reasonable relocation expenses, if Mr. DeWalt relocated from California to our Texas office.

Stock options to purchase 500,000 shares of our common stock ( *New Hire Options* ), vesting 25% on the first anniversary of the grant date and the balance in equal monthly amounts over the next three years.

Restricted stock units for 125,000 shares ( *New Hire RSUs* ), vesting one-third on each anniversary of Mr. DeWalt's hire date. (These RSUs could not be granted until 2008, after we completed our financial restatement. These RSUs are reflected in the Summary Compensation Table, but they are not reflected in the Grants of Plan-Based Awards tables in the following sections of this document.)

Performance stock units for 125,000 shares, which vest in three equal installments based on our achievement of non-GAAP financial performance metrics established by the compensation committee for each of 2007, 2008 and 2009. Vesting is also contingent on Mr. DeWalt's continued employment with us. To the extent the vesting conditions are not satisfied, the performance stock units will be forfeited. (These PSUs could not be granted until 2008, after we completed our financial restatement. These PSUs are reflected in the Summary Compensation Table, but they are not reflected in the Grants of Plan-Based Awards tables in the following sections of this document.)

Severance benefits as follows: If Mr. DeWalt's employment is terminated by us without cause or if he resigns for good reason, then subject to execution of a release of claims, he will receive, less applicable tax withholdings: (i) a lump sum payment equal to his annual base salary; (ii) a lump sum payment equal to the current year's target bonus; (iii) accelerated vesting on the next unvested tranche of his New Hire RSUs; and (iv) reimbursement for continued health benefits for him and his covered dependents under our health plans for 12 months.

Change of control benefits as follows: If Mr. DeWalt's employment is terminated by us without cause or if he resigns for good reason, and such termination occurs within 12 months following a change of control, then subject to execution of a release, he will receive, less applicable tax withholdings: (i) a lump sum payment equal to his annual base salary; (ii) a lump sum payment equal to the current year's target bonus; (iii) accelerated vesting on his New Hire Options equal to the greater of (A) 12 months accelerated vesting, or (B) 50% of the then-unvested shares; and (iv) reimbursement for continued health benefits for him and his covered dependents under our health plans for 12 months.

Mr. DeWalt's 2007 bonus was determined based on 107.0% achievement of our annual company-wide financial performance metrics as well as exceptional performance against his individual KPMS and his overall leadership. Based on these factors, the committee concluded that a bonus \$1,250,000 was appropriate.

***4. Compensation for Christopher S. Bolin***

Mr. Bolin did not receive a salary increase in 2007, as the committee believed that his 2006 salary was still appropriate and competitive. He did not receive any equity awards because all executives received larger than usual

annual grants in 2006 for retention purposes. His target cash bonus was set at 60% of base salary. Based on our achievement of financial performance metrics and Mr. Bolin's accomplishments against his specific KPMs, he received a cash bonus equal to 101.7% of his target bonus. Mr. Bolin also received a one-time performance bonus of \$100,000 in the second quarter of 2007, in recognition of special product development activities and company-wide leadership at that time.

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**5. *Compensation for Mark D. Cochran***

Mr. Cochran was hired as our new general counsel in September 2007. Members of management as well as certain members of the board of directors and the compensation committee were actively involved in the search process. We were seeking a seasoned general counsel with the breadth and depth of experience required to support our business operations and to guide us through the legal challenges stemming from the outcome of our stock option grant investigation. Our former general counsel was terminated for cause in May 2006 as a result of his role in the improper option grant activities, and the general counsel position remained vacant until Mr. Cochran's arrival. In order to attract an outstanding general counsel under these circumstances, the board of directors determined that it was necessary to offer a compensation package reflecting competitive second highest quartile total compensation for chief legal officers at relevant peer companies. In connection with determining Mr. Cochran's compensation, the hiring team considered detailed benchmarking data provided by Compensia and input from Heidrick & Struggles, as well as our overall compensation philosophy and objectives.

Based on the considerations described above, and our belief that compensation for senior leaders should be weighted more heavily toward long-term equity awards compared to cash, Mr. Cochran's initial compensation package consisted of the components described below (including subsequent amendments in 2007).

Starting annual base salary of \$350,000.

Annual target bonus of \$250,000.

Stock options to purchase 75,000 shares of our common stock ( *New Hire Options* ), vesting 25% on the first anniversary of the grant date and the balance in equal monthly amounts over the next three years.

Restricted stock units for 40,000 shares, vesting one-third on each anniversary of Mr. Cochran's hire date. (These RSUs were not granted until 2008, after we completed our financial restatement, so these RSUs are not reflected in the Summary Compensation Table or Grants of Plan-Based Awards tables in the following sections of this document.)

Severance benefits as follows: If Mr. Cochran's employment is terminated by us without cause or if he resigns for good reason, then subject to execution of a release of claims, he will receive, less applicable tax withholdings: (i) a lump sum payment equal to his annual base salary and bonus; (ii) accelerated vesting of his *New Hire Options* that would have otherwise vested over the next 12 months; and (iii) reimbursement for continued health benefits for him and his covered dependents under our health plans for 12 months.

Mr. Cochran's bonus for 2007 was determined based on our achievement of financial performance metrics and Mr. Cochran's accomplishments against his specific KPMs. He received a bonus equal to 101.7% of his target bonus, on a prorated basis.

**6. *Compensation for Michael P. DeCesare***

Mr. DeCesare was hired as our executive vice president, worldwide sales operations in October 2007. Members of management as well as certain members of the board of directors and the compensation committee were actively involved in the search process. We upgraded our top sales leadership position from a senior vice president level to an executive vice president level. The market for the talent we sought was extremely competitive at the time of our search. In order to attract an outstanding candidate under these circumstances, the board of directors determined that it was necessary to offer a compensation package reflecting total compensation substantially above the median for similar positions at relevant peer companies. In connection with determining Mr. DeCesare's compensation, the hiring

team considered detailed benchmarking data provided by Compensia as well as our overall compensation philosophy and objectives.

Based on the considerations described above, our belief that compensation for senior leaders should be weighted more heavily toward long-term equity awards compared to cash, Mr. DeCesare's initial compensation package consisted of the components described below (including subsequent amendments in 2007). His cash compensation is in the second highest quartile among relevant peer companies. The value of his long-term equity awards brought his total compensation to the top quartile among relevant peer companies.

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Starting annual base salary of \$600,000.

Annual target bonus of \$600,000.

Stock options to purchase 100,000 shares of our common stock ( New Hire Options ), vesting 25% on the first anniversary of the grant date and the balance in equal monthly amounts over the next three years.

Restricted stock units for 50,000 shares, vesting one-third on each anniversary of Mr. DeCesare's hire date. (These RSUs were not granted until 2008, after we completed our financial restatement, so these RSUs are not reflected in the Summary Compensation Table or Grants of Plan-Based Awards tables in the following sections of this document.)

Performance stock units for 50,000 shares, which vest in three equal installments based on our achievement of non-GAAP financial performance metrics established by the compensation committee for each of 2008, 2009 and 2010. Vesting is also contingent on Mr. DeCesare's continued employment with us. To the extent the vesting conditions are not satisfied, the performance stock units will be forfeited. (These PSUs were not granted until 2008, after we completed our financial restatement, so these PSUs are not reflected in the Summary Compensation Table or Grants of Plan-Based Awards tables in the following sections of this document.)

Severance benefits as follows: If Mr. DeCesare's employment is terminated by us without cause or if he resigns for good reason, then subject to execution of a release of claims, he will receive, less applicable tax withholdings: (i) a lump sum payment equal to his annual base salary and bonus; (ii) accelerated vesting of his New Hire Options that would have otherwise vested over the next 12 months; and (iii) reimbursement for continued health benefits for him and his covered dependents under our health plans for 12 months.

Mr. DeCesare's bonus for 2007 was determined based on our achievement of financial performance metrics and Mr. DeCesare's accomplishments against his specific KPMs. He received a bonus equal to 107.0% of his target bonus, on a prorated basis.

***7. Compensation for Roger J. King***

Mr. King did not receive a salary increase in 2007, as the committee believed that his 2006 salary was still appropriate and competitive. He did not receive any equity awards because all executives received larger than usual annual grants in 2006 for retention purposes. His target cash bonus for 2007 was set at 100% of base salary. Based on our achievement of financial performance metrics and Mr. King's accomplishments against his specific KPMs, he received a cash bonus equal to 107.0% of his target bonus.

***8. Compensation for Richard J. Decker***

Mr. Decker's base salary was increased by 4.3% in 2007, to \$412,960 in order to maintain his salary at a comparably competitive level as other executives. He did not receive any equity awards because all executives received larger than usual annual grants in 2006 for retention purposes. His target cash bonus was set at 60% of base salary. Based on our achievement of financial performance metrics and Mr. Decker's accomplishments against his specific KPMs, he received a cash bonus equal to 101.0% of his target bonus.

***9. Compensation for Eric F. Brown***



Mr. Brown was hired in 2005 as our chief financial officer to lead the turnaround efforts in improving our internal processes and financial controls. In recognition of his key role the compensation committee approved a market top quartile new hire compensation package for Mr. Brown. His top quartile target bonus contributed to his top quartile 2007 compensation, even though, like most executives, he did not receive a salary increase or equity awards in 2007.

Mr. Brown's target cash bonus was set at 109% of base salary, in accordance with his employment agreement. Based on our achievement of financial performance metrics, and Mr. Brown's accomplishments against his specific KPMs, he received aggregate cash bonuses equal to 92.5% of his target bonus, paid in quarterly installments pursuant to the terms of his employment agreement. In addition, to reward Mr. Brown for remaining with us through

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completion of the restatement, and as a future retention incentive, the committee also approved a cash bonus of \$100,000, which brought his aggregate bonuses to 109.0% of his target bonus. Mr. Brown was required to remain with McAfee for one year after payment of the \$100,000 bonus, or he would forfeit the bonus. Mr. Brown resigned effective April 4, 2008, so he forfeited the bonus.

