

ALTIRIS INC
Form DEF 14A
April 18, 2005
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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. __)

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

- | | |
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| <input type="checkbox"/> Preliminary Proxy Statement | <input type="checkbox"/> Confidential, for Use of the Commission Only |
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| <input type="checkbox"/> Definitive Additional Materials | |
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ALTIRIS, INC.

(Name of Registrant as Specified In Its Charter)

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(3) Filing Party:

(4) Date Filed:

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NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

TO BE HELD ON MAY 10, 2005

To our Stockholders:

You are cordially invited to attend the 2005 Annual Meeting of Stockholders of Altiris, Inc. (the *Company*). The meeting will be held at our corporate headquarters located at 588 West 400 South, Lindon, Utah 84042 on Tuesday, May 10, 2005, for the following purposes:

1. To elect two Class III directors to serve for a three-year term that expires at the 2008 Annual Meeting of Stockholders and until their successors have been duly elected and qualified;
2. To ratify the appointment of KPMG LLP as our independent registered public accountants for the fiscal year ending December 31, 2005; and
3. To transact such other business as may properly come before the Annual Meeting, including any motion to adjourn to a later date to permit further solicitation of proxies, if necessary, or before any adjournment thereof.

The foregoing items of business are more fully described in the proxy statement accompanying this Notice.

The meeting will begin promptly at 2:00 p.m., local time, and check-in will begin at 1:30 p.m., local time. Only holders of record of shares of Altiris common stock (NASDAQ:ATRS) at the close of business on Thursday, March 31, 2005 are entitled to notice of and to vote at the meeting and any postponements or adjournments of the meeting.

For a period of at least 10 days prior to the meeting, a complete list of stockholders entitled to vote at the meeting will be available and open to the examination of any stockholder for any purpose germane to the meeting during normal business hours at our corporate headquarters located at 588 West 400 South, Lindon, Utah.

By order of the Board of Directors,
Gregory S. Butterfield

Chief Executive Officer and Chairman

Lindon, Utah

April 18, 2005

YOUR VOTE IS IMPORTANT!

PLEASE SUBMIT YOUR PROXY AS PROMPTLY AS POSSIBLE BY FOLLOWING THE INSTRUCTIONS ON THE ENCLOSED PROXY CARD.

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ALTIRIS, INC.

PROXY STATEMENT

GENERAL INFORMATION

The Board of Directors of Altiris, Inc., a Delaware corporation, is soliciting the enclosed proxy from you. The proxy will be used at our 2005 Annual Meeting of Stockholders to be held on Tuesday, May 10, 2005, beginning at 2:00 p.m., at our executive offices located at 588 West 400 South, Lindon, Utah, and at any postponements or adjournments thereof. This proxy statement contains important information regarding the meeting. Specifically, it identifies the matters upon which you are being asked to vote, provides information that you may find useful in determining how to vote and describes the voting procedures.

We use several abbreviations in this proxy statement. We may refer to our company as *Altiris* or the *Company*. The term *proxy materials* includes this proxy statement, as well as the enclosed proxy card and our Annual Report on Form 10-K for the year ended December 31, 2004, filed with the U.S. Securities and Exchange Commission on March 16, 2005. The term *meeting* means our 2005 Annual Meeting of Stockholders.

We are sending these proxy materials on or about April 18, 2005, to all stockholders of record at the close of business on March 31, 2005 (the *Record Date*).

QUESTIONS AND ANSWERS CONCERNING THIS SOLICITATION

AND VOTING AT THE ANNUAL MEETING

- When and where is the meeting?** The meeting will be held on Tuesday, May 10, 2005, beginning at 2:00 p.m., at our executive offices located at 588 West 400 South, Lindon, Utah.
- Why I am receiving these proxy materials?** You are receiving these proxy materials from us because you were a stockholder of record at the close of business on the Record Date, March 31, 2005. As a stockholder of record, you are invited to attend the meeting and are entitled to and requested to vote on the items of business described in this proxy statement.
- What is the purpose of the annual meeting?** At our meeting, stockholders of record will act upon the items of business outlined in the notice of meeting (on the cover page of this proxy statement), each of which are described more fully in this proxy statement. In addition, management will report on the performance of the

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Company and respond to questions from stockholders.

Who is entitled to attend the meeting?

Only stockholders of record as of the close of business on Thursday, March 31, 2005 are entitled to receive notice of and to participate in the meeting. You should be prepared to present photo identification for admittance.

Please also note that if you are not a stockholder of record but hold shares in *street name* (that is, through a broker or nominee), you will need to provide proof of beneficial ownership as of the Record Date,

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such as your most recent brokerage account statement prior to Thursday, March 31, 2005, a copy of the voting instruction card provided by your broker, trustee or nominee, or other similar evidence of ownership. If you do not provide photo identification or comply with the other procedures outlined above upon request, you will not be admitted to the annual meeting.

The meeting will begin promptly at 2:00 p.m., local time. Check-in will begin at 1:30 p.m., local time.

Who is entitled to vote at the meeting? Only stockholders who owned Altiris common stock (NASDAQ: ATRS) at the close of business on the Record Date are entitled to notice of and to vote at the meeting, and at any postponements or adjournments thereof.

As of the Record Date, 27,391,134 shares of Altiris common stock were outstanding. Each outstanding share of Altiris common stock entitles the holder to one vote on each matter considered at the meeting. Accordingly, there are a maximum of 27,391,134 votes that may be cast at the meeting.

How many shares must be present or represented to conduct business at the meeting (that is, what constitutes a quorum)? The presence at the meeting, in person or by proxy, of the holders of a majority of the shares of Altiris common stock entitled to vote at the meeting will constitute a quorum. A quorum is required to conduct business at the meeting. The presence of the holders of Altiris common stock representing at least 13,695,568 votes will be required to establish a quorum at the meeting. Both abstentions and broker non-votes are counted for the purpose of determining the presence of a quorum.

What items of business will be voted on at the meeting? The items of business scheduled to be voted on at the meeting are as follows:

1. To elect two nominees to serve as Class III directors on our Board of Directors; and
2. To ratify the appointment of KPMG LLP as our independent registered public accountants for the fiscal year ending December 31, 2005.

These proposals are described more fully below in these proxy materials. As of the date of this proxy statement, the only business that our Board of Directors intends to present or knows of that others will present at the meeting is as set forth in this proxy statement. If any other matter or matters are properly brought before the meeting, it is the intention of the persons who hold proxies to vote the shares they represent in accordance with their best judgment.

How does the Board of Directors recommend that I vote? Our Board of Directors recommends that you vote your shares **FOR** each of the director nominees and **FOR** the ratification of KPMG LLP as our independent registered public accountants for the 2005 fiscal year.

What shares can I vote at the meeting? You may vote all shares owned by you as of the Record Date, including (1) shares held directly in your name as the *stockholder of record*, and (2) shares held for you as the *beneficial owner* through a broker, trustee or other nominee such as a bank.

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What is the difference between holding shares as a stockholder of record and as a beneficial owner? Most Altiris stockholders hold their shares through a broker or other nominee rather than directly in their own name. As summarized below, there are some distinctions between shares held of record and those owned beneficially.

Stockholders of Record. If your shares are registered directly in your name with our transfer agent, EquiServe Trust Company, N.A., you are considered, with respect to those shares, the *stockholder of record*, and these proxy materials are being sent directly to you by us. As the *stockholder of record*, you have the right to grant your voting proxy directly to Altiris or to vote in person at the meeting. We have enclosed or sent a proxy card for you to use.

Beneficial Owner. If your shares are held in a brokerage account or by another nominee, you are considered the *beneficial owner* of shares held *in street name*, and these proxy materials are being forwarded to you by your broker, trustee or nominee, together with a voting instruction card. As the beneficial owner, you have the right to direct your broker, trustee or nominee how to vote and are also invited to attend the annual meeting. Please note that since a beneficial owner is not the *stockholder of record*, you may not vote these shares in person at the meeting unless you obtain a legal proxy from the broker, trustee or nominee that holds your shares, giving you the right to vote the shares at the meeting. Your broker, trustee or nominee has enclosed or provided voting instructions for you to use in directing the broker, trustee or nominee how to vote your shares.

How can I vote my shares without attending the meeting? Whether you hold shares directly as the stockholder of record or beneficially in street name, you may direct how your shares are voted without attending the meeting. If you are a stockholder of record, you may vote by submitting a proxy. If you hold shares beneficially in street name, you may vote by submitting voting instructions to your broker, trustee or nominee. For directions on how to vote, please refer to the instructions below and those included on your proxy card or, for shares held beneficially in street name, the voting instruction card provided by your broker, trustee or nominee.

By Internet Stockholders of record of Altiris common stock with Internet access may submit proxies from any location in the world by following the *Vote by Internet* instructions on their proxy cards. Most Altiris stockholders who hold shares beneficially in street name may vote by accessing the website specified on the voting instruction cards provided by their brokers, trustees or nominees. Please check the voting instruction card for Internet voting availability.

By Telephone Stockholders of record of Altiris common stock who live in the United States or Canada may submit proxies by following the *Vote by Phone* instructions on their proxy cards. Most Altiris stockholders who hold shares beneficially in street

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name and live in the United States or Canada may vote by phone by calling the number specified on the voting instruction cards provided by their brokers, trustees or nominees. Please check the voting instruction card for telephone voting availability.

By Mail Stockholders of record of Altiris common stock may submit proxies by completing, signing and dating their proxy cards and mailing them in the accompanying pre-addressed envelope. Altiris stockholders who hold shares beneficially in street name may vote by mail by completing, signing and dating the voting instruction cards provided and mailing them in the accompanying pre-addressed envelope.

How can I vote my shares in person at the meeting?

Shares held in your name as the stockholder of record may be voted in person at the meeting. Shares held beneficially in street name may be voted in person only if you obtain a legal proxy from the broker, trustee or nominee that holds your shares giving you the right to vote the shares. **Even if you plan to attend the meeting, we recommend that you also submit your proxy or voting instructions as described below so that your vote will be counted if you later decide not to attend the meeting.**

Can I change my vote?