### ***10. Compensation for Dale L. Fuller***

Mr. Fuller served as our interim chief executive officer and president from October 2006 until April 2007, when Mr. DeWalt joined McAfee as our new chief executive officer and president. Prior to assuming this role, Mr. Fuller served as one of our independent directors. He continued to serve as one of our directors while interim president and chief executive officer, but stepped down from the special committee investigating our stock option granting practices. The compensation committee approved an annualized salary of \$1,500,000 for Mr. Fuller that was in effect during 2007 as well as 2006. In determining Mr. Fuller's salary, the compensation committee considered several factors, including (i) Mr. Fuller's prior experience as CEO of a publicly-traded technology company; (ii) the significant time and effort that would be required to restate our financials and to complete critical internal control remediation; (iii) the time-sensitive need to have leadership in place following the departures of our chairman and chief executive officer, our president and other executive turnover; and (iv) the fact that Mr. Fuller's total direct compensation would be limited to salary and bonus and would not include the equity components normally provided to a chief executive officer.

Mr. Fuller did not participate in the same cash bonus plan as our other executive officers. However, following his tenure as an executive officer, the compensation committee, at its sole discretion, awarded Mr. Fuller a \$435,000 bonus. Since Mr. Fuller served as our interim chief executive officer and president from October 2006 until April 2007, he earned a portion of the bonus in 2006 and the remainder of the bonus in 2007. In determining the amount of Mr. Fuller's bonus, the compensation committee considered a variety of factors, including (i) our solid financial performance during his tenure; (ii) progress in the ongoing stock option investigation and related restatement; (iii) progress on financial and operating controls remediation; and (iv) Mr. Fuller's overall leadership.

Mr. Fuller did not receive any equity awards or any director compensation during his tenure as interim chief executive officer and president. However, prior to his appointment as an executive officer, he received stock options and cash compensation in his capacity as an independent director, consistent with that provided to all of our independent directors. His outstanding director options continued to vest during his tenure as interim chief executive officer and president. In July 2007, Mr. Fuller resigned from our board of directors.

### **E. Tax, Accounting and Other Considerations**

This section describes certain tax and accounting considerations relating to our executive compensation programs.

*Tax Deductibility of Compensation Expense.* Section 162(m) of the Internal Revenue Code places a limit of \$1,000,000 on the amount of compensation to certain executives that we may deduct as a business expense in any tax year unless, among other things, the compensation is performance-based and it is paid under a compensation plan that has been approved by our stockholders. During 2007, our salary and cash bonus programs did not meet these requirements. However, for 2008, we adopted an executive bonus plan (subject to stockholder approval at our 2008 annual meeting of stockholders) to replace our 2007 cash bonus program. Payments under the new plan will be tied solely to objective performance criteria. The compensation committee will not have the discretion to increase any award beyond what is payable based on performance, but it may reduce an award. We expect that all compensation payments under the new plan will be exempt from Section 162(m) and will therefore be tax deductible.

The \$1,000,000 limit generally does not apply to stock options so long as they are granted under a stockholder-approved plan and the exercise price is no less than the fair market value of the shares on the grant date. The \$1,000,000 limit *does* apply to RSUs and RSAs unless either the grants or the vesting are based on performance criteria. None of our RSUs and RSAs granted through 2007 met those requirements, so the compensation expense associated with them will be subject to the \$1,000,000 annual deductibility limit as they vest.

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From time to time, the compensation committee may approve compensation that will not meet these requirements for deductibility in order to ensure competitive levels of total compensation for its executive officers.

*Tax Implications for Executives.* Section 409A of the Internal Revenue Code was enacted by Congress effective as of January 2005. Section 409A imposes additional income taxes on our executive officers who receive certain types of deferred compensation if the compensation does not meet the qualification requirements of Section 409A. We generally do not offer any of those types of deferred compensation programs to our executives.

Section 280G of the Internal Revenue Code imposes an excise tax on payments to executives of severance or change of control compensation that exceeds the levels specified in Section 280G. Our named executive officers could potentially receive amounts that exceed the Section 280G limits as severance or change in control payments, but the compensation committee does not consider this potential impact in compensation program design.

*Accounting Considerations.* The compensation committee also considers the accounting expense and cash flow implications of various forms of executive compensation. For salary or cash bonus compensation, we record or accrue compensation expense in our financial statements in an amount equal to dollar amount of the cash payment. Accounting rules require us to record an expense in our financial statements for equity awards as well, even though equity awards are not paid to employees in cash. As of January 1, 2006, all equity awards (stock options, RSAs, RSUs and PSUs) result in compensation expense. The compensation committee believes that the advantages of equity awards, as described throughout this compensation discussion and analysis, more than outweigh the non-cash accounting expense associated with them.

## **Compensation Committee Report on Compensation Discussion and Analysis**

The compensation committee of the board of directors has furnished the following report:

The compensation committee has reviewed and discussed the foregoing compensation discussion and analysis with management. Based on that review and discussion, the compensation committee has recommended to the board of directors that the compensation discussion and analysis be included in this proxy statement.

### **THE COMPENSATION COMMITTEE**

Leslie G. Denend, Chairman  
Denis J. O'Leary  
Liane Wilson

## **Compensation Committee Interlocks and Insider Participation**

No member of our compensation committee during 2007 has ever been an officer or employee of McAfee or of any of our subsidiaries or affiliates. During 2007, none of our executive officers served on the board of directors or on the compensation committee of any other entity, any officers of which served either on our board of directors or on our compensation committee.

**Table of Contents****SUMMARY COMPENSATION TABLE**

This table summarizes the compensation earned by our named executive officers during 2007.

<b>Name and Principal Position</b>	<b>Year</b>	<b>Salary(1)</b>	<b>Bonus(2)</b>	<b>Stock Awards(4)</b>	<b>Option Awards(4)</b>	<b>All Other Compensation(8)</b>	<b>Total</b>
David G. DeWalt Chief executive officer and president	2007	\$ 675,000	\$ 1,250,000	\$ 2,361,081(5)	\$ 1,135,569	\$ 139,226	\$ 5,560,877
Christopher S. Bolin Chief technology officer and executive vice president	2007	450,000	374,455	908,004	231,590	14,329(7)	1,978,378
Mark D. Cochran Executive vice president, general counsel, and corporate secretary	2006	440,363	249,750	836,885	482,660	5,368	2,015,026
Michael P. DeCesare Executive vice president, worldwide sales operations	2007	108,814	77,978		59,850	448	247,090
Gerger J. King Executive vice president, worldwide channel operations	2007	148,076	158,301		79,800	135	386,312
Richard J. Decker Senior vice president and chief information officer	2007	400,000	428,000	343,553(6)	257,811	12,510	1,441,874
<b>Former Executive Officers</b>	2006	100,000	100,000	77,182	57,919	656	335,757
Eric F. Brown Former chief operating officer and chief financial officer	2007	412,960	249,096	393,307	214,443	5,262	1,275,068
William L. Fuller Former interim chief executive officer and president	2006	397,732	218,400	322,189	408,378	7,048	1,353,747
	2007	550,000	655,278(3)	1,693,518	620,478	110,495	3,629,769
	2006	540,930	941,250	1,515,722	1,153,091	129,245	4,280,238
	2007	427,707	217,500		10,539	47,198	702,944
	2006	329,807	217,500		178,555	245,155	971,017

(1) Salary includes amounts deferred under our 401(k) plan.

(2) Amounts in this column reflect bonus payments earned in reported year, although some amounts were paid in subsequent year.

(3) Bonus amount includes \$100,000 bonus that required Mr. Brown to remain with us for one year after the payment. Mr. Brown resigned effective April 4, 2008, so he forfeited the bonus.

(4) The compensation amounts reported in the **Stock Awards** and **Option Awards** columns reflect the expense that we reported in our consolidated 2007 financial statements under SFAS 123(R), except that the amounts of expense reported in our financial statements are net of estimated forfeitures, while the amounts shown in the table

are gross of estimated forfeitures. These amounts consist of the fair value expense for all existing share-based awards during 2007. For this purpose, the fair value of an award is apportioned over the period during which the award is expected to vest. The fair value of a stock award is equal to the closing price of our stock on the grant date. The fair value of an option award is determined using the Black-Scholes option pricing model. Our assumptions for financial statement purposes are described in Note 15 to our consolidated financial statements included in our Form 10-K for the year ended December 31, 2007.

- (5) Amount includes compensation expense recorded in 2007 for restricted stock units promised in our 2007 employment agreement with Mr. DeWalt, but not granted until our Form S-8 registration statement covering shares issuable under our stock incentive plans became effective. These restricted stock units were granted on February 11, 2008.
- (6) Amount includes compensation expense recorded in 2007 for restricted stock units promised in our 2006 employment agreement with Mr. King, but not granted until our Form S-8 registration statement covering shares issuable under our stock incentive plans became effective. These restricted stock units were granted on February 11, 2008.

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(7) In February 2008, we entered into an agreement with Mr. Bolin to increase the exercise price of certain of his outstanding options, such that the amended exercise price would be equal to the closing price of our stock on the appropriate accounting measurement date. As a result, we will pay Mr. Bolin a cash bonus equal to the increase in aggregate exercise prices of \$135,533 in 2009. The amount set forth in the table above does not reflect the amount of this cash bonus.

(8) All other compensation consisted of the following:

Name	Year	Commuting Expense	Living Allowance	Non-Business Aircraft Usage	Gifts, Family Travel and Matching	Group Term Life Insurance	Company Contributions	Director Fees	Tax Gross-Ups(2)	Total
					(1)	Coverage	401(k) to			
David G. DeWalt	2007	\$ 14,484	\$ 61,102	\$	\$ 454	\$ 405	\$		\$ 62,781	\$ 139,226
Christopher J. Bolin	2007				6,577	540	3,600		3,612	\$ 14,329
	2006				568	1,026	3,600		174	\$ 5,368
Mark D. Cochran	2007				108	270			70	\$ 448
Michael P. DeCesare	2007					135				\$ 135
Roger J. King	2007				5,640	1,242	3,600		2,028	\$ 12,510
	2006					656				\$ 656
Richard J. Decker	2007				309	1,242	3,600		111	\$ 5,262
	2006				3,255	2,622			1,171	\$ 7,048
<b>Former Executive Officers</b>										
Eric F. Brown	2007	53,683			10,356	540	3,600		42,316	\$ 110,495
	2006	54,609		36,030	1,981	1,140	2,292		33,193	\$ 129,245
Dale L. Fuller	2007	3,979	14,976		7,951	428			19,864	\$ 47,198
	2006	3,181	30,214	108,090		428		83,500	19,742	\$ 245,155

(1) Represents the cost of spousal travel to McAfee events, the cost of token gifts received at McAfee events and company-matching charitable contributions.