You may change your vote at any time prior to the vote at the meeting. If you are the stockholder of record, you may change your vote by granting a new proxy bearing a later date (which automatically revokes the earlier proxy), by providing a written notice of revocation to our Corporate Secretary prior to your shares being voted, or by attending the meeting and voting in person. Attendance at the meeting will not cause your previously granted proxy to be revoked unless you specifically so request.

For shares you hold beneficially in street name, you may change your vote by submitting new voting instructions to your broker, trustee or nominee, or, if you have obtained a legal proxy from your broker, trustee or nominee giving you the right to vote your shares, by attending the meeting and voting in person.

Who can help answer my questions?

If you have any questions about the meeting or how to vote or revoke your proxy, please contact:

The Altman Group Inc.

800-217-0538

If you need additional copies of this proxy statement or voting materials, please contact the Altman Group (Altman) as described above or send an e-mail to info@altmangroup.com.

Is my vote confidential?

Proxy instructions, ballots and voting tabulations that identify individual stockholders are handled in a manner that protects your voting privacy. Your vote will not be disclosed either within Altiris or to third parties, except: (1) as necessary to meet applicable legal requirements, (2) to allow for the tabulation of votes and certification

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of the vote, and (3) to facilitate a successful proxy solicitation. Occasionally, stockholders provide written comments on their proxy card, which are then forwarded to Altiris management.

What vote is required to approve each item and how are votes counted? The vote required to approve each item of business and the method for counting votes is set forth below:

Election of Directors. The two director nominees receiving the highest number of affirmative FOR votes at the meeting (a plurality of votes cast) will be elected to serve as Class III directors. You may vote either FOR or WITHHOLD your vote for the director nominees. A properly executed proxy marked WITHHOLD with respect to the election of one or more directors will not be voted with respect to the director or directors indicated, although it will be counted for purposes of determining whether there is a quorum.

All Other Items. For each of the other items of business, the affirmative FOR vote of a majority of the shares represented in person or by proxy and entitled to vote on the item will be required for approval. You may vote FOR, AGAINST or ABSTAIN for these items of business. If you ABSTAIN, your abstention has the same effect as a vote AGAINST.

If you provide specific instructions with regard to certain items, your shares will be voted as you instruct on such items. If you sign your proxy card or voting instruction card without giving specific instructions, your shares will be voted in accordance with the recommendations of our Board of Directors (i.e., FOR all of the Company's director nominees, FOR ratification of the independent auditors, and in the discretion of the proxy holders on any other matters that properly come before the meeting).

What is a broker non-vote ?

Under the rules that govern brokers who have record ownership of shares that are held in street name for their clients, who are the beneficial owners of the shares, brokers have the discretion to vote such shares on *routine matters* (such as election of directors and ratification of the appointment of independent accountants), but not on *non-routine* matters. Thus, if you do not otherwise instruct your broker, the broker may turn in a proxy card voting your shares FOR or AGAINST routine matters but will *not* vote on non-routine matters. A *broker non-vote* occurs when a broker expressly instructs on a proxy card that it is not voting on a matter, whether routine or non-routine.

How are broker non-votes counted?

Broker non-votes will be counted for the purpose of determining the presence or absence of a quorum for the transaction of business, but they will not be counted in tabulating the voting result for any particular proposal.

How are abstentions counted?

If you return a proxy card that indicates an abstention from voting in all matters, the shares represented will be counted for the purpose of

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determining both the presence of a quorum and the total number of votes cast with respect to a proposal (other than the election of directors), but they will not be voted on any matter at the 2005 Annual Meeting. In the absence of controlling precedent to the contrary, we intend to treat abstentions in this manner. Accordingly, abstentions will have the same effect as a vote *AGAINST* a proposal.

What happens if additional matters are presented at the meeting?

Other than the two items of business described in this proxy statement, we are not aware of any other business to be acted upon at the annual meeting. If you grant a proxy, the persons named as proxy holders, Stephen C. Erickson (our Chief Financial Officer) and Craig H. Christensen (our Corporate Secretary), will have the discretion to vote your shares on any additional matters properly presented for a vote at the meeting. If, for any unforeseen reason, any of our nominees is not available as a candidate for director, the persons named as proxy holders will vote your proxy for such other candidate or candidates as may be nominated by our Board of Directors.

Who will serve as inspector of election?

We expect a representative of EquiServe Trust Company, N.A., our Transfer Agent, to tabulate the votes and act as inspector of election at the annual meeting.

What should I do in the event that I receive more than one set of proxy/voting materials?

You may receive more than one set of these proxy materials, including multiple copies of this proxy statement and multiple proxy cards or voting instruction cards. For example, if you hold your shares in more than one brokerage account, you may receive a separate voting instruction card for each brokerage account in which you hold shares. If you are a stockholder of record and your shares are registered in more than one name, you will receive more than one proxy card. Please complete, sign, date and return each Altiris proxy card and voting instruction card that you receive to ensure that all your shares are voted.

Who is soliciting my vote and who will bear the costs of this solicitation?

Altiris is making this solicitation and will pay the entire cost of preparing, assembling, printing, mailing and distributing these proxy materials and soliciting votes. If you choose to access these proxy materials or vote over the Internet, you are responsible for Internet charges you may incur. If you choose to vote by telephone, you are responsible for telephone charges you may incur. In addition to this solicitation by mail, the solicitation of proxies or votes may be made in person, by telephone or by electronic communication by members of our Board of Directors, our officers and other employees, who will not receive any additional compensation for assisting in the solicitation. We have also engaged Altman to assist us in the distribution of proxy materials and the solicitation of votes described above. We will pay Altman a fee of approximately \$3,500, plus customary costs and expenses for these services. Upon request, we will also reimburse brokerage houses and other custodians, nominees, and fiduciaries for forwarding proxy solicitation materials to the beneficial owners of Altiris common stock.

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Where can I find the voting results of the meeting?

We intend to announce preliminary voting results at the annual meeting and publish final results in our quarterly report on Form 10-Q for the second quarter of fiscal 2005.

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

As a stockholder, you may be entitled to present proposals for action at a future meeting of stockholders, including director nominations.

Stockholder Proposals: For a stockholder proposal to be considered for inclusion in the Altiris proxy statement for the annual meeting to be held in 2006, the written proposal must be received by the Corporate Secretary of Altiris at our principal executive offices no later than December 19, 2005. If the date of next year's annual meeting is moved more than 30 days before or after the anniversary date of this year's annual meeting, the deadline for inclusion of proposals in the Altiris proxy statement is instead a reasonable time before Altiris begins to print and mail its proxy materials. Such proposals also must comply with the requirements of Rule 14a-8 of the Securities Exchange Act of 1934, as amended, and any other applicable rules established by the U.S. Securities and Exchange Commission. Proposals should be addressed to:

Altiris, Inc.

588 West 400 South

Lindon, Utah 84042

Attention: Corporate Secretary.

For a stockholder proposal that is not intended to be included in the Altiris proxy statement in accordance with Rule 14a-8, the stockholder must provide the information required by the Bylaws of Altiris and give timely notice to the Corporate Secretary of Altiris in accordance with the Bylaws of Altiris, which, in general, require that the notice be received by the Corporate Secretary of Altiris:

Not later than the close of business on February 17, 2006.

If the date of the next annual meeting of stockholders (to be held in 2006) is moved more than 30 days before or after the anniversary of this annual meeting, then notice of a stockholder proposal that is not intended to be included in the Altiris proxy statement under Rule 14a-8 for such future meeting must be received no later than the close of business on the earlier of the following two dates:

10 days after notice of the date of the meeting is mailed; or

10 days after Altiris publicly announces the meeting date.

Nomination of Director Candidates: Stockholders may recommend director candidates for consideration by our Board's Governance and Nominating Committee. Any such recommendations should include the nominee's name, home and business address and other contact information, detailed biographical data, and qualifications for board membership, along with information regarding any relationships between the candidate and Altiris within the last three fiscal years. Such recommendations should be directed to our Corporate Secretary

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at the address of our principal executive offices set forth above. In addition, our Bylaws permit stockholders to nominate directors for election at an annual meeting of stockholders. To nominate a director, the stockholder must provide the information required by our Bylaws, as well as a statement by the candidate consenting to being named as a nominee and serving as a director if elected. In addition, the stockholder must give timely notice to our Corporate Secretary in accordance with the provisions of our Bylaws, which, in general, require that the notice be received by the Corporate Secretary of Altiris within the time period described above under Stockholder Proposals.

Copy of Bylaw Provisions: You may contact our Corporate Secretary at our principal executive offices for a copy of the relevant bylaw provisions regarding the requirements for making stockholder proposals and nominating director candidates. The Bylaws of Altiris also are available on the Investor Relations section of our website at <http://www.altiris.com>.

How may I communicate with the Board of Directors of Altiris or the non-management directors on the Altiris Board?

To contact the Board of Directors, please send a letter or email using the contact information provided below. Communications may be addressed to the entire Board, to the non-management directors as a group, or to any individual director. All such communications will be initially received and processed by the office of our General Counsel, and our Lead Independent Director (currently Michael J. Levinthal) will be automatically copied on all communications. Accounting, audit, internal accounting controls and other financial matters will be referred to our Audit Committee chairperson. Other matters will be referred to the Board of Directors, the non-management directors, or individual directors as appropriate.

Write to the Board at:

Altiris, Inc.
c/o Craig H. Christensen, Corporate Secretary
588 West 400 South
Lindon, Utah 84042

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The following table provides information relating to the beneficial ownership of Altiris Common Stock as of the Record Date, by:

each person (or group of affiliated persons) known by us to own beneficially more than 5% of Altiris Common Stock;

each of our Named Executive Officers;

each of our directors and director nominees; and

all of our directors and executive officers as a group.

The number of shares beneficially owned by each entity, person, director or executive officer is determined in accordance with the rules of the U.S. Securities and Exchange Commission (the *SEC*), and the information is not necessarily indicative of beneficial ownership for any other purpose. Under such rules, beneficial ownership includes any shares over which the individual has the sole or shared voting power or investment power and any shares that the individual has the right to acquire within 60 days of the Record Date (March 31, 2005) through the exercise of any stock option or other right. Unless otherwise indicated, each person has sole voting and investment power (or shares such powers with his or her spouse) with respect to the shares set forth in the following table.

The number and percentage of shares beneficially owned is computed on the basis of 27,391,134 shares of Altiris common stock outstanding as of the Record Date. Shares of Altiris common stock that a person has the right to acquire within 60 days of the Record Date are deemed outstanding for purposes of computing the percentage ownership of the person holding such rights, but are not deemed outstanding for purposes of computing the percentage ownership of any other person, except with respect to the percentage ownership of all directors and executive officers as a group. The address for those persons for which an address is not otherwise provided is c/o Altiris, Inc., 588 West 400 South, Lindon, Utah 84042.

Beneficial Owner (Name and Address)	Amount and Nature of Beneficial Ownership(1)	Percentage of Common Stock Outstanding
5% Stockholders		
Entities affiliated with Technology Crossover Ventures(2) 528 Ramona Street Palo Alto, California 94301	4,578,816	16.72%
Entities affiliated with FMR Corp.(3) 82 Devonshire Street Boston, MA 02109	3,501,313	12.78%
Westcap Investors, LLC	1,811,499	6.61%

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11111 Santa Monica Blvd., Suite 820

Los Angeles, California 90025

Price, T. Rowe Associates, Inc.	1,701,000	6.21%
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100 East Pratt Street

Baltimore, Maryland 21202

TimesSquare Capital Management, Inc.(4)	1,484,600	5.42%
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Four Times Square, 25th Floor

New York, New York 10036

Directors and Named Executive Officers

Gregory S. Butterfield(5)	127,859	*
Stephen C. Erickson(6)	64,655	*
Dwain A. Kinghorn(7)	254,577	*
Poul E. Nielsen(8)	38,273	*
Michael R. Samuelian(9)	39,771	*
Gary B. Filler(10)	12,500	*
Jay C. Hoag(11)	4,645,136	16.92%
Michael J. Levinthal(12)	97,500	*
V. Eric Roach(13)	195,833	*
Mark E. Sunday(14)	12,500	*
All current directors and executive officers as a group (10 persons)	5,488,604	19.72%

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- * less than 1%
- (1) The information provided in this table is based on our records, information supplied to us by our executive officers, directors and principal stockholders and information contained in Schedules 13D and 13G filed with the Securities and Exchange Commission.
 - (2) Consists of 4,404,586 shares held by TCV IV, L.P., 164,241 shares held by TCV IV Strategic Partners, L.P. (which are collectively referred to as the TCV Funds), and 9,989 shares held by Technology Crossover Management IV, L.L.C., which is the General Partner of each of the TCV Funds. Jay C. Hoag, a director of Altiris, and Richard H. Kimball are the Managing Members of Technology Crossover Management IV, L.L.C. Mr. Hoag and Mr. Kimball each disclaim beneficial ownership of these shares, except as to his respective pecuniary interest therein.
 - (3) FMR Corp. is the parent corporation of a wholly owned subsidiary, Fidelity Management & Research Company or Fidelity. Fidelity is the investment advisor to various investment companies that are registered under Section 8 of the Investment Company Act of 1940 and hold shares of Altiris common stock. As investment advisor, Fidelity may be deemed to beneficially own 2,986,251 shares, where 2,326,683 shares of which are held by Fidelity Contrafund. Each of Edward C. Johnson 3d, Chairman and a holder of 12% of the outstanding voting stock of FMR Corp., and Abigail Johnson, a holder of 24.5% of the outstanding voting stock of FMR Corp., may be deemed to beneficially own the shares beneficially owned by FMR Corp.
 - (4) CIGNA Corporation is the ultimate parent company of TimesSquare Capital. CIGNA disclaims beneficial ownership of the shares except as to its pecuniary interest therein.
 - (5) Mr. Butterfield's shares include 125,625 shares issuable upon exercise of options exercisable within 60 days of the Record Date held by Mr. Butterfield.
 - (6) Mr. Erickson's shares include 63,125 shares issuable upon exercise of options exercisable within 60 days of the Record Date held by Mr. Erickson.
 - (7) Mr. Kinghorn's shares include 27,500 shares held by Computing Edge Corporation, or CEC, 179,280 shares held by Computing Edge Limited, or CEL, 2,200 shares held in Mr. Kinghorn's name and 42,313 shares issuable upon exercise of options exercisable within 60 days of the Record Date held by Mr. Kinghorn. Mr. Kinghorn is the Chief Executive Officer and holds all of the outstanding capital stock of CEC and he is a director of CEL. Mr. Kinghorn disclaims beneficial ownership as to CEL's shares, except as to his pecuniary interest therein.
 - (8) Mr. Nielsen's shares include 34,750 shares issuable upon exercise of options exercisable within 60 days of the Record Date held by Mr. Nielsen.
 - (9) Mr. Samuelian's shares include 8,763 shares held by Mr. Samuelian and Luann Samuelian as joint tenants, 13,924 shares held by the Samuelian 2002 Grantor Retained Annuity Trust, or the Samuelian Trust, and 17,084 shares issuable upon exercise of options exercisable within 60 days of the Record Date held by Mr. Samuelian. Mr. Samuelian disclaims beneficial ownership of the shares held by the Samuelian Trust except as to his pecuniary interest therein.
 - (10) Mr. Filler's shares include 12,500 shares issuable upon exercise of options exercisable within 60 days of the Record Date held by Mr. Filler.
 - (11) Mr. Hoag's shares include 4,404,586 shares held by TCV IV, L.P., 164,241 shares held by TCV IV Strategic Partners, L.P., 9,989 shares held by Technology Crossover Management IV, L.L.C., 3,820 shares held by the Hoag Family Trust U/A Dtd 8/2/94, (Hoag Trust), of which Mr. Hoag is a trustee, and 62,500 shares issuable upon exercise of options exercisable within 60 days of the Record Date held by Mr. Hoag. Mr. Hoag is a Managing Member of Technology Crossover Management IV, L.L.C., which is the General Partner of each of the TCV Funds. Mr. Hoag disclaims beneficial ownership of the shares held by the TCV Funds, Technology Crossover Management IV, L.L.C. and the Hoag Trust, except as to his respective pecuniary interest in each of those entities.
 - (12) Mr. Levinthal's shares include 85,000 shares held by a retirement trust for the benefit of Mr. Levinthal.
 - (13) Mr. Roach's shares include 133,333 shares held by The Roach Family Trust, for which he serves as trustee, and 62,500 shares issuable upon exercise of options exercisable within 60 days of the Record Date held by Mr. Roach.
 - (14) Mr. Sunday's shares include 12,500 shares issuable upon exercise of options exercisable within 60 days of the Record Date held by Mr. Sunday.

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SECTION 16(A) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Section 16(a) of the Exchange Act requires our officers and directors, and persons who own more than 10% of our common stock, to file reports of ownership and changes in ownership with the SEC and the National Association of Securities Dealers, Inc. Executive officers, directors and greater than 10% stockholders are required by the SEC regulations to furnish us with copies of all Section 16(a) forms they file. Based solely on our review of the copies of such forms that we have received, or written representations from reporting persons, we believe that during the fiscal year ending December 31, 2004, all executive officers, directors and greater than 10% stockholders complied with all applicable filing requirements.

CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

CEW Utah. We paid approximately \$151,429 to CEW, a Utah corporation and software reseller owned solely by Dwain Kinghorn, our Chief Technology Officer and a Named Executive Officer, for sales of our software products to third party customers. The pricing and other terms offered to CEW to resell our products are no more favorable than the terms we offer to unaffiliated resellers under similar circumstances.

Table of Contents**CORPORATE GOVERNANCE PRINCIPLES AND BOARD MATTERS**

Altiris is committed to adopting and adhering to sound corporate governance principles. Having such principles is essential to operating our business efficiently and to maintaining our integrity and reputation in the marketplace. Our Board has been active in corporate governance initiatives. All of the charters of our Board Committees are available on the Investor Relations section of our website at <http://www.altiris.com>, as well as our Corporate Governance Guidelines and Code of Conduct. Our Code of Conduct applies to all employees.

Board Independence

Our Board of Directors has determined each of the following directors (and each of the members of the Audit Committee, the Compensation Committee and the Governance and Nominating Committee) to be an independent director as such term is defined in Marketplace Rule 4200(a)(15) of the National Association of Securities Dealers, or the NASD:

Michael J. Levinthal, Lead Independent Director

Gary B. Filler

Jay C. Hoag

V. Eric Roach

Mark E. Sunday

Board Structure and Committee Composition

As of the date of this proxy statement, our Board of Directors is composed of six directors and maintains the following three standing committees: (1) the Audit Committee; (2) the Compensation Committee; and (3) the Governance and Nominating Committee. The membership and the function of each of the committees are described below.

<u>Name of Director</u>	<u>Audit Committee</u>	<u>Compensation Committee</u>	<u>Governance and Nominating Committee</u>
<i>Non-Employee Directors:</i>			
Gary B. Filler	X*		X
Jay C. Hoag		X	X
Michael J. Levinthal, Lead Independent Director	X		X*
V. Eric Roach	X	X*	
Mark E. Sunday		X	X
<i>Employee Director:</i>			
Gregory S. Butterfield, Chairman			

Number of Meetings Held During the Last Fiscal Year	5	4	3
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X = Committee member; * = Chairperson

Our Board held 10 meetings during the fiscal year ended December 31, 2004 (the *Last Fiscal Year*). Each director attended at least 75% of all Board and applicable Committee meetings. We do not have an official policy regarding our directors attending our stockholder meetings, though we do encourage them to attend. Mr. Butterfield, the Chairman of our Board of Directors, represented our Board at the last stockholder meeting.

Audit Committee

Our Audit Committee was established in accordance with Section 3(a)(58)(A) of the Securities Exchange Act of 1934, as amended. The primary responsibility of this Committee is to oversee the accounting and financial reporting processes of Altiris and the audits of Altiris financial statements. This Committee assists the Board in fulfilling its responsibilities for general oversight of the integrity of the financial statements, Altiris compliance with legal and regulatory requirements, the independent registered public accountants qualifications, independence and performance, and Altiris internal accounting and financial controls and reporting practices.