(2) The tax gross-up payments disclosed in this column relate to taxes imposed on our reimbursements of living and commuting expenses (in the case of Messrs. DeWalt, Brown and Fuller) and taxes imposed on token gifts

received at McAfee events and the cost of spousal travel to McAfee events.

### GRANTS OF PLAN-BASED AWARDS

This table shows grants of plan-based awards made by us to our named executive officers during 2007.

Name	Grant Date	All Other Stock Awards: Number of Shares of Stock or Units	All Other Stock Awards:	Exercise or Base	Grant Date Fair Value of Stock and Option
			Number of Securities Underlying Options(1)	Price of Option Awards	Awards(2)
David G. DeWalt	04/30/2007	(3)	500,000	\$ 32.49	\$ 6,771,700
Mark D. Cochran	10/29/2007	(4)	75,000	39.90	1,387,950
Michael P. DeCesare	10/29/2007	(5)	100,000	39.90	1,850,600

(1) All options in this column were granted at an exercise price per share equal to the fair market value of the common stock on the date of grant. These options vests at the rate of one-fourth (or 25%) one year from the date of grant and the remaining shares vest at a rate of 1/36th per month for the remaining 36 months of the vesting period. Under the 1997 Stock Incentive Plan, the board of directors is allowed to modify the terms of outstanding options. The exercisability of options may be accelerated upon a change of control. Unvested options are generally cancelled upon an optionee's termination of service.

(2) The grant date fair value of stock and option awards column reflects the expense that we would recognize in our financial statement over the award's vesting schedule. The fair value of a stock award is equal to the closing price of our stock on the grant date. The fair value of an option award is determined using the Black-Scholes



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option pricing model. Our assumptions for financial statement purposes are described in Note 15 to our consolidated financial statements included in our Form 10-K for the year ended December 31, 2007.

- (3) During 2007, we agreed to grant Mr. DeWalt 125,000 restricted stock units and 125,000 performance stock units after our Form S-8 registration statement covering shares issuable under our stock incentive plans became effective. These restricted stock units and performance stock units were granted on February 11, 2008.
- (4) During 2007, we agreed to grant Mr. Cochran 40,000 restricted stock units after our Form S-8 registration statement covering shares issuable under our stock incentive plans became effective. These restricted stock units were granted on February 11, 2008.
- (5) During 2007, we agreed to grant Mr. DeCesare 50,000 restricted stock units and 50,000 performance stock units after our Form S-8 registration statement covering shares issuable under our stock incentive plans became effective. These restricted stock units and performance stock units were granted on February 11, 2008.

**OUTSTANDING EQUITY AWARDS AT FISCAL YEAR-END**

This table shows outstanding equity awards for our named executive officers as of December 31, 2007.

Name	Option Awards			Stock Awards	
	Number of Securities Underlying Unexercised Options(1)		Option	Option	Market
	Exercisable	Unexercisable	Exercise Price	Expiration Date	Value of Shares or Units of Stock That Have not Vested
David G. DeWalt		500,000	\$ 32.49	04/30/2017	(6)
Christopher S. Bolin	5,000		\$ 11.06	03/11/2009	
	10,000		\$ 11.06	10/01/2008	
	10,000		\$ 16.94	01/24/2010	
	4,500		\$ 24.56	05/09/2010	
	20,000		\$ 21.13	07/03/2010	
	70,417		\$ 4.19	02/26/2011	
	2,083		\$ 4.19(3)	02/26/2011	
	40,000		\$ 25.43	04/09/2012	
	35,000		\$ 16.90	04/08/2013	
	29,375	625	\$ 14.96(4)	03/15/2014	
	67,188	7,812	\$ 16.57(5)	07/21/2014	
	53,333	26,667	\$ 21.61	04/19/2015	
					16,666(7) \$ 624,975
					50,000(8) \$ 1,875,000
Mark D. Cochran		75,000	\$ 39.90	10/29/2017	(9)

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Michael P. DeCesare		100,000	\$ 39.90	10/29/2017	(10)	
Roger J. King	29,167	70,833	\$ 25.79	10/10/2016	(11)	
Richard J. Decker	48,333	31,667	\$ 28.81	07/26/2015		
						50,000(8) \$ 1,875,000
<b>Former Executive Officers</b>						
Eric F. Brown	218,750	81,250	\$ 28.42	07/03/2008		
						25,000(7) \$ 937,500
						125,000(8) \$ 4,687,500
Dale L. Fuller	16,668(2)		\$ 26.92	03/20/2008		

(1) All options in these columns (except Mr. Fuller's outstanding options) vest at the rate of one-fourth (or 25%) one year from the date of grant and the remaining shares vest at a rate of 1/36th per month for the remaining 36 months of the vesting period. Under the 1997 Stock Incentive Plan, the board of directors is allowed to modify the terms of outstanding options. The exercisability of options may be accelerated upon a change of

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control. Unvested options are generally cancelled upon an optionee's termination of service. See footnote (2) below for the vesting schedule for Mr. Fuller's option grant.

- (2) Reflects remaining unexercised shares from initial option grant upon joining our board of directors. Option vested in equal one-third tranches on each of the first, second and third anniversaries of the date of grant. Mr. Fuller resigned from our board of directors in July 2007.
- (3) In February 2008, we entered into an agreement with Mr. Bolin to increase the exercise price of certain of his outstanding options, such that the amended exercise price would be equal to the closing price of our stock on the appropriate accounting measurement date. Specifically, we amended the exercise price of this option grant from \$4.19 to \$6.03 and will pay Mr. Bolin a cash bonus equal to the increase in aggregate exercise price of \$3,833 in 2009.
- (4) In February 2008, we entered into an agreement with Mr. Bolin to increase the exercise price of certain of his outstanding options, such that the amended exercise price would be equal to the closing price of our stock on the appropriate accounting measurement date. Specifically, we amended the exercise price of this option grant from \$14.96 to \$18.90 and will pay Mr. Bolin a cash bonus equal to the increase in aggregate exercise price of \$118,200 in 2009.
- (5) In February 2008, we entered into an agreement with Mr. Bolin to increase the exercise price of certain of his outstanding options, such that the amended exercise price would be equal to the closing price of our stock on the appropriate accounting measurement date. Specifically, we amended the exercise price of this option grant from \$16.57 to \$16.75 and will pay Mr. Bolin a cash bonus equal to the increase in aggregate exercise price of \$13,500 in 2009.
- (6) During 2007, we agreed to grant Mr. DeWalt 125,000 restricted stock units and 125,000 performance stock units after our Form S-8 registration statement covering shares issuable under our stock incentive plans became effective. These restricted stock units and performance stock units were granted on February 11, 2008.
- (7) Vests in equal one-third tranches on each of the first, second and third anniversaries of the date of grant.
- (8) Vests in equal one-half tranches on each of the second and third anniversaries of the date of grant.
- (9) During 2007, we agreed to grant Mr. Cochran 40,000 restricted stock units after our Form S-8 registration statement covering shares issuable under our stock incentive plans became effective. These restricted stock units were granted on February 11, 2008.
- (10) During 2007, we agreed to grant Mr. DeCesare 50,000 restricted stock units and 50,000 performance stock units after our Form S-8 registration statement covering shares issuable under our stock incentive plans became effective. These restricted stock units and performance stock units were granted on February 11, 2008.
- (11) During 2006, we agreed to grant Mr. King 40,000 restricted stock units after our Form S-8 registration statement covering shares issuable under our stock incentive plans became effective. These restricted stock units were granted on February 11, 2008.

**OPTIONS EXERCISED AND STOCK VESTED**

This table shows all stock options exercised and value realized upon exercise, and all stock awards vested and value realized upon vesting for our named executive officers during 2007.

Name	Option Awards		Stock Awards	
	Number of	Value	Number of	Value
	Shares Acquired on Exercise	Realized on Exercise	Shares Acquired on Vesting	Realized on Vesting
Eric F. Brown		\$	25,000	\$ 717,000
Christopher S. Bolin			16,667	\$ 579,178

**Severance and Change of Control Benefits**

We have entered into employment agreements providing severance and/or change of control benefits with Messrs. DeWalt, Bolin, Cochran, DeCesare and Brown. These severance and change of control benefits are

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intended to attract and retain qualified executives and promote stability and continuity in our senior management team.

The employment agreement we have entered into with Mr. DeWalt provides that if he is terminated other than for cause or resigns for good reason, then subject to execution of a release of claims, he will receive, less applicable tax withholdings: (i) a lump sum payment equal to his annual base salary; (ii) a lump sum payment equal to the current year's target bonus; (iii) accelerated vesting on the next unvested tranche of the New Hire RSUs; and (iv) reimbursement for continued health benefits for him and his covered dependents under our health plans for 12 months. If such termination occurs within 12 months following a change of control involving McAfee, then subject to execution of a release, he will receive, less applicable tax withholdings: (i) a lump sum payment equal to his annual base salary; (ii) a lump sum payment equal to the current year's target bonus; (iii) accelerated vesting on his New Hire Options equal to the greater of (A) 12 months accelerated vesting, or (B) 50% of the then-unvested shares; and (iv) reimbursement for continued health benefits for him and his covered dependents under our health plans for 12 months.