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Among other things, this Committee prepares the Audit Committee report for inclusion in the annual proxy statement of Altiris; annually reviews the Committee's charter and the Committee's performance; appoints, evaluates and determines the compensation of our independent registered public accountants; reviews and approves the scope of the annual audit and audit fees; reviews our disclosure controls and procedures, internal controls, information security policies, internal audit function, and corporate policies with respect to financial information and earnings guidance; oversees investigations into complaints concerning accounting or financial matters; and reviews other risks that may have a significant impact on the financial statements of Altiris. This Committee works closely with management as well as our independent registered public accountants. This Committee also has the authority to obtain advice and assistance from, and receive appropriate funding from Altiris for, outside legal, accounting or other advisors as the Audit Committee deems necessary to carry out its duties.

Our Board of Directors has determined that each member of the Audit Committee meets the independence criteria prescribed by applicable law and the rules of the SEC for audit committee membership and meets the criteria for audit committee membership required by the Nasdaq Stock Market independence rule. Further, each Audit Committee member meets the NASD's financial knowledge requirements. Also, our Board has determined that Gary B. Filler qualifies as an audit committee financial expert, as defined in the rules and regulations of the SEC.

The report of the Audit Committee is included on page 16 of this proxy statement. The charter of the Audit Committee is available on the Investor Relations section of our website at <http://www.altiris.com>.

Compensation Committee

The Compensation Committee assists our Board of Directors in discharging its responsibilities relating to the compensation of our executive officers and directors. This Committee determines, or recommends to the Board for its determination, the terms of compensation for our Chief Executive Officer and other executive officers, including salaries, bonuses, stock option grants, and other benefits and compensation arrangements. The Committee produces an annual report on executive compensation for inclusion in our proxy statement; provides general oversight of Altiris' compensation structure; and has authority to retain any compensation consultants and other compensation experts. This Committee also has the authority to administer our equity compensation plans and make grants thereunder.

Our Board of Directors has determined that each member of the Compensation Committee meets the independence criteria prescribed by the Nasdaq Stock Market independence rules.

The report of the Compensation Committee is included on page 17 of this proxy statement. The charter of the Compensation Committee is available on the Investor Relations section of our website at <http://www.altiris.com>.

Governance and Nominating Committee

The Governance and Nominating Committee assists our Board of Directors in fulfilling its responsibilities with respect to corporate governance of Altiris. This Committee is responsible for developing and recommending to the Board the governance principles applicable to Altiris; overseeing the evaluation of the Board and management of Altiris; recommending to the Board director nominees for each committee; and assisting the Board in identifying prospective director nominees and determining the director nominees for election at annual meetings of stockholders of Altiris. Among other things, the Committee determines the criteria for qualification and selection of directors for election to the Board as appropriate; oversees the organization of the Board with a view to facilitating the Board's proper and efficient discharge of its duties.

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and responsibilities; and identifies best practices in the area of corporate governance principles, including giving proper attention and providing effective responses to stockholder concerns regarding corporate governance. Other specific duties and responsibilities of this Committee include: annually assessing the size and composition of the Board; developing qualifications for Board committees as appropriate; defining criteria for director independence; monitoring compliance with Board

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and Board committee membership criteria; annually reviewing and recommending directors for continued service; coordinating and assisting management and the Board in recruiting new members to the Board; reviewing and recommending proposed changes to our Certificate of Incorporation or Bylaws and Board committee charters; recommending Board committee assignments; reviewing, approving and monitoring all service by executive officers on outside boards of directors; overseeing the evaluation of the Board and management; reviewing and approving in advance any proposed related party transactions; reviewing, approving and monitoring compliance with the Code of Conduct of Altiris.

The charter of the Governance and Nominating Committee is available on the Investor Relations section of our website at <http://www.altiris.com>.

Compensation of Directors

During 2004 we granted each non-employee director a nonstatutory stock option to purchase 12,500 shares of common stock, which vests at a rate of 100% after 1 year. Each of these options has an exercise price equal to the fair market value of our common stock on the date of grant. In the event of a change in control and these options are not assumed in connection with such change of control, then these options will become exercisable as to all of the vested shares under the options plus all shares that would have otherwise vested within one year had the directors continued to serve Altiris in that role. Our non-employee directors are paid a quarterly retainer of \$4,000 and an additional \$1,000 for attending all board meetings each quarter. In addition, committee chairpersons are paid a quarterly retainer of \$2,000. We reimburse our non-employee directors for reasonable out-of-pocket expenses incurred by them in attending board and committee meetings.

Consideration of Director Nominees

Stockholder nominees

The policy of the Board of Directors is that the Governance and Nominating Committee is to consider properly submitted stockholder recommendations and nominations for candidates for membership on the Board as described under *Identifying and Evaluating Nominees for Directors* below. In evaluating the proposed candidates, the Governance and Nominating Committee seeks to bring to the Board a balance of relevant knowledge, experience and capability while addressing the considerations identified under *Director Qualifications* below. Any stockholder recommendations proposed for consideration by the Governance and Nominating Committee should include the nominee's name, home and business addresses and other contact information, detailed biographical data, qualifications for Board membership, and information regarding any relationships between the recommended candidate and Altiris within the last three years, and should be addressed to:

Corporate Secretary

Altiris, Inc.

588 West 400 South

Lindon, Utah 84042

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In addition, our Bylaws permit stockholders to nominate persons directly for election to the Board at an annual stockholders meeting of Altiris. For a description of the process for nominating directors, please refer to our Bylaws, a copy of which is available on the Investor Relations section of our website at <http://www.altiris.com> or may be obtained by contacting our Corporate Secretary at our principal executive offices.

Director Qualifications

Our Board of Directors does not currently believe that there are any specific minimum qualifications for director candidates at Altiris other than what is required under applicable SEC and exchange rules and regulations. However, our Corporate Governance Guidelines identify some of the many factors that the Governance and Nominating Committee will consider when evaluating candidates for a position on our Board of Directors, including matters of character, judgment, independence, diversity, age, expertise, diversity of experience, length of service and other time commitments. Our board also believes that eligible candidates must complement a Board that

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is comprised of directors who are predominately independent and of high integrity, and who offer the relevant experience, leadership skills and other qualifications that will increase overall Board effectiveness.

A copy of the Corporate Governance Guidelines is available on the Investor Relations section of our website at <http://www.altiris.com>.

Identifying and Evaluating Nominees for Directors

The Governance and Nominating Committee utilizes a variety of methods for identifying and evaluating nominees for director. The Governance and Nominating Committee regularly assesses the appropriate size and composition of the Board, and whether any vacancies on the Board are expected due to retirement or otherwise. In the event that vacancies are anticipated, or otherwise arise, the Governance and Nominating Committee considers various potential candidates for director. Candidates may come to the attention of the Governance and Nominating Committee through current Board members, professional search firms, stockholders, employees or other persons. These candidates may be evaluated at regular or special meetings of the Governance and Nominating Committee. As described above, the Governance and Nominating Committee will consider properly submitted stockholder recommendations and nominations for candidates for the Board. Following verification of the status of stockholders proposing candidates, all properly submitted recommendations will usually be aggregated and evaluated by the Governance and Nominating Committee at a regularly scheduled meeting, which is generally the first or second meeting prior to the issuance of the proxy statement for the annual meeting. If any materials are provided by a stockholder in connection with the nomination of a director candidate, such materials are forwarded to the Governance and Nominating Committee. The Governance and Nominating Committee also reviews materials provided by professional search firms or other parties in connection with a nominee who is not proposed by a stockholder. In evaluating director candidates, the Governance and Nominating Committee will seek to achieve those objectives described under **Director Qualifications** above and more particularly set forth in our Corporate Governance Guidelines.

Executive Sessions

Executive sessions of independent directors are held regularly. The sessions are scheduled and chaired by the lead independent director or, in his or her absence, the chairperson of the Governance and Nominating Committee. Any non-employee director can request that an additional executive session be scheduled.

Compensation Committee Interlocks and Insider Participation

No interlocking relationship exists between any member of the Compensation Committee and any member of any other company's board of directors or compensation committee.

Communications with the Board

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To contact the Board of Directors, please send a letter or email using the contact information provided below. Communications may be addressed to the entire Board, to the non-management directors as a group, or to any individual director. All such communications will be initially received and processed by the office of our General Counsel, and our Lead Independent Director (currently Michael J. Levinthal) will be automatically copied on all communications. Accounting, audit, internal accounting controls and other financial matters will be referred to our Audit Committee chairperson. Other matters will be referred to the Board of Directors, the non-management directors, or individual directors as appropriate.

Write to the Board at:

Altiris, Inc.

c/o Craig H. Christensen, Corporate Secretary

588 West 400 South

Lindon, Utah 84042

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2004 REPORT OF THE AUDIT COMMITTEE OF THE BOARD OF DIRECTORS

Notwithstanding any statement to the contrary in any of our previous or future filings with the SEC, this report of the Audit Committee of the Board of Directors shall not be deemed filed with the SEC or soliciting material under the Securities Exchange Act of 1934, as amended, and shall not be incorporated by reference into any such filings.

The Audit Committee, which currently consists of Gary B. Filler (Chairman), Michael J. Levinthal and V. Eric Roach, assists the Board of Directors in the oversight and monitoring of the integrity of the Company's financial statements, the Company's compliance with legal and regulatory requirements, the independent registered public accountants' qualifications, independence and performance, and the Company's internal accounting and financial controls and reporting practices. The written charter for the Audit Committee, as revised in January 2004, details the responsibilities of the Audit Committee and is attached hereto as *Appendix A*.

The Audit Committee oversees our accounting and financial reporting processes on behalf of the Board of Directors. The members of the Audit Committee are not professional accountants or auditors, and their functions are not intended to duplicate or to certify the activities of management and the independent registered public accountants. Our management has the primary responsibility for the financial statements and reporting process, including our systems of internal controls. The Company's independent registered public accountants, KPMG LLP, are responsible for expressing an opinion on the Company's consolidated financial statements based on their audits.

In this context, the Audit Committee hereby reports as follows:

1. The Audit Committee reviewed and discussed with management the audited financial statements included in the Annual Report on Form 10-K for the fiscal year ended December 31, 2004.
2. The Audit Committee discussed with the independent registered public accountants the matters required to be discussed by SAS 61 (Codification of Statements on Auditing Standards, AU §380).
3. The Audit Committee received the written disclosures and the letter from the independent accountants required by Independence Standards Board Standard No. 1 (Independence Standards Board Standard No. 1, Independence Discussions with Audit Committee) and has discussed with the accountant's independence.
4. Based on the review and discussions referred to in paragraphs (1) through (3) above, the Audit Committee recommended to the Board of Directors, and the Board has approved, that the audited financial statements be included in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2004.

The undersigned members of the Audit committee have submitted this Report to the Board of Directors.

THE AUDIT COMMITTEE OF
THE BOARD OF DIRECTORS

Gary B. Filler, Chairman

Michael J. Levinthal

V. Eric Roach

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**2004 REPORT OF THE COMPENSATION COMMITTEE OF
THE BOARD OF DIRECTORS ON EXECUTIVE COMPENSATION**

Notwithstanding any statement to the contrary in any of our previous or future filings with the SEC, this Report of the Compensation Committee of the Board of Directors on Compensation shall not be deemed filed with the SEC or soliciting material under the Securities Exchange Act of 1934, as amended, and shall not be incorporated by reference into any such filings.

The purpose of the Compensation Committee, which, during our 2004 fiscal year consisted of V. Eric Roach (Chairman), Jay C. Hoag, Darcy G. Mott (who resigned in April of 2004) and Mark E. Sunday (who was elected at the 2004 meeting of stockholders), is to assist the oversee the compensation of our Chief Executive Officer and other executive officers, to administer Altiris stock plans and make grants thereunder, to consult with management regarding compensation and benefits for non-executive officers and other employees of Altiris, and to oversee our compensation policies, plans and benefits programs generally. The written charter for the Compensation Committee, as revised in January 2004, details the responsibilities of the Compensation Committee and is attached hereto as *Appendix B*. The following is the report of the Compensation Committee of the Board of Directors with respect to executive compensation during fiscal year 2004.

Compensation Philosophy

As set forth in the charter for the Compensation Committee, the philosophy of the Committee is to provide compensation to Altiris officers and other key employees in such a manner as to attract and retain the best available personnel for positions of substantial responsibility with Altiris, to provide incentives for such persons to perform to the best of their abilities for Altiris, and to promote the success of Altiris business. The Committee's philosophy also seeks to align the interests of stockholders and management by tying compensation to Altiris operational and financial performance, either directly in the form of salary and cash bonuses or indirectly in the form of stock options or other equity-based compensation.

We note that competition for qualified management and technical personnel in our industry is intense and we expect such competition to remain intense for the foreseeable future. As a result, in order to gain access to and retain qualified personnel, the Compensation Committee believes that it will be necessary to provide compensation packages that are competitive with that which is offered by other similarly situated software companies.

Cash Compensation

Base Salary. The base salaries for our executive officers in 2004 were established based on subjective evaluation of such factors as the level of responsibility, individual performance, level of pay and company peer group pay levels, and compensation for comparative positions in other companies. Base salaries are reviewed on an annual basis and annual increases determined on an individual basis based on the foregoing considerations and a more specific review of the individual's performance and contribution to various individual, departmental and corporate objectives.

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Executive Bonus Plan. For 2004, all non-commissioned executive officers earned quarterly cash bonuses on the basis of Altiris' overall financial and operational performance, certain marketing and other strategic considerations, and performance of individual objectives established between the executive officer and the chief executive officer (CEO) or, in the case of the CEO, between the CEO and the Compensation Committee. The salaries and cash bonuses received by such executives, other than the CEO, were determined by the Compensation Committee upon the recommendation of the CEO. The CEO's base salary is determined by the Compensation Committee. These cash bonuses for 2004 ranged from 7% to 18% of an executive's base salary.

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Equity-based Compensation

For 2004, Altiris provided long-term incentives through stock option awards under the terms of its 2002 Stock Plan. Stock options were granted to new employees at the time of hire and periodically to executives and other key employees to provide incentive to maximize long-term total return to our stockholders. The Stock Plan authorizes the use of both non-statutory and incentive stock options, as well as restricted stock awards; however, to date only non-statutory stock options have been granted under the Stock Plan. We believe that stock option awards provide a particularly strong incentive because they are valuable to employees only if the fair market value of our common stock increases above the exercise price, which historically has been set at the fair market value of our common stock on the date the option is granted. In addition, employees must remain employed with us for a fixed period of time in order for the options to vest fully. Options generally vest over a four-year period to encourage option holders to remain with Altiris.

For the future, the Compensation Committee is exploring the use of equity compensation other than, or in addition to, stock options in light of the U.S. Financial Accounting Standards Board's requirement that public companies must begin to expense stock options beginning with the fiscal quarter reporting periods after June 15, 2005.

All stock option awards granted to our executive officers in fiscal 2004 were approved by the Compensation Committee. In determining the size of the options granted to the executive officers, the Committee considered such factors as the executive's position with Altiris, the executive's individual performance, the number of options then held, if any, and the extent to which such options were vested, and any other factors that the Committee deemed relevant.

In addition, Altiris offers to all of its employees the opportunity to participate in its 2002 Employee Stock Purchase Plan.

Compensation for the Chief Executive Officer

Gregory S. Butterfield has served as Altiris' chief executive officer since February 2000. In fiscal year 2004, Mr. Butterfield received an annual salary of \$327,963 and cash bonuses of \$57,688. The Committee considers this amount of annual base salary and bonus competitive and appropriate for the following reasons: Mr. Butterfield's success in achieving greater profits and higher returns on equity; his critical role in achieving positive financial results in an extremely competitive national and global economic environment; and his overall personal example and actions in enhancing customer relations. Mr. Butterfield may continue to earn cash bonuses pursuant to the 2005 Executive Bonus Plan.

It is the opinion of the Compensation Committee that these executive compensation policies and plans provide for a reasonable and balanced remuneration program that focuses on the relationship between corporate performance and executive compensation and enables Altiris to recruit, motivate and retain the quality executives necessary for Altiris' long-term success.

THE COMPENSATION COMMITTEE OF

THE BOARD OF DIRECTORS

V. Eric Roach, Chairman

Jay C. Hoag

Mark E. Sunday

Table of Contents**EXECUTIVE COMPENSATION AND OTHER MATTERS****Executive Compensation**

The following table summarizes information concerning the compensation awarded to, earned by, or paid for services rendered to Altiris in all capacities during the years ended December 31, 2002, December 31, 2003 and December 31, 2004, by our Chief Executive Officer and our four other most highly compensated executive officers whose salary and bonus for 2004 exceeded \$100,000. These executives are referred to as the *Named Executive Officers* elsewhere in this prospectus.

Summary Compensation Table

Name and Principal Position	Fiscal Year	Annual Compensation		Other Annual Compensation(1)	Long Term Compensation	All Other Compensation(2)
		Salary	Bonus		Securities	
					Underlying Options	
Gregory S. Butterfield President and Chief Executive Officer	2004	\$ 327,963	\$ 57,688	\$	25,000	\$ 9,589
	2003	217,094	32,641		30,000	8,083
	2002	204,080			50,000	8,208
Stephen C. Erickson Vice President, Chief Financial Officer	2004	231,896	19,806		15,000	5,298
	2003	177,163	26,783		30,000	4,982
	2002	167,613			50,000	5,667
Dwain A. Kinghorn Vice President, Chief Strategy and Technology Officer	2004	240,573	17,205		15,000	7,257
	2003	203,635	22,342		30,000	4,254
	2002	189,825			15,000	5,782
Poul E. Nielsen Vice President, Business Development	2004	222,806	24,323		12,500	6,683
	2003	198,517			25,000	6,104
	2002	187,300	7,000			4,720
Michael R. Samuelian Vice President, Sales	2004	157,590		113,000	15,000	6,315
	2003	154,065		113,134	25,000	6,222
	2002	117,250	10,000	80,661(3)	25,000	7,784

(1) Comprises amounts paid to Named Executive Officers as commissions.

(2) Dollar amounts represent: (i) our matching contribution to the 401(k) plan account of Mr. Butterfield in the amounts of \$7,719 in 2004, \$6,213 in 2003 and \$5,500 in 2002; Mr. Erickson in the amounts of \$4,448 in 2004, \$4,132 in 2003 and \$4,902 in 2002; Mr. Kinghorn in the amounts of \$6,906 in 2004, \$3,909 in 2003 and \$3,305 in 2002; Mr. Nielsen in the amounts of \$5,998 in 2004, 5,172 in 2003 and \$4,720 in 2002; and Mr. Samuelian in the amounts of \$4,880 in 2004, \$4,787 in 2003 and \$4,217 in 2002; (ii) life insurance premiums

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paid by us for Mr. Butterfield in the amounts of \$1,870 in 2004, \$763 in 2003 and \$576 in 2002; Mr. Erickson in the amounts of \$850 in each of 2004 and 2003, and, \$765 in 2002; Mr. Kinghorn in the amount of \$345 in each of 2004, 2003, 2002; Mr. Nielsen in the amounts of \$685 in each of 2004, 2003 and \$0 in 2002; and Mr. Samuelian in the amount of \$1,435 in 2004, \$1,435 in each of 2003 and 2002.

- (3) Includes \$7,749 paid to Mr. Samuelian during our 2003 fiscal year for commissions earned in our 2002 fiscal year.

Table of Contents**Grants of Stock Options**

The following table summarizes the stock options granted to each Named Executive Officer during the Last Fiscal Year, including the potential realizable value over the 10-year term of the options, which is based on assumed rates of stock appreciation of 5% and 10%, compounded annually and subtracting from that result the aggregate option exercise price. These assumed rates of appreciation comply with the rules of the Securities and Exchange Commission and do not represent our estimate or projection of future stock price of our Common Stock. Actual gains, if any, on stock option exercises are dependent on the future performance of our Common Stock, overall market conditions and the option holder's continued employment through the vesting period.

During the Last Fiscal Year, we granted options to purchase up to an aggregate of 837,890 shares to employees. All options were granted under our 2002 Stock Plan at exercise prices equal to the fair market value of our Common Stock on the date of grant. Generally, such options vest as to 25% of the shares underlying the option at the end of each one-year period over four years. The stock options granted to our executive management team during the last fiscal year fully vest at the end of one year.