The employment agreement with Mr. Bolin provides that if he is terminated other than for cause or if he resigns for good reason, he will be entitled to (i) severance payments equal to six months of his base salary, (ii) one-third of his target bonus and (iii) six months of continued health and other welfare and fringe benefits. In addition, if such termination occurs within six months of a change of control involving McAfee, all of his remaining unvested stock options and shares of restricted stock (but not including restricted stock units) will become fully vested and if applicable, any repurchase rights on his shares will lapse.

Our compensation arrangement with Mr. Cochran provides that if he is terminated by us without cause or if he resigns for good reason, then subject to execution of a release of claims, he will receive, less applicable tax withholdings: (i) a lump sum payment equal to his annual base salary and bonus; (ii) accelerated vesting of his New Hire Options that would have otherwise vested over the next 12 months; and (iii) reimbursement for continued health benefits for him and his covered dependents under our health plans for 12 months.

Our compensation arrangement with Mr. DeCesare provides that if he is terminated by us without cause or if he resigns for good reason, then subject to execution of a release of claims, he will receive, less applicable tax withholdings: (i) a lump sum payment equal to his annual base salary and bonus; (ii) accelerated vesting of his New Hire Options that would have otherwise vested over the next 12 months; and (iii) reimbursement for continued health benefits for him and his covered dependents under our health plans for 12 months.

The employment agreement with Mr. Brown provided that if he was terminated by us other than for cause or resigned for good reason, he was entitled to (i) twelve monthly severance payments equal to his monthly base salary, and payment of all of his target bonus for twelve months or four quarters depending upon whether the bonus measurement period is annual or quarterly, (ii) twelve months of continued health and other welfare and fringe benefits, and (iii) accelerate vesting (and, if applicable, the lapsing of any repurchase right) with respect to all of his shares of restricted stock (but not including restricted stock units) and all stock options held by him. In addition, if he was terminated without cause following, or within 90 days prior to, a change of control of McAfee, all of his shares of restricted stock (but not including restricted stock units) that would have vested within one year of the triggering event, and all stock options held by him would become fully vested and if applicable, any repurchase rights on such shares will lapse. These benefits no longer apply as Mr. Brown resigned from McAfee effective April 4, 2008.

For certain of our named executive officers with employment agreements, we have also agreed to reimburse them for certain taxes that may arise pursuant to the employment agreements.

The table below reflects the amount of compensation to Messrs. DeWalt, Bolin, Cochran, DeCesare and Brown in the event of termination of such executive's employment due to involuntary termination not for cause, resignation for good reason, death, disability and termination upon change of control. Regardless of the manner in which an executive's employment terminates, he is entitled to receive amounts already earned during his term of employment, such as base salary earned through the date of termination and accrued vacation pay. The amounts shown assume that each termination was effective as of December 31, 2007, and thus includes amounts earned through the end of 2007. The value of stock-related compensation assumes that the value of our common stock is \$37.50, which

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was the closing trading price on the last trading day of 2007. The value of continuing coverage under our welfare and fringe benefits plans reflects our actual cost for those benefits as of December 31, 2007. All of these amounts are estimates of the amounts that would be paid out to the executives upon their termination. The actual amounts can only be determined at the time the executives' employment actually terminates.

	<b>Involuntary Termination not for Cause</b>	<b>Resignation for Good Reason</b>	<b>Death</b>	<b>Disability</b>	<b>Termination Upon Change in Control</b>
<b>David G. DeWalt</b>					
Base salary and cash bonus	\$ 1,900,000	\$ 1,900,000	\$	\$	\$ 1,900,000
Equity	\$ 1,562,500	\$ 1,562,500	\$	\$	\$ 1,252,500
Healthcare and other insurance benefits	\$ 17,257	\$ 17,257	\$	\$	\$ 17,257
Tax gross ups	\$	\$	\$	\$	\$
<b>Christopher S. Bolin</b>					
Base salary and cash bonus	\$ 315,000	\$ 315,000	\$ 315,000	\$ 315,000	\$ 315,000
Equity	\$	\$	\$	\$	\$ 1,222,271
Healthcare and other insurance benefits	\$ 6,540	\$ 6,540	\$ 6,540	\$ 6,540	\$ 6,540
Tax gross ups	\$	\$	\$	\$	\$
<b>Mark D. Cochran</b>					
Base salary and cash bonus	\$ 600,000	\$ 600,000	\$	\$	\$ 600,000
Equity	\$	\$	\$	\$	\$
Healthcare and other insurance benefits	\$ 12,824	\$ 12,824	\$	\$	\$ 12,824
Tax gross ups	\$	\$	\$	\$	\$
<b>Michael P. DeCesare</b>					
Base salary and cash bonus	\$ 1,200,000	\$ 1,200,000	\$	\$	\$ 1,200,000
Equity	\$	\$	\$	\$	\$
Healthcare and other insurance benefits	\$ 17,257	\$ 17,257	\$	\$	\$ 17,257
Tax gross ups	\$	\$	\$	\$	\$
<b>Eric F. Brown</b>					
Base salary and cash bonus	\$ 1,149,500	\$ 1,149,500	\$ 1,149,500	\$ 1,495,000	\$ 1,495,000
Equity	\$ 1,675,000	\$ 1,675,000	\$ 1,675,000	\$ 1,675,000	\$ 1,675,000
Healthcare and other insurance benefits	\$ 13,393	\$ 13,393	\$ 13,393	\$ 13,393	\$ 13,393
Tax gross ups	\$	\$	\$	\$	\$

**DIRECTOR COMPENSATION**

Directors fees, paid only to directors who are not employees, are as follows:

\$40,000 annual retainer for each board member, payable in quarterly installments;

an additional \$10,000 annual retainer, payable in quarterly installments, to our lead independent director and each chairman of a board committee;

an additional \$100,000, payable in quarterly installments, to the chairman of the board;

\$1,500 for each board or board committee meeting attended in person;



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\$1,000 for each board or board committee meeting attended by telephone;

reimbursement of expenses of attending board and committee meetings; and

medical insurance benefits for directors and their families.

On January 30, 2007, our board of directors approved an increase in the annual cash compensation for Mr. Robel, serving in his capacity as our non-executive chairman of the board of directors, to a total of \$200,000 per year, in addition to the other cash compensation received in connection with his other board service and committee memberships. This increase was in recognition of the additional responsibilities Mr. Robel assumed in connection with our internal investigation of stock option practices and our related restatement of financial results. Mr. Robel's annual cash compensation for services as our non-executive chairman of the board of directors was reduced to \$100,000 effective January 1, 2008.

Under our 1993 Stock Option Plan for Outside Directors, each non-employee director is automatically granted an option to purchase 30,000 shares of our common stock when he or she first become a director. Each year after the initial grant each director is entitled to receive an additional option grant to purchase up to 15,000 shares of our common stock. (These grant sizes were reduced from 40,000 shares and 20,000 shares, respectively, in October 2007.) All options under this plan are granted with an exercise price equal to the closing price of our common stock on the date of grant. Each initial grant vests one-third on each of the first, second and third anniversaries of the date of grant. Each subsequent grant vests in full on the first anniversary of the date of grant. All options granted under this plan become fully exercisable in the event of certain mergers, sales of assets or sales of the majority of our voting stock.

Our employee directors are eligible to receive options and be issued shares of common stock directly under the 1997 Stock Incentive Plan and are eligible to participate in our 2002 Employee Stock Purchase Plan and, if an executive officer, to participate in the Executive Bonus Plan.

The following table shows the compensation paid or accrued during 2007 to the non-employee individuals serving on our board of directors in 2007.

Name	Fees Earned	Stock Awards	Option	All Other	Total
			Awards(1)	Compensation	
Robert B. Bucknam	\$ 99,500	\$	\$ 264,897	\$	\$ 364,397
Leslie G. Denend	\$ 75,000		\$ 265,756		\$ 340,756
Robert M. Dutkowsky(2)	\$ 5,833				\$ 5,833
Dale L. Fuller(3)	\$ 17,239		\$ 10,539		\$ 27,778
Denis J. O Leary	\$ 79,500		\$ 263,503		\$ 343,003
Robert W. Pangia	\$ 83,500		\$ 240,985		\$ 324,485
Charles J. Robel	\$ 308,500		\$ 197,013		\$ 505,513
Liane Wilson	\$ 75,000		\$ 242,231		\$ 317,231

(1) The compensation amounts reported in the Option Awards column reflect the expense that we reported in our consolidated 2007 financial statements under SFAS 123(R), except that the amounts of expense reported in our financial statements are net of estimated forfeitures, while the amounts shown in the table are gross of estimated

forfeitures. These amounts consist of the fair value expense for all existing share-based awards during 2007. For this purpose, the fair value of an award is apportioned over the period during which the award is expected to vest. The fair value of a stock award is equal to the closing price of our stock on the grant date. The fair value of an option award is determined using the Black-Scholes option pricing model. Our assumptions for financial statement purposes are described in Note 15 to our consolidated financial statements included in our Form 10-K for the year ended December 31, 2007.

- (2) Mr. Dutkowsky resigned as a member of our board of directors in January 2007.
- (3) Mr. Fuller resigned as a member of our board of directors in July 2007.

**Table of Contents****STOCK OWNERSHIP OF MANAGEMENT AND CERTAIN BENEFICIAL OWNERS**

The following table shows as of June 6, 2008, the number of shares of our common stock owned by (i) our chief executive officer, (ii) each of our other named executive officers during 2007, (iii) each of our current directors, and (iv) each stockholder known by us as of that date to be the beneficial owner of more than 5% of our outstanding common stock.