Name	Individual Grants				Potential Realizable Value at Assumed Annual Rates of Stock Price Appreciation for Options Terms	
	Number of Securities Underlying Options Granted(#)	Percent of Total Options Granted to Employees(#)	Exercise Price Per Share	Expiration Date	5% (\$)	10% (\$)
Gregory S. Butterfield	25,000	2.98%	\$ 22.53	7/20/2014	\$ 354,225	\$ 897,675
Stephen C. Erickson	15,000	1.79%	22.53	7/20/2014	212,535	538,605
Dwain A. Kinghorn	15,000	1.79%	22.53	7/20/2014	212,535	538,605
Poul E. Nielsen	12,500	1.49%	22.53	7/20/2014	177,112	448,838
Michael R. Samuelian	15,000	1.79%	22.53	7/20/2014	212,535	538,605

Exercises of Stock Options

The following table provides certain information concerning stock option exercises during the Last Fiscal Year, and exercisable and unexercisable options held as of December 31, 2004, by the Named Executive Officers.

Name	Shares Acquired on Exercise(#)	Value Realized(\$)	Number of Securities Underlying Unexercised Options at December 31, 2004		Value of Unexercised In-the-Money Options at December 31, 2004(1)	
			Exercisable	Unexercisable	Exercisable(\$)	Unexercisable(\$)
Gregory S. Butterfield	30,000	\$ 1,018,500	87,917	62,083	\$ 2,842,047	\$ 1,232,678

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Stephen C. Erickson	45,000	1,055,300	40,417	57,083	1,094,497	1,250,828
Dwain A. Kinghorn	56,250	1,258,066	21,417	50,000	556,350	1,065,187
Poul E. Nielsen	27,750	645,212	9,750	40,000	242,693	847,200
Michael R. Samuelian	68,508	1,670,923	12,950	43,542	330,569	889,803

- (1) Based on a fair market value of \$35.43 per share as of December 31, 2004, the closing sales price per share of our Common Stock on that date as reported on the Nasdaq National Market.

Table of Contents**Securities Authorized for Issuance under Equity Compensation Plans**

The following table provides certain information concerning our equity compensation plans as of December 31, 2004.

Equity Compensation Plan Information

<u>Plan category</u>	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted-average exercise price of outstanding options, warrants and rights (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)
Equity compensation plans approved by security holders	2,793,425	\$ 15.46	1,206,991
Equity compensation plans not approved by security holders	0	0	0
Total	2,793,425	\$ 15.46	1,206,991

Securities Authorized for Issuance under Equity Compensation Plans

The following table provides certain information concerning our equity compensation plans as of December 31, 2003.

Equity Compensation Plan Information

<u>Plan category</u>	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted-average exercise price of outstanding options, warrants	Number of securities remaining available for future issuance under
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		and rights (b)	equity compensation plans (excluding securities reflected in column (a)) (c)
		<u> </u>	<u> </u>
Equity compensation plans approved by security holders	3,066,776	\$ 8.89	776,996
Equity compensation plans not approved by security holders	0	0	0
	<u> </u>	<u> </u>	<u> </u>
Total	3,066,776	\$ 8.89	776,996
	<u> </u>	<u> </u>	<u> </u>

Benefit Plans

1998 Stock Option Plan

Our 1998 Stock Option Plan was adopted by our Board of Directors in August 1998. Our 1998 Stock Option Plan provides for the grant of nonstatutory stock options to our employees, directors and consultants. We have reserved an aggregate of 4,197,058 shares of our common stock for issuance under this plan. As of June 28, 2004, 2,892,545 shares had been issued pursuant to the exercise of options and options to purchase 1,154,539 shares of common stock were outstanding. In February 2002, our Board of Directors determined to discontinue granting stock options under our 1998 Stock Option Plan and to retire any shares of our common stock reserved for issuance under such plan and not subject to outstanding stock options. Since the discontinuation of stock option grants under our 1998 Stock Option Plan, we have granted options only under our 2002 Stock Plan (described below). The 1998 Stock Option Plan provides that in the event of the sale, transfer or other disposition of all or substantially all of our assets, our complete liquidation or dissolution, or a merger or consolidation in which more than 50% of our total combined voting power is transferred to persons different from the persons

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holding those securities immediately prior to such merger or consolidation, the outstanding options under the plan and all outstanding repurchase rights will terminate except to the extent the options and repurchase rights are assumed by the successor entity. Notwithstanding the foregoing, outstanding options may accelerate as to a portion of unvested shares subject to an option prior to such termination as provided in an optionee's stock option agreement or any amendment to such stock option agreement.

2002 Stock Plan

Our Board of Directors adopted and our stockholders approved the 2002 Stock Plan in January 2002. In connection with our initial public offering of common stock in May 2002, our Board and stockholders approved certain amendments to this plan, including an amendment to increase the maximum number of shares reserved for issuance under the plan. The plan is administered by our Board of Directors and the Compensation Committee of the Board and terminates automatically in 2012, unless we terminate it sooner. The administrator has the authority to amend, suspend or terminate the plan provided such amendment does not impair the rights of any optionee. We have reserved a total of 2,574,080 shares of our common stock for issuance under this plan. In addition, this plan provides for annual increases in the number of shares available for issuance under the plan on the first day of each fiscal year equal to the lesser of (i) 3% of the outstanding shares of common stock on the first day of the applicable year, or (ii) 1,000,000 shares, or (iii) a lesser amount as our Board may determine. As of March 31, 2005, 3,930,629 shares had been issued pursuant to the exercise of options and options to purchase 2,533,205 shares of common stock were outstanding.

This plan provides for the grant of incentive stock options, within the meaning of Section 422 of the U.S. Internal Revenue Code of 1986, as amended, or the Code to our employees, and for the grant of nonstatutory stock options and stock purchase rights to our employees, directors and consultants. The administrator has the power to determine the terms of the options and stock purchase rights granted pursuant to the plan, including the exercise price, the number of shares subject to each option or stock purchase right, the exercisability of the options and stock purchase rights and the form of consideration payable upon exercise. The administrator determines the exercise price of options granted under the plan, but with respect to nonstatutory stock options intended to qualify as performance-based compensation within the meaning of Section 162(m) of the Code and incentive stock options, the exercise price must be at least equal to the fair market value of our common stock on the date of grant. The term of an incentive stock option may not exceed 10 years, except that with respect to any participant who owns 10% of the voting power of all classes of our outstanding capital stock, the term must not exceed 5 years and the exercise price must equal at least 110% of the fair market value on the grant date. The administrator determines the term of all other options. No optionee may be granted an option to purchase more than 1,000,000 shares in any year, except in connection with his or her initial service as an employee, an optionee may be granted an additional option to purchase up to 500,000 shares. In connection with the termination of an employee, director or consultant, he or she may exercise his or her option for the period of time stated in the option agreement. Generally, if termination is due to death or disability, the option will remain exercisable for 12 months. In all other cases, the option will generally remain exercisable for 3 months. However, an option may never be exercised later than the expiration of its term.

Stock purchase rights, which represent the right to purchase our common stock, may be issued under this plan. The administrator determines the purchase price of stock purchase rights granted under our plan. Unless the administrator determines otherwise, a restricted stock purchase agreement, which is an agreement between us and an optionee which governs the terms of stock purchase rights, will grant us a repurchase option that we may exercise upon the voluntary or involuntary termination of the purchaser's service with us for any reason, including death or disability. The purchase price for shares we repurchase will generally be the original price paid by the purchaser and may be paid by cancellation of any indebtedness of the purchaser to us. The administrator determines the rate at which our repurchase option will lapse.

This plan generally does not allow for the transfer of options or stock purchase rights and only the optionee may exercise an option or stock purchase right during his or her lifetime. The plan also provides that in the event

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of our merger with or into another corporation, or a change of control, the successor corporation will assume or substitute each option or stock purchase right. If the successor corporation refuses to assume or substitute for outstanding options and stock purchase rights, the administrator will notify each optionee that, for a period of 15 days from the date of such notice, his or her option will become exercisable as to all vested shares subject to such option, plus all shares that would have otherwise vested within one year after the date of such notice. The option will terminate upon the expiration of the 15-day period.

2005 Stock Plan

Our board of directors adopted the Altiris 2005 Stock Plan, formerly the Pedestal Software, Inc. 2002 Stock Option and Incentive Plan, in connection with our acquisition of Pedestal Software, Inc. and effective as of March 29, 2005. The 2005 Stock Plan provides for the grant of incentive stock options, nonstatutory stock options, restricted stock and other stock-based awards.

Share Reserve. A total of 503,672 shares of our common stock are authorized for issuance under the 2005 Stock Plan. Shares subject to awards which expire or are cancelled or forfeited will again become available for issuance under the 2005 Stock Plan.

Eligibility. Term and Administration of Awards. Our board of directors or a committee of our board administers the 2005 Stock Plan. The administrator has the power to determine the terms of the awards, including the exercise price, the number of shares subject to each such award, the exercisability of the awards and the form of consideration, if any, payable upon exercise. Our employees, officers, directors, consultants and advisors are eligible to receive awards under the 2005 Stock Plan, except for those individuals who were employed by us at the time of our acquisition of Pedestal Software, Inc. No participant may be granted awards during any one fiscal year to purchase more than 402,937 shares of our common stock.

Stock Options. The administrator determines the exercise price of options granted under the 2005 Stock Plan. The term of an incentive stock option may not exceed ten years, except that with respect to any participant who owns 10% of the voting power of all classes of our outstanding stock, the term must not exceed five years and the exercise price must equal at least 110% of the fair market value on the grant date. The administrator determines the term of all other options.

Restricted Stock. Restricted stock may be granted under our 2005 Stock Plan. Restricted stock awards are shares of our common stock that vest in accordance with terms and conditions established by the administrator. The administrator will determine the number of shares of restricted stock granted to any employee. The administrator may impose whatever conditions to vesting it determines to be appropriate. Shares of restricted stock that do not vest are subject to our right of repurchase.

Other Stock-Based Awards. Our board has the right to grant other awards based on our common stock having such terms and conditions as the board determines, including, the grant of shares based on certain conditions, the grant of securities convertible into our common stock and the grant of stock appreciation rights, phantom stock awards or stock units.

If a participant dies, becomes disabled, retires or has any other termination of service with us, our board will determine the effect of an award due to such termination and the extent to which those awards may be exercised.

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Effect of our Acquisition. Our 2005 Stock Plan provides that in the event of our acquisition, our board or the board of directors of the surviving or acquiring entity will make appropriate provision for the continuation of outstanding awards under the 2005 Stock Plan or for the assumption for such awards and by substituting on an equitable basis for the shares then subject to such awards either (i) the consideration payable with respect to the outstanding shares of common stock in connection with our acquisition, (ii) shares of stock of the surviving or acquiring corporation, or (iii) such other securities or other consideration as our board deems appropriate. In

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addition to or in lieu of the previous sentence, our board may provide, upon written notice to affected participants, that outstanding options must be exercised, in whole or in part, within a specified number of days of the date of such notice, at the end of which period such options will terminate, or provide that outstanding options, in whole or in part, will be terminated in exchange for a cash payment equal to the excess of the fair market value (as determined by our board in its sole discretion) for the shares subject to the options over the exercise price thereof; provided, however, that before terminating any portion of an option that is not vested, our board must first accelerate the vesting any portion of the option that is to be terminated. Unless otherwise determined by our board, any repurchase rights or other rights of the Company that relate to an option or other award under the 2005 Stock Plan shall continue to apply to consideration, including cash, that has been substituted, assumed or amended for an option or other award under this provision.

In connection with a merger or consolidation of an entity with us or the acquisition by us of property or stock of an entity, our board may grant awards under the 2005 Stock Plan in substitution for stock and stock-based awards issued by such entity.

Acceleration. Our board may at any time provide that any options will become immediately exercisable in full or in part and that restricted stock awards will be free of some or all restrictions, or that any other stock-based awards will become exercisable in full or in part or free of some or all restrictions or conditions, or otherwise realizable in full or in part.

Transferability. Our 2005 Stock Plan generally does not allow for the transfer of awards and only the recipient of an award may exercise an award during his or her lifetime.

Additional Provisions. Our board of directors has the authority to amend, suspend or terminate the 2005 Stock Plan provided such action does not impair the rights of any participant.

2002 Employee Stock Purchase Plan

In February 2002, our Board of Directors adopted our 2002 Employee Stock Purchase Plan, and, in connection with our initial public offering of common stock in May 2002, our stockholders approved the plan. A total of 1,429,269 shares of our common stock are reserved for issuance under this plan. As of March 31, 2005, 348,024 shares had been issued pursuant to the exercise of options. In addition, this plan provides for annual increases in the number of shares available for issuance under the plan on the first day of each year, beginning in 2003, equal to the lesser of (i) 2% of the outstanding shares of our common stock on the first day of the applicable year, (ii) 750,000 shares, or (iii) another amount as our Board may determine. The plan is administered by our Board of Directors and the Compensation Committee of the Board. The administrator has full power and the exclusive authority to interpret the terms of the plan and to determine eligibility under the plan and the authority to amend or terminate our the plan, except that, subject to certain exceptions set forth in the plan, no such action may adversely affect any outstanding rights to purchase stock under our the plan.

Our employees and employees of designated subsidiaries are eligible to participate in this plan. However, the administrator may not grant to an employee an option to purchase stock under this plan if:

the employee immediately after grant owns stock possessing 5% or more of the total combined voting power or value of all classes of our capital stock, or

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if the employee's rights to purchase stock under all of our employee stock purchase plans accrues at a rate that exceeds \$25,000 worth of stock for each calendar year.

This plan is intended to qualify under Section 423 of the Code and contains consecutive, six-month offering periods. The offering periods generally start on the first trading day on or after February 1 and August 1 of each year and will end six months later on the last trading day on or after February 1 or on the last trading day on or after August 1.

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This plan permits participants to purchase common stock through payroll deductions of up to 10% of their eligible compensation, which includes a participant's base salary, overtime and shift premiums and commissions, but excludes all other compensation. A participant may purchase a maximum of a maximum of 750 shares during each 6-month offering period, subject to adjustment for stock splits, dividends or other applicable changes in our capital structure. Amounts deducted and accumulated by the participant are used to purchase shares of our common stock at the end of each six-month offering period. The purchase price is equal to 85% of the lower of the fair market value of our common stock at the beginning of an offering period or at the end of an offering period. Participants may end their participation at any time during an offering period, and will be paid their payroll deductions to date. Participation ends three months following termination of employment with us (unless specified otherwise by a participant).

A participant may not transfer rights granted under the plan other than by will, the laws of descent and distribution or as otherwise provided under the plan. The plan also provides that in the event of a change of control, a successor corporation may assume or substitute each outstanding option. If the successor corporation refuses to assume or substitute for the outstanding options, the offering periods then in progress will be shortened, and a new exercise date will be set. In such event, the administrator will provide notice of the new exercise date to each optionee at least 10 business days before the new exercise date.

Employment Contracts and Change-in-Control Arrangements

Other than as provided generally to all optionees under our 1998 Stock Option Plan and 2002 Stock Plan and participants under our 2002 Employee Stock Purchase Plan, we have no employment agreements or change-in-control arrangements with any Named Executive Officer.

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

Notwithstanding any statement to the contrary in any of our previous or future filings with the SEC, the following information relating to the price performance of our common stock shall not be deemed filed with the SEC or soliciting material under the Securities Exchange Act of 1934, as amended, and shall not be incorporated by reference into any such filings

The following graph compares the total cumulative stockholder return on our common stock with the total cumulative return of the Nasdaq U.S. Index and Standard & Poor's 500 Systems Software Index for the period beginning on May 23, 2002 (the date on which our Common Stock began trading on the Nasdaq National Market) and ending on December 31, 2004. The graph assumes that \$100 was invested on May 23, 2002 in Altiris Common Stock, the Nasdaq U.S. Index and Standard & Poor's 500 Systems Software Index, and that all dividends were reinvested.

Such returns are based on historical results and are not intended to suggest future performance.

ANNUAL RETURN PERCENTAGE**Years Ending**

<u>Company/Index</u>	<u>Dec. 02</u>	<u>Dec. 03</u>	<u>Dec. 04</u>
ALTIRIS INC	59.20	129.15	-2.88
NASDAQ U.S. INDEX	-20.84	49.51	8.83
S&P 500 SYSTEMS SOFTWARE	-4.88	16.68	8.39

INDEXED RETURNS**Years Ending**

<u>Company/Index</u>	Base Period			
	<u>23 May 02</u>	<u>Dec. 02</u>	<u>Dec. 03</u>	<u>Dec. 04</u>
ALTIRIS INC	100	159.20	364.80	354.30
NASDAQ U.S. INDEX	100	79.16	118.35	128.79
S&P 500 SYSTEMS SOFTWARE	100	95.12	110.98	120.29

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PROPOSALS TO BE VOTED ON

PROPOSAL ONE

ELECTION OF DIRECTORS

Our Certificate of Incorporation and Bylaws provide that our Board of Directors shall be divided into three classes designated as Class I, Class II and Class III, respectively, with the classes of directors serving for staggered three-year terms. We have (2) two Class I directors, Gregory S. Butterfield and Gary B. Filler, whose terms expire at our annual meeting of stockholders to be held in 2006; (2) two Class II directors, Michael J. Levinthal and Mark E. Sunday, whose terms expire at the at our annual meeting of stockholders to be held in 2007; and (2) two Class III directors, Jay C. Hoag and V. Eric Roach, whose terms expire at the upcoming annual meeting. In accordance with our Certificate of Incorporation and Bylaws, any additional directorships resulting from an increase in the number of directors will be apportioned among the three classes so as to maintain the number of directors in each class as nearly equal as possible. Currently there is a vacancy on our Board of Directors for a Class III director. Our Board of Directors will endeavor to fill such vacancy with an independent director to serve until such director's successor is duly elected and qualified.

Class III Director Nominees

There are two nominees for election as Class III directors this year. Our Governance and Nominating Committee / Board of Directors has nominated Messrs. Hoag and Roach for re-election as Class III directors. Messrs. Hoag and Roach have served as director since 2002. If elected, Messrs. Hoag and Roach will hold office as Class III directors until our annual meeting of stockholders to be held in 2008, and until their respective successors are elected and qualified or until their earlier death, resignation or removal.

If you sign your proxy or voting instruction card but do not give instructions with respect to the voting of directors, your shares will be voted for the two nominees recommended by our Board of Directors. If you wish to give specific instructions with respect to the voting of directors, you may do so by indicating your instructions on your proxy or voting instruction card. The Board expects that each nominee will be available to serve as a director. In the event Messrs. Hoag or Roach become unavailable, however, the proxy holders will be voted for any nominee designated by the Board, unless the Board chooses to reduce the number of directors serving on the Board. In the event that additional persons are nominated for election as directors, the proxy holders intend to vote all proxies received by them in such a manner as to assure the election of Messrs. Hoag and Roach.

Vote Required and Recommendation of the Board of Directors

The two nominees receiving the highest number of affirmative **FOR** votes at the meeting (a plurality of votes cast) will be elected to serve as Class III directors. Votes withheld from any director nominee will be counted for purposes of determining the presence or absence of a quorum but have no other legal effect under Delaware law.

Our Board recommends a vote for the election of Jay C. Hoag and V. Eric Roach as Class III directors.

Information Concerning the Nominees and Incumbent Directors

The following table sets forth the name and age of each nominee and each current director of Altiris whose term of office continues after the upcoming meeting, the principal occupation of each during the past five years and the period during which each has served as a director of Altiris. Information as to the stock ownership of each of our directors and all of our current executive officers as a group is set forth above under *Security Ownership of Certain Beneficial Owners and Management*. There are no family relationships between any director or executive officer.