<b>Name and Address of Beneficial Owners</b>	<b>Number of Shares Owned(1)</b>	<b>Right to Acquire(2)</b>	<b>Percent of Outstanding Shares(3)</b>
David G. DeWalt	45,210	156,250	*
Carl Bass			*
Robert B. Bucknam		95,000	*
Thomas E. Darcy			*
Leslie G. Denend	6,297	60,000	*
Jeffrey A. Miller	100		*
Denis J. O'Leary		95,000	*
Robert W. Pangia		127,500	*
Charles J. Robel		26,667	*
Liane Wilson		115,000	*
Anthony Zingale			*
Albert A. Rocky Pimentel			*
Christopher S. Bolin	16,666	6,666	*
Mark D. Cochran			*
Michael P. DeCesare			*
Richard J. Decker		20,000	*
Roger J. King		43,750	*
Eric F. Brown	36,347		*
Dale L. Fuller			*
J&W Seligman & Co. LLC(4) 100 Park Avenue, New York City, New York 10017	9,837,842		6.2%
Lord, Abbett & Co. LLC(5) 90 Hudson Street, Jersey City, NJ 07302	10,155,998		6.4%
Wellington Management Company, LLP(6) 75 State Street, Boston, MA 02109	20,013,131		12.7%
All executive officers and directors as a group (18 persons)	68,273	759,896	*

\* Less than 1%.

(1) Ownership includes direct and indirect (beneficial) ownership, as defined by SEC rules. The SEC rules for determining beneficial ownership are very complex. Generally, however, shares owned directly by a stockholder, plus those controlled by the stockholder (e.g., owned by members of the stockholder's immediate families), are considered beneficially owned. Ownership excludes shares that may be acquired through stock option exercises. Unless otherwise indicated, the address of each beneficial owner is c/o. McAfee, Inc., 3965 Freedom Circle,

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Santa Clara, CA 95054. To our knowledge, each person has sole voting and investment power over the shares owned unless otherwise noted.

- (2) Consists of options that are currently exercisable or will become exercisable within 60 days of June 6, 2008.
- (3) Based upon 157,651,928 shares outstanding as of June 6, 2008.
- (4) According to the amended Schedule 13G filed on January 28, 2008 by J&W Seligman & Co. LLC ( J&W Seligman ). J&W Seligman is the beneficial holder of 9,837,842 shares of our common stock and it does not have sole dispositive power or sole voting power over any shares.

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- (5) According to the amended Schedule 13G filed on February 14, 2008 by Lord, Abbett & Co. LLC ( Lord Abbett ). Lord Abbett is the beneficial holder of 10,155,998 shares of our common stock and it has sole dispositive power over 10,155,998 shares and has sole voting power with respect to 9,801,298 shares.
- (6) According to the amended Schedule 13G filed on February 14, 2008 by Wellington Management Company, LLP ( Wellington Management ). Wellington Management is the beneficial holder of 20,013,131 shares of our common stock and it does not have sole dispositive power or sole voting power over any shares.

**Equity Compensation Plans**

The number of options, the weighted average per share exercise price of such options and the number of shares remaining available for issuance under all of our equity compensation plans as of December 31, 2007 are reflected in the following table.

<b>Plan Category</b>	<b>Number of Securities to be Issued Upon Exercise of Outstanding Options</b>	<b>Weighted-Average Exercise Price of Outstanding Options</b>	<b>Number of Securities Remaining Available for Future Issuance (Excluding Securities Reflected in First Column)</b>
Plans approved by stockholders(1)	12,378,129	\$ 24.69	5,319,531
Plans not approved by stockholders	1,789,411	\$ 17.81	394,848

- (1) All option grants pursuant to the 1993 Stock Option Plan for Outside Directors (the Directors Plan ), have ten year terms and are required to be granted at 100% of fair market value on the date of grant. Our other option plans do not have this restriction. As of December 31, 2007, 736,668 shares were outstanding under the Directors Plan at a weighted average exercise price of \$19.90, and 827,392 shares remained available for future issuance.

The following describes our equity compensation plans that have not been approved by stockholders.

**2000 Nonstatutory Stock Option Plan**

In January 2000, the board of directors approved the 2000 Nonstatutory Stock Option Plan (the 2000 Plan ). There are 11,500,000 shares of common stock reserved under the 2000 Plan for issuance on exercise of outstanding options. No shares remained available for future grants under the 2000 Plan. The 2000 Plan provided for the grant of nonqualified stock options to employees, consultants and in certain cases, officers and directors. The plan administrator determined the exercise price of options granted under the 2000 Plan and when such options could be exercised. The 2000 Plan provides that vested options may be exercised for three months after termination of employment other than due to death or disability and for one year after termination of employment as a result of death or disability. The 2000 Plan permits options to be exercised with cash, check, certain other shares of our common stock, promissory notes, cancellation of indebtedness, waiver of compensation due or consideration received by us under cashless exercise programs. In the event that we merge with or into another corporation, or sell substantially all of our assets, the 2000

Plan provides that each outstanding option will fully vest and become exercisable unless provision is made for options to be assumed or substituted for by the successor corporation.

***1999 Nonstatutory Stock Plan***

In May 1999, the board of directors approved the 1999 Nonstatutory Stock Plan (the 1999 Plan ). There are 1,000,000 shares of common stock reserved under the 1999 Plan for issuance on exercise of outstanding options. There are no shares available for future grants under the 1999 Plan. The 1999 Plan provided for the grant of nonqualified stock options to employees, officers, directors and consultants. The plan administrator determined the exercise price of options granted under the 1999 Plan and when such options could be exercised. The 1999 Plan permits options to be exercised with cash, check, certain other shares of our common stock, promissory notes, cancellation of indebtedness, waiver of compensation due or consideration received by us under cashless exercise programs. In the event that we merge with or into another corporation, or sell substantially all of our assets, the 1999 Plan provides that each outstanding option will fully vest and become exercisable unless provision is made for options to be assumed or substituted for by the successor corporation.

**Table of Contents*****1997 Non-Officer Stock Plan***

In January 1997, the board of directors approved the 1997 Non-Officer Stock Plan (the 1997 Non-Officer Plan ). There are 3,000,000 shares of common stock reserved under the 1997 Non-Officer Plan for issuance on exercise of outstanding options. There are no shares available for future grants under this plan. The 1997 Non-Officer Plan provided for the grant of nonqualified nonstatutory stock options to employees and consultants who are not officers of the company at exercise prices determined by the committee administering the plan, but in no event less than 85% of the fair market value of the common stock on the date of the grants. Each stock option agreement entered into under the 1997 Non-Officer Plan specified the exercise price, the date on which all or any installment of the option was to become exercisable and the term of the option. The 1997 Non-Officer Plan permits options to be exercised with cash or cash equivalents, certain other shares of common stock, promissory notes (provided, however, that the par value of the shares being purchased shall be paid in cash) and waiver of compensation due or consideration received by us under cashless exercise programs. In the event that we merge with or into another corporation, or sell substantially all of our assets, the 1997 Non-Officer Plan provides that the committee administering the plan may determine, at the time of granting an option or thereafter, that all or part of such option shall fully vest and become exercisable.

***Foundstone, Inc. 2000 Stock Plan***

On October 1, 2004, we completed the acquisition of Foundstone, Inc. In connection with the acquisition, we assumed the Foundstone, Inc. 2000 Stock Plan (the Foundstone Plan ). The Foundstone Plan provides for the grant of incentive stock options, nonqualified nonstatutory stock options and stock purchase rights to employees, directors and consultants at exercise prices determined by the committee administering the plan, but in no event less than 85% of the fair market value of the common stock on the date of the grant. However, due to restrictions imposed by the Internal Revenue Service we will only grant nonqualified nonstatutory stock options under the Foundstone Plan in the future and due to restrictions imposed by the New York Stock Exchange following the acquisition of Foundstone, we may not grant awards under the Foundstone Plan to individuals who were employed by McAfee, Inc. or its subsidiaries, immediately prior to the acquisition of Foundstone. Each stock option agreement entered into under the Foundstone Plan shall specify the exercise price, the date on which all or any installment of the option is to become exercisable and the term of the option. The Foundstone Plan permits options to be exercised with cash or cash equivalents, certain other shares of common stock, promissory notes or consideration received by us under cashless exercise programs. In the event that we merge with or into another corporation, or sell substantially all of our assets, the Foundstone Plan provides that the successor corporation (or a parent or subsidiary) may assume outstanding options and awards under the Plan or substitute a substantially similar option or award. If the successor corporation does not assume or substitute the outstanding options and awards, they will fully vest and become exercisable and all forfeiture restrictions will lapse. There are 747,144 shares of common stock reserved under the Foundstone Plan, of which 379,699 are available for issuance as of December 31, 2007.

***SafeBoot Option Plan 2006***

On November 19, 2007, we completed the acquisition of SafeBoot Holding B.V., a Netherlands-based data and device encryption company. In connection with the acquisition, we assumed the SafeBoot Option Plan 2006 (the SafeBoot Plan ). Stichting Administratiekantoor SafeBoot, a Netherlands foundation (the Stichting ), performs certain plan administrator functions. The SafeBoot Plan provides for the grant of nonqualified stock options to employees. However, due to restrictions imposed by the New York Stock Exchange following the acquisition of SafeBoot Holding B.V., we may not grant stock options under the SafeBoot Plan to individuals who were employed by McAfee, Inc. or its subsidiaries, immediately prior to the acquisition of SafeBoot. In the event that we merge with or into another corporation, or sell substantially all of our assets, the Stichting may elect to fully accelerate the vesting of each outstanding option, or negotiate the assumption or substitution of the options by the successor corporation. There are 500,000 shares of common stock reserved under the SafeBoot Plan, of which 14,979 are available for issuance as

of December 31, 2007.



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***Related Party Transactions***

On October 2, 2006, Robert M. Dutkowsky, then a member of our board of directors, was appointed chief executive officer and a director of Tech Data Corporation, one of our customers. Mr. Dutkowsky resigned from our board of directors on January 30, 2007 and Tech Data Corporation ceased to be a related party. We recognized revenue from sales to Tech Data Corporation of \$6.9 million during January 2007 and \$37.1 during the fourth quarter of 2006. Our outstanding accounts receivable balance related to Tech Data Corporation was \$14.9 million and our deferred revenue balance related to Tech Data Corporation was \$76.6 million at January 31, 2007.

We have entered into indemnity agreements with certain employees, officers and directors that provide, among other things, that we will indemnify such employee, officer or director, under the circumstances and to the extent provided for therein, for expenses, damages, judgments, fines and settlements he or she may be required to pay in actions or proceedings which he or she is or may be made a party by reason of his or her position as an employee, officer, director or other agent with us, and otherwise to the fullest extent permitted under Delaware law and our bylaws. In this regard, we have received, or expect to receive, requests for indemnification by certain current and former officers and directors in connection with our review of our historic stock option granting practices and the related restatement, governmental inquiries, and stockholder derivative litigation described in Item 3 of our Form 10-K for the year ended December 31, 2007. The maximum amount of potential future indemnification is unknown; however, we have directors and officers liability insurance policies that enable us to recover a portion of future indemnification claims paid, subject to retentions, conditions and limitations of the policies. As a result of this insurance coverage, we believe that the fair value of these indemnification claims is not material.

The board of directors has determined that each of its members, other than Mr. DeWalt, is independent as defined under the New York Stock Exchange corporate governance standards, and has no material relationship with us. Mr. Robel serves as chairman of the board of directors and has been designated as our lead independent director for presiding over executive sessions of the board of directors without management. Mr. Robel served as the audit committee financial expert (as defined under the SEC rules implementing Section 404 of The Sarbanes-Oxley Act) during 2007, and Mr. Darcy has served as an additional audit committee financial expert since February 2008.

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**AUDIT COMMITTEE REPORT**

The audit committee of the board of directors consists of three independent directors, Messrs. Darcy, Pangia and Robel. None of the members of our audit committee have served as our employees or officers. The audit committee is responsible for acting on behalf of the board of directors in the oversight of all aspects of our financial reporting, internal control and audit functions. The audit committee has the sole authority and responsibility to select, evaluate, compensate and replace our independent registered public accountants. Our management has the primary responsibility for the financial statements and the reporting process, including the systems of internal controls.

In fulfilling its oversight responsibilities, the audit committee reviewed and discussed the audited consolidated financial statements contained in the annual report on Form 10-K for the year ended December 31, 2007 with management. The audit committee discussed with management our major financial risk exposures and the steps management has taken to monitor and control such exposure, including our risk assessment and risk management policies. The audit committee also met with our internal auditors, with and without management present, to discuss the results of various internal audit projects, some of which included an examination and evaluation of certain elements of our internal control structure.

The audit committee discussed with Deloitte & Touche LLP, our independent registered public accountants, the overall scope and plans for their audit. The audit committee also met with Deloitte, with and without management present, to discuss the results of their examination, management's response to any significant findings, their observations of our internal controls over financial reporting, the overall quality of our financial reporting, the selection, application and disclosure of critical accounting policies, new accounting developments and accounting-related disclosure, the key accounting judgments and assumptions made in preparing the financial statements and whether the financial statements would have materially changed had different judgments and assumptions been made, and other pertinent items related to our accounting, internal controls and financial reporting.

In connection with the audited consolidated financial statements contained in our annual report on Form 10-K for the year ended December 31, 2007, the audit committee also:

- reviewed the audited consolidated financial statements with our management and Deloitte;

- discussed with Deloitte the materials required to be discussed by Statement of Auditing Standard 61, Communication with audit committees;

- reviewed the written disclosures and the letter from Deloitte required by Independent Standards Board No. 1, Independence Discussions with audit committees;

- discussed with representatives of Deloitte the accounting firm's independence from us and management; and

- considered whether the provision by Deloitte of non-audit services is compatible with maintaining Deloitte's independence.

During 2007, management completed the documentation, testing and evaluation of our system of internal control over financial reporting in response to the requirements set forth in Section 404 of the Sarbanes-Oxley Act of 2002 and related regulations. The audit committee was kept apprised of the progress of the evaluation and provided oversight and advice to management during the process. In connection with this oversight, the audit committee received periodic updates provided by management and Deloitte at each regularly-scheduled audit committee meeting. At the

conclusion of the process, the audit committee reviewed a report by management on the effectiveness of our internal control over financial reporting. The audit committee also reviewed Deloitte's Report of Independent Registered Public Accounting Firm included in our annual report on Form 10-K related to its audit of our internal control over financial reporting.

In reliance on these reviews and discussions, the audit committee recommended to the board of directors that the audited financial statements be included in the annual report on Form 10-K for the year ended December 31, 2007 for filing with the Securities and Exchange Commission.

THE AUDIT COMMITTEE

Thomas E. Darcy, Chairman  
Robert W. Pangia  
Charles J. Robel

**Table of Contents****COMPARISON OF STOCKHOLDER RETURN**

*The following Performance Graph and related information shall not be deemed soliciting material or to be filed with the Securities and Exchange Commission, nor shall such information be incorporated by reference into any future filing under the Securities Act of 1933 or Securities Exchange Act of 1934, each as amended, except to the extent that we specifically incorporate it by reference into such filing.*

The following graph shows a five-year comparison of cumulative total returns for our common stock and the CRSP Total Return Index for (i) the NYSE stock market, (ii) the S&P Information Technology stocks, (iii) the NASDAQ stock market and (iv) the NASDAQ Computer and Data Processing stocks, each of which assumes an initial value of \$100 and reinvestment of dividends. The information presented in the graph and table is as of December 31 of each year. The comparisons in the graph below are based on historical data and are not intended to forecast the possible future performance of our common stock.

	<b>Dec-02</b>	<b>Dec-03</b>	<b>Dec-04</b>	<b>Dec-05</b>	<b>Dec-06</b>	<b>Dec-07</b>
McAfee, Inc.	100.0	93.5	179.8	168.6	176.4	233.1
NYSE Market Index	100.0	129.6	146.3	158.4	185.6	195.5
S&P Information Technology	100.0	147.2	151.0	152.5	165.3	192.3
NASDAQ Market Index	100.0	150.4	163.0	166.6	183.7	201.9
NASDAQ Computer and Data Processing Stocks (US & Foreign)	100.0	128.2	144.1	154.9	174.7	210.8

Performance for 2007 reflects a December 31, 2007 closing market price on the New York Stock Exchange of \$37.50.

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**OTHER INFORMATION**

We know of no other matters to be submitted at the annual meeting. If any other matters properly come before the annual meeting, it is the intention of the persons named in the enclosed proxy card to vote the shares they represent as our board of directors may recommend.

A copy of our annual report on Form 10-K for the year ended December 31, 2007, as amended, may be obtained without charge by calling or writing the corporate secretary at our corporate headquarters.

By order of the board of directors,

Mark D. Cochran  
*Executive Vice President, General Counsel  
and Corporate Secretary*

Santa Clara, California  
June 25, 2008

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**APPENDIX A**

**SUMMARY OF THE EXECUTIVE BONUS PLAN**

**Purpose**

The purpose of the Executive Bonus Plan (the Bonus Plan ) is to provide certain employees of the company and its subsidiaries with incentive compensation based upon the level of achievement of financial, business and other performance criteria. The Bonus Plan accomplishes this by paying awards only after the achievement of the specified goals. The Bonus Plan is intended to qualify its bonus payments as performance-based compensation under Internal Revenue Code Section 162(m) ( Section 162(m) ).

**Eligibility to Participate**

The compensation committee selects the employees of the company and its subsidiaries who will be eligible to receive awards under the Bonus Plan. The actual number of employees who will be eligible to receive an award during any particular year cannot be determined in advance because the compensation committee has discretion to select the participants.

**Target Awards and Performance Goals**

Each performance period, the compensation committee assigns each participant (or participants as a group) a target award, applicable bonus formula and performance measures that must be achieved before an award actually will be paid to the participant. A participant's target award typically will be expressed as a percentage of his or her base salary earned during the applicable performance period and may not exceed 150% of base salary. The performance goals require the achievement of objectives for one or more of (a) cash flow, (b) revenue, (c) gross margin, (d) operating expenses, (e) earnings, (f) earnings per share, (g) growth in any of (a) through (f), (h) stock price, (i) return on equity or average stockholders' equity, (j) total stockholder return, (k) growth in stockholder value relative to the moving average of the S&P 500 or other index, (l) return on capital, (m) return on assets or net assets, (n) return on investment, (o) economic value added, (p) operating income, (q) operating profit, (r) net profit, (s) net income, (t) operating margin, (u) cash conversion cycle, (v) market share, (w) contract awards or backlog, (x) overhead or other expense reduction, (y) bookings, (z) performance against budget, (aa) credit rating, (bb) strategic plan development and implementation, (cc) succession plan development and implementation, (dd) improvement in workforce diversity, customer indicators and metrics, (ee) customer renewals, (ff) customer satisfaction surveys, (gg) customer response time, (hh) resolution of customer complaints, (ii) human resource metrics, (jj) employee attrition, (kk) new product invention or innovation, (ll) attainment of research and development milestones, (mm) improvements in productivity and (nn) attainment of objective operating goals. Performance goals may differ from participant to participant, from performance period to performance period and from award to award.

The compensation committee may choose to set target goals: (1) with respect to selection of performance criteria, individually, alternatively or in any combination, (2) with such criteria applied to the company as a whole or to a business unit, company affiliate, region or business segment individually, alternatively or in any combination, and (3) in absolute terms or relative to a pre-established target, a previous period's results or a designated comparison group.

The compensation committee also will determine whether any element(s) (for example, the effect of changes in tax law, accounting principals or other such laws or provisions affecting reported results, or accruals for reorganization

and restructuring programs) will be included in or excluded from the calculations. Each performance period will last for one year or such other period the compensation committee determines.

**Actual Awards**

After the performance period ends, the compensation committee certifies in writing the extent to which the pre-established performance goals actually were achieved or exceeded. The actual award or progress payment that is payable to a participant is determined using a formula that increases or decreases the participant's target award

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based on the level of actual performance attained. However, the Bonus Plan limits actual awards to a maximum of \$5 million per person for any calendar year, even if the pre-established formula otherwise indicates a larger award.

The compensation committee has discretion to reduce or eliminate the actual award of any participant. Also, unless determined otherwise by the compensation committee, a participant will forfeit the bonus if a participant terminates employment before a bonus is paid. However, the compensation committee has discretion to pay out part or all of the award in the case of retirement, death or disability or in the case of a corporate change in control. The compensation committee also has discretion to pay a prorated bonus to a participant who has a change in status that results in his or her being ineligible to participate in the Bonus Plan during a performance period.

Actual awards are paid in cash (or its equivalent) generally no later than two and one-half months after the performance period ends. The compensation committee also may pay bonuses to Bonus Plan participants outside of the Bonus Plan for the accomplishment of strategic or other individual goals or for retention or other appropriate purposes. Any bonuses that are paid outside of the Bonus Plan may not qualify as performance based compensation under Section 162(m). Bonuses paid outside of the Bonus Plan still might be fully deductible by the company for federal income tax purposes to the extent that the recipient receives no more than \$1 million in non-performance-based compensation or is not the company's Chief Executive Officer or one of the four other most highly compensated executive officers. The company structures a significant portion of the compensation paid to our Chief Executive Officer and other executive officers as performance-based compensation.

## **Administration**

The compensation committee administers the Bonus Plan. Members of the compensation committee must qualify as outside directors under Section 162(m). Subject to the terms of the Bonus Plan, the compensation committee has sole discretion to administer the Bonus Plan including:

Determine the employees who will be eligible to receive awards;

Prescribe the terms and conditions of the awards;

Adopt procedures and sub-plans to permit participation by employees who are foreign nationals or employed outside of the U.S.;

Adopt rules for administration, interpretation and application of the Bonus Plan;

Interpret, amend or revoke any such rules; and

Interpret the Bonus Plan and awards.

The compensation committee may delegate all or part of its authority and powers under the Bonus Plan to one or more directors and/or officers of the company for awards not intended to qualify as performance-based compensation within the meaning of Section 162(m).

## **Performance Based Compensation**

The Bonus Plan is designed to qualify as performance based compensation under Section 162(m). Under Section 162(m), the company may not receive a federal income tax deduction for compensation paid to the company's Chief Executive Officer or any of the four other most highly compensated executive officers to the extent that any of these persons receives more than \$1 million in any one year. However, if the company pays compensation that is



performance based under Section 162(m), the company still can receive a federal income tax deduction for the compensation even if it is more than \$1 million during a single year. The Bonus Plan allows the company to pay incentive compensation that is performance based and therefore fully tax deductible on the company's federal income tax return.

**Amendment and Termination of the Bonus Plan**

The board of directors or the compensation committee may amend, suspend or terminate the Bonus Plan in whole or in part at any time. However, no amendment, suspension or termination may cause an increase in the compensation payable pursuant to a bonus or cause compensation that is or may become payable under the Bonus

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Plan to fail to qualify as performance based under Section 162(m). Any amendment, suspension or termination of the Bonus Plan may be made if required by law. The Bonus Plan will continue until the earliest to occur of termination of the Bonus Plan by the board of directors or the compensation committee, the date any stockholder approval requirement under Section 162(m) ceases to be met or 5 years following the company's 2008 annual meeting of stockholders.

**Bonuses Paid to Certain Individuals and Groups**

Awards under the Bonus Plan are determined based on actual future performance. As a result, future actual awards cannot now be determined. The following table sets forth the target awards for the 2008 performance period for the persons and groups shown below, based on each participant's current base salary and assuming exactly 100% achievement of the performance goals. There is no guarantee that the amounts shown actually will be paid nor that any amounts will be paid for 2008. Actual awards (if any) under the Bonus Plan for 2008 will be calculated based on each participant's base salary and may be higher or lower than the target award set forth below based on the level of actual performance attained. In addition, the compensation committee has discretion to decrease (but not increase) the award otherwise indicated under the pre-established formula. For the 2008 performance period, the compensation committee selected performance goals based upon a combination of (i) (A) non-GAAP earnings per share, and (B) GAAP revenue plus the change in GAAP deferred revenue, and (ii) customer employee success. Because our executive officers are eligible to receive awards under the Bonus Plan, our executive officers have an interest in this proposal.

<b>Name of Individual or Group</b>	<b>Target Bonus (\$)</b>
David G. DeWalt	\$ 1,050,000
Christopher S. Bolin	\$ 280,000
Mark D. Cochran	\$ 250,000
Michael P. DeCesare	\$ 600,000
Albert A. Pimentel	\$ 270,833(1)
Executive Officers Participating in the Bonus Plan as a Group	\$ 2,450,833
Non-Executive Officer Employees Participating in the Bonus Plan as a Group	\$ 480,000

(1) Mr. Pimentel's annual target award of \$500,000 has been prorated to reflect his start date of May 15, 2008.

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**APPENDIX B**

**SUMMARY OF THE 1997 STOCK INCENTIVE PLAN, AS AMENDED**

The key provisions of the 1997 Stock Incentive Plan, as amended (the Incentive Plan ) are summarized below. This summary, however, is not intended to be a complete description of all terms of the Incentive Plan. A copy of the plan text will be furnished to any stockholder upon request. Such a request should be sent to our corporate secretary at our corporate headquarters.

*Administration and Eligibility.* The compensation committee administers the Incentive Plan. Employees, non-employee directors and consultants of the company are eligible to participate in the Incentive Plan, although incentive stock options may be granted only to employees. As of June 6, 2008, approximately 4,500 employees would have been eligible to participate in the Incentive Plan.

*Form of Awards.* Awards under the Incentive Plan may take the form of options to acquire common stock of the company, stock appreciation rights ( SARs ), restricted shares or stock units, or any combination of these. No payment is required upon the grant of an award, except for the payment of the par value of any Restricted Stock awarded.

Options may include nonstatutory stock options ( NSOs ) as well as incentive stock options ( ISOs ) intended to qualify for special tax treatment. The term of an ISO cannot exceed 10 years. The exercise price of an ISO must be equal to or greater than the fair market value of the common stock on the date of grant, while the exercise price of an NSO must be equal to or greater than 85% of fair market value. As of June 6, 2008, the closing price of the company's common stock on the New York Stock Exchange was \$36.70 per share.

The exercise price of an option may be paid in any legal form permitted by the compensation committee, including:

a full-recourse promissory note (except as would be prohibited by The Sarbanes-Oxley Act of 2002, as amended); or

the surrender of shares of common stock.

The compensation committee may also permit optionees to pay off their withholding tax obligation upon exercise of an NSO by surrendering a portion of their option shares to the company. The Incentive Plan also allows the optionee to pay the exercise price of an option through a cashless exercise in a broker assisted transaction.

At any point in time, the compensation committee may offer to buy out an outstanding option for cash or give an optionee the right to give up their option for cash, except with respect to underwater options.

A SAR permits the participant to elect to receive any appreciation in the value of the underlying stock from the company. This appreciation may be in shares of common stock, cash or a combination of the two, with the compensation committee having the discretion to determine the form in which such payment is made. The amount payable on exercise of an SAR is measured by the difference between the market value of the underlying stock at exercise and the exercise price. All SARs intended to be exempt from the Section 162(m) limit will be granted with an exercise price equal to or greater than 100% of the fair market value of the common stock on the date of grant. SARs may, but need not, be granted in conjunction with options. (Section 162(m) of the Internal Revenue Code limits deductions, for federal income tax purposes, of certain executive compensation exceeding \$1,000,000 for any executive officer in any year.) Upon exercise of an SAR granted in tandem with an option, the corresponding portion

of the related option must be surrendered and cannot thereafter be exercised. Conversely, upon exercise of an option to which an SAR is attached, the SAR may no longer be exercised to the extent that the corresponding option has been exercised.

Restricted shares are shares of common stock that are subject to forfeiture in the event that the applicable vesting conditions are not satisfied. Restricted shares have the same voting and dividend rights as other shares of common stock. The recipient of restricted shares may pay all projected withholding taxes relating to the award with shares of common stock rather than cash.

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A stock unit is an unfunded bookkeeping entry representing the equivalent of one share of common stock. A holder of stock units has no voting rights or other privileges as a stockholder but may be entitled to receive dividend equivalents equal to the amount of dividends paid on the same number of shares of common stock. Dividend equivalents may be converted into additional stock units or settled in the form of cash, common stock or a combination of both. Stock units, when vested, may be settled by distributing shares of common stock or by a cash payment corresponding to the fair market value of an equivalent number of shares of common stock, or a combination of both. Vested stock units are settled at the time determined by the compensation committee. If the time of settlement is deferred, interest or additional dividend equivalents may be credited on the deferred payment. The recipient of stock units may pay all withholding taxes relating to the settlement of the award with common stock rather than cash.

Options and SARs granted under the Incentive Plan may not have exercise prices lowered unless stockholder approval is obtained in advance.

*Vesting Conditions.* The compensation committee determines the vesting and other conditions. The vesting conditions may be based on:

- the length of the recipient's service;
- his or her individual performance;
- the company's performance; and
- other appropriate criteria.

Where company performance is used as a vesting or issuance condition, performance goals are based on business criteria specified by the compensation committee as provided in Appendix A of the Incentive Plan.

Vesting may be accelerated in the event of the recipient's death, disability or retirement or in the event of a transfer of control with respect to the company. Transfer of control is defined in the Incentive Plan as:

- the direct or indirect sale or exchange by the stockholders of the company of all or substantially all of the voting stock of the company;
- a merger in which the company is a party; or
- the sale, exchange or transfer of all or substantially all of the assets of the company.

A transfer of control also will occur in the event of a liquidation or dissolution of the company.

*Deferral of Awards.* The compensation committee may permit or require the recipient of an award to:

- have cash that otherwise would be paid to him or her, as a result of the exercise of an SAR or the settlement of stock units, credited to a deferred compensation account established for him or her as an entry on the company's books;
- to have shares of common stock that otherwise would be delivered to him or her as a result of the exercise of an option or SAR converted into an equal number of stock units; or

to have shares that otherwise would be delivered to him or her as a result of the exercise of an option or SAR or the settlement of stock units converted into an amount credited to a deferred compensation account established for him or her on the company's books.

The amount to be credited is measured by reference to the fair market value of common stock as of the date when shares otherwise would have been delivered to the award recipient. A deferred compensation account established under this provision may be credited with interest or other forms of investment return, as determined by the compensation committee.

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*Number of Reserved Shares and Maximum Awards.* The total number of shares of the company's common stock that may be issued under the Incentive Plan, subject to stockholder approval, is 43.5 million. Under the terms of the Incentive Plan, if:

any options, SARs, restricted shares or stock units are forfeited;

if options or SARs terminate for any other reason prior to exercise;

if options currently outstanding under the Predecessor Plan are forfeited or otherwise terminate unexercised; or

if stock units are settled,

then only the number of shares (if any) actually issued in settlement of such stock units reduces the number of shares available under the Incentive Plan and the balance again becomes available for awards under the Plan. If SARs are exercised, then only the number of shares (if any) actually issued in settlement of such SARs reduces the number available and the balance again becomes available for awards. No individual may receive options or SARs covering more than one million shares in any calendar year (subject to anti-dilution adjustments), except that the limit is 1.5 million shares for a new employee in the year in which he or she is hired. In the case of an award that is subject to performance vesting conditions, no individual may receive more than 300,000 restricted shares or stock units in any calendar year (subject to anti-dilution adjustments).

*New Plan Benefits.* Awards under the Incentive Plan are discretionary. Therefore, it is not possible to determine the benefits that will be received in the future by participants in the Incentive Plan.

The following table summarizes the option grants that were made to each of our current executive officers listed in the Summary Compensation Table, as well as the groups indicated below, under the Incentive Plan during 2007:

<b>Name of Individual or Group</b>	<b>Number of Shares Granted</b>
David G. DeWalt	500,000
Christopher S. Bolin	0
Mark D. Cochran	75,000
Michael P. DeCesare	100,000
Executive Officers as a Group	720,000
Non-Employee Directors as a Group	40,000
Non-Executive Officer Employees as a Group	2,374,862

**FEDERAL TAX CONSEQUENCES**

The federal income tax consequences of awards under the Incentive Plan are summarized as follows:

*Options*

The award of stock options will have no federal income tax consequences to the company or the optionee at the time of the option grant.

For ISOs the exercise will not result in any regular taxable income to the optionee at the time and neither will the company be entitled to any deduction, however, at the time of exercise, the excess of the fair market value over the exercise price is an adjustment for purposes of computing alternative minimum taxable income.

If the optionee holds the shares for the required statutory period, the difference between the sale price and the exercise price generally will be taxed as a capital gain or loss. If the optionee holds the shares for less than the statutory period, the optionee generally will recognize ordinary income at the time of the sale equal to the excess of the fair market value of the shares at exercise (or if less, the sales proceeds) over the exercise price and the company generally will be entitled to a deduction for the same amount. Any additional gain on the disposition generally will be taxed as a capital gain.



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For NSOs the optionee generally will recognize taxable income equal to the excess of the fair market value at the time of exercise over the exercise price. This taxable income will be subject to withholding tax. Also the company can take a deduction equal to the ordinary income recognized by the optionee. Upon any subsequent disposition of the shares, the difference between the sale price and the exercise price generally will be taxed as capital gain or loss.

***Restricted Shares***

For restricted shares, unless the purchaser elects to be taxed at the time of issuance, these shares generally will be taxed in the same way as NSOs. However, due to the company's right to repurchase the shares when the purchaser stops providing services to the company, the holder does not recognize ordinary income at the time of the sale, but at the time at which the company's right to repurchase the shares stops. Ordinary income is measured as the difference between the purchase price and the fair market value of the shares on the date that the company's right to repurchase the shares stops.

***Stock Appreciation Rights***

For SARs, no income is recognized at the time of the grant. When the right is exercised, the recipient will recognize taxable income equal to the amount of the cash received and the fair market value of any common stock received. For a recipient who is also an employee, the income recognized will be subject to withholding and the company will be able to take a deduction equal to the same amount of that income. For common stock received upon exercise of an SAR, the subsequent sale will be treated in the same way as the gain or loss on an NSO.

***Stock Units***

The grant of a stock unit award results in no federal income tax consequences for the participant or the company. The payment of a stock unit award results in taxable income to the participant equal to the amount of the payment received. The value is based on the fair market value of the common stock on the date of the payment. The company will be able to take a deduction equal to the same amount.

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**MCAFEE, INC.  
3965 FREEDOM  
CIRCLE  
SANTA CLARA, CA  
95054**

(LINE)

**VOTE BY INTERNET - [www.proxyvote.com](http://www.proxyvote.com)**

Use the Internet to transmit your voting instructions and for electronic delivery of information up until 11:59 P.M. Eastern Time the day before the cut-off date or meeting date. Have your proxy card in hand when you access the web site and follow the instructions to obtain your records and to create an electronic voting instruction form.

(NUMERICAL) **ELECTRONIC DELIVERY OF FUTURE STOCKHOLDER COMMUNICATIONS**

If you would like to reduce the costs incurred by McAfee, Inc. in mailing proxy materials, you can consent to receiving all future proxy statements, proxy cards and annual reports electronically via e-mail or the Internet. To sign up for electronic delivery, please follow the instructions above to vote using the Internet and, when prompted, indicate that you agree to receive or access stockholder communications electronically in future years.

**AUTO DATA  
PROCESSING  
INVESTOR COMM  
SERVICES  
ATTENTION:  
TEST PRINT  
51 MERCEDES WAY  
EDGEWOOD, NY  
11717**

**VOTE BY PHONE -1-800-690-6903**

Use any touch-tone telephone to transmit your voting instructions up until 11:59 P.M. Eastern Time the day before the cut-off date or meeting date. Have your proxy card in hand when you call and then follow the instructions.

**VOTE BY MAIL**

Mark, sign and date your proxy card and return it in the postage-paid envelope we have provided or return it to McAfee, Inc., c/o ADP, 51 Mercedes Way, Edgewood, NY 11717.

(SCALE)

NAME	(NUMBER)	(LINE)
MCAFEE INC		123,456,789,012.12345
MCAFEE INC		123,456,789,012.12345
MCAFEE INC		123,456,789,012.12345
MCAFEE INC		123,456,789,012.12345
MCAFEE INC		123,456,789,012.12345
MCAFEE INC		123,456,789,012.12345
MCAFEE INC		123,456,789,012.12345
MCAFEE INC		123,456,789,012.12345

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TO VOTE, MARK BLOCKS BELOW IN BLUE OR BLACK INK AS FOLLOWS:

MCAFE1

KEEP THIS PORTION FOR YOUR RECORDS

DETACH AND RETURN THIS PORTION ONLY

**THIS PROXY CARD IS VALID ONLY WHEN SIGNED AND DATED.**

**MCAFEE, INC. - This proxy is solicited on behalf of the company's board of directors.**

**The board of directors recommends that you vote 02 000000000 215010727603 for the election of Messrs. Darcy, O Leary and Pangia as Class III directors, and for the election of Messrs. Bass, Miller and Zingale as Class I directors.**

**Proposal No. 1** Election of Directors;

To elect three Class III directors for two-year terms:		<b>For</b>	<b>Withhold</b>	<b>For</b>	To withhold authority to vote for any individual nominee, mark For All Except and write the Nominee's name on the line below.
<b>Nominees:</b>	(01) Mr. Thomas E. Darcy	<b>All</b>	<b>All</b>	<b>Except</b>	
	(02) Mr. Denis J. O Leary	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	
	(03) Mr. Robert W. Pangia				

To elect three Class I directors for three-year terms:		<b>For</b>	<b>Withhold</b>	<b>For</b>	To withhold authority to vote for any individual nominee, mark For All Except and write the Nominee's name on the line below.
<b>Nominees:</b>	(01) Mr. Carl Bass	<b>All</b>	<b>All</b>	<b>Except</b>	
	(02) Mr. Jeffrey A. Miller	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	
	(03) Mr. Anthony Zingale				

**The board of directors recommends a vote for the approval of the Executive Bonus Plan. For Against Abstain**

**Proposal No. 2** Approval of the Executive Bonus Plan;

**The board of directors recommends a vote for the approval of the amendments to the 1997 Stock Incentive Plan, as amended. For Against Abstain**

**Proposal No. 3** Approval of the amendments to the 1997 Stock Incentive Plan, as amended;

**The board of directors recommends a vote for the ratification of the appointment of Deloitte & Touche LLP as our independent accountants. For Against Abstain**

**Proposal No. 4** To ratify the appointment of Deloitte & Touche LLP as our independent public accountants for the year ending December 31, 2008; and

**Proposal No. 5** To transact any other business as may properly come before the meeting.

**AUTO DATA  
PROCESSING  
INVESTOR COMM  
SERVICES  
ATTENTION  
TEST PRINT  
51 MERCEDES WAY  
EDGEWOOD, NY  
11717**

Yes No  
Please indicate if you plan to attend this meeting       

**123,456,789,012  
579064106**

Signature [PLEASE SIGN WITHIN BOX]    Date

**P24338**

Signature (Joint Owners)

Date

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**2008 NOTICE OF ANNUAL MEETING OF STOCKHOLDERS  
AND PROXY STATEMENT**

**July 28, 2008**

**2:00 p.m. Pacific Daylight Time**

**McAfee, Inc.**

**3965 Freedom Circle**

**Santa Clara, California 95054**

**McAfee, Inc.**

**3965 Freedom Circle**

**Santa Clara, California 95054**

**PROXY FOR ANNUAL MEETING OF STOCKHOLDERS July 28, 2008**

The undersigned stockholder of McAfee, Inc. (the Company) hereby appoints, David G. DeWalt and Mark D. Cochran, or either of them, as attorneys and proxies, with full power of substitution to each, to vote all shares of Common Stock of the Company which the undersigned is entitled to vote at the annual meeting of stockholders of the Company to be held on Monday, July 28, 2008, at 2:00 p.m. Pacific Daylight Time at the Company's corporate headquarters located at 3965 Freedom Circle, Santa Clara, California 95054, and at any adjournment(s) or postponement(s) of the meeting, with all of the powers such undersigned stockholder would have if personally present, for the purposes listed on the reverse side.