Table of Contents*Nominees for Election as Class III Directors Serving for a Term Expiring in 2008*

Name	Principal Occupation during Past Five Years	Age	Director Since
Jay C. Hoag	Mr. Hoag has served as a director of Altiris, Inc. since February 2002. Mr. Hoag has been a General Partner of Technology Crossover Ventures, a venture capital firm, since June 1995. Mr. Hoag also serves on the board of directors of eLoyalty Corporation, NetFlix, Inc., Inphonic, Inc. and several privately held companies.	46	2002
V. Eric Roach	Mr. Roach has served as a director of Altiris, Inc. since February 2002. Mr. Roach served as Chief Executive Officer and Chairman of the Board of eLance, a professional services marketplace, from May 2000 to October 2001, and he is currently a member of the board of directors of eLance. Prior to joining eLance, Mr. Roach served from September 1997 to January 2000 as Executive Vice President and Chief Marketing Officer for the Direct Business division of Morgan Stanley Dean Witter, an investment bank. Prior to joining Morgan Stanley Dean Witter, Mr. Roach founded Lombard Brokerage, a brokerage company, and served as its Chairman and Chief Executive Officer from May 1992 to September 1997.	42	2002

Incumbent Class I Directors Serving for a Term Expiring in 2006

Name	Principal Occupation during Past Five Years	Age	Director Since
Gregory S. Butterfield	Mr. Butterfield has served as our President and Chief Executive Officer since February 2000, as a director since May 2000 and as our Chairman of the Board since April 2004. Prior to joining Altiris, Mr. Butterfield served as Vice President, Sales for Legato Systems, Inc., a backup software company, from July 1999 to February 2000. From June 1996 to July 1999, Mr. Butterfield served as Executive Vice President of Worldwide Sales for Vinca, a fault tolerance and high availability company. From June 1994 to June 1996, Mr. Butterfield was the Regional Director of the Rocky Mountain Region for Novell, Inc., a provider of Internet business solutions. From January 1992 to June 1994, Mr. Butterfield was Vice President of North American Sales for WordPerfect Corporation, a software company.	45	2000
Gary B. Filler	Mr. Filler has served as a director of Altiris since February 2002. Mr. Filler served as the Chief Executive Officer and as a director of Net Vision, Inc., a software company, from November 2001 to December 2002. Mr. Filler has served as a board member of Sento Corporation, a software company, since September 1998 and served as Chairman of the Board until October 2004. In addition, Mr. Filler served as Acting Chief Financial Officer and Executive Vice President of Sento Corporation from July 1999 to July 2001. From September 1996 to September 1998, Mr. Filler was a business consultant and private investor. Mr. Filler served as	64	2002

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Name	Principal Occupation during Past Five Years	Age	Director Since
	Senior Vice President and Chief Financial Officer for Diamond Multimedia Systems, Inc., a manufacturer of graphics boards and modems, from January 1995 to September 1996. From February 1994 until June 1994, he served as Executive Vice President and Chief Financial Officer of ASK Group, Inc., a computer systems company. Mr. Filler was Chairman of the board of Seagate Technology, Inc., a manufacturer and distributor of data storage, retrieval and management products, from September 1991 until October 1992, and was Vice Chairman of the board of Seagate from October 1990 until September 1991. Mr. Filler served as Co-Chairman of the board of Seagate and as director of Seagate Software, Inc., a subsidiary of Seagate from June 1998 until December 2000.		

Incumbent Class II Directors Serving for a Term Expiring in 2007

Name	Principal Occupation during Past Five Years	Age	Director Since
Michael J. Levinthal	Mr. Levinthal has served as a director of Altiris since February 2002 and as the Lead Independent Director since April 2004. Prior to becoming a general partner of Thomas Weisel Venture Partners in January 2004, Mr. Levinthal was a partner at Mayfield Funds, a venture capital firm since January 1983. Prior to joining Mayfield, Mr. Levinthal was a Special Limited Partner at New Enterprise Associates, a venture capital firm, from June 1981 to December 1982. In addition, Mr. Levinthal has been a director of Concur Technologies, Inc., a software company, since April 1998. Mr. Levinthal currently serves on the board of directors of several privately held companies.	50	2002
Mark E. Sunday	Mr. Sunday has served as a director of Altiris since his appointment in April 2004. Since January 2002, Mr. Sunday has served as Senior Vice President, Information Technology and Chief Information Officer of Siebel Systems, Inc., a provider of customer relationship management software. From August 1999 to January 2002, Mr. Sunday served as Vice President, Information Technology and Chief Information Officer of Siebel. Prior to joining Siebel in August 1999, Mr. Sunday was Chief Information Officer of Motorola, Inc.	50	2004

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Our Audit Committee has appointed KPMG LLP, independent registered public accountants, to audit our financial statements for the fiscal year ending December 31, 2005. Services provided to Altiris and its subsidiaries by KPMG during the fiscal year ended December 31, 2004 are described under *Audit and Related Fees for Fiscal 2004 and 2003* below. Representatives of KPMG will be present at the meeting, where they are expected to be available to respond to appropriate questions and, if they desire, to make a statement.

Audit and Related Fees for Fiscal 2004 and 2003

The following table sets forth a summary of the fees billed to us by KPMG LLP for professional services for the fiscal years ended December 31, 2004 and 2003, respectively:

	<u>2004</u>	<u>2003</u>
Audit Fees(1)	\$ 1,052,000	\$ 216,000
Audit-Related Fees(2)	47,000	242,000
Tax Fees(3)	207,000	243,000
All Other Fees		
Total	\$ 1,306,000	\$ 701,000

- (1) Audit fees represent fees for professional services provided in connection with the audit of our financial statements, the audit of management's assessment of the effectiveness of internal control over financial reporting and review of our quarterly financial statements and audit services provided in connection with other statutory or regulatory filings.
- (2) Audit-related fees consisted primarily of accounting consultations, services related to proposed business acquisitions and divestitures and other attestation services. In addition, we paid audit-related fees for professional services performed in connection with our follow-on public offering of our common stock in 2003.
- (3) For our fiscal years ended December 31, 2004 and 2003, respectively, tax fees principally included tax compliance fees and fees for tax advice.

The Audit Committee of our Board of Directors has adopted a policy regarding the pre-approval of audit-related and non-audit services to be performed by the independent registered public accountants of Altiris and not otherwise prohibited by law. This policy requires that services must either be specifically pre-approved on a case-by-case basis or generally pre-approved if the services fall within the guidelines set by the Audit Committee. Under this policy, the annual audit services engagement terms and fees require the specific pre-approval of the Audit Committee and certain audit-related services, tax services, and other services require general pre-approval. Only those services that the Audit Committee feels will not impair the independence of the auditor and are consistent with the SEC rules regarding auditor independence have been generally pre-approved. Additionally, where fees for certain services that have been generally pre-approved exceed certain fee thresholds set by the Audit Committee, specific pre-approval is required for services that would exceed those fee thresholds. The Audit Committee also may delegate both specific and general pre-approval authority to one or more of its members. All audit-related, tax and other services and fees were pre-approved by the Audit Committee in accordance with applicable law.

Vote Required and Recommendation of the Board of Directors

Ratification of the appointment of KPMG LLP as our independent registered public accountants for the fiscal year ending December 31, 2005, requires the affirmative vote of a majority of the shares of Altiris common stock present in person or represented by proxy and entitled to be voted at the meeting. Abstentions have the same effect as a vote against the proposal.

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Our Board recommends a vote FOR the ratification of the appointment of KPMG LLP as our independent registered public accountants for the fiscal year ending December 31, 2005.

Ratification of the appointment of KPMG LLP as our independent registered public accountants is not required by our Bylaws or other applicable legal requirement. However, our Board is submitting the selection of KPMG to the stockholders for ratification as a matter of good corporate practice. If the stockholders fail to ratify the selection, the Audit Committee of the Board will reconsider whether or not to retain that firm. Even if the selection is ratified, the Audit Committee at its discretion may direct the appointment of a different independent registered public accounting firm at any time during the year if it determines that such a change would be in our best interests and in the best interests of our stockholders.

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OTHER MATTERS

We are not aware of any other business to be presented at the meeting. As of the date of this proxy statement, no stockholder had advised us of the intent to present any business at the meeting. Accordingly, the only business that our Board intends to present at the meeting is as set forth in this Proxy Statement.

If any other matter or matters are properly brought before the meeting, the proxies will use their discretion to vote on such matters in accordance with their best judgment.

By order of the Board of Directors,

Craig H. Christensen
Vice President, General Counsel and Secretary

Lindon, Utah

April 18, 2005

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APPENDIX A

**CHARTER FOR THE AUDIT COMMITTEE
OF THE BOARD OF DIRECTORS
OF ALTIRIS, INC.**

(Adopted on February 22, 2002 and Effective on May 29, 2002)

(Amended and restated on March 24, 2003)

(Amended and restated on January 27, 2004)

PURPOSE OF THE COMMITTEE

The purpose of the Audit Committee (the *Committee*) of the Board of Directors (the *Board*) of Altiris, Inc. (the *Corporation*) shall be to:

oversee the accounting and financial reporting processes of the Corporation and audits of the financial statements of the Corporation;

assist the Board in the oversight and monitoring of (1) the integrity of the financial statements of the Corporation, (2) the Corporation's compliance with legal and regulatory requirements, (3) the independent auditor's qualifications, independence and performance, and (4) the Corporation's internal accounting and financial controls and reporting practices;

submit and sign the report that the rules of the U.S. Securities and Exchange Commission (the *SEC*) require be included in the Corporation's annual proxy statement;

provide the Board with the results of its monitoring and recommendations derived therefrom;

provide to the Board such additional information and materials as it may deem necessary to make the Board aware of significant financial matters that require the attention of the Board; and

serve as a Qualified Legal Compliance Committee, as defined by rules adopted by the SEC (the *SEC Rules*).

The primary responsibility of the Committee is to oversee the Corporation's financial reporting process on behalf of the Board and report the financial results of the Corporation's activities to the Board. Management is responsible for preparing the Corporation's financial statements, and the Corporation's independent auditors are responsible for auditing those financial statements. The Committee and the Board recognize that management and the independent auditors have more resources and time, and more detailed knowledge and information regarding the accounting, auditing, internal control and financial reporting practices of the Corporation than the Committee does; accordingly, the Committee's

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oversight role does not provide any expert or special assurance as to the financial statements and other financial information provided by the Corporation to its stockholders and others. Nothing contained in this Charter is intended to alter or impair the operation of the business judgment rule as interpreted by the courts under the Delaware General Corporation Law (*Delaware Law*). Further, nothing contained in this Charter is intended to alter or impair the right of the members of the Committee under Delaware Law to rely, in discharging their oversight role, on the records of the Corporation and on other information presented to the Committee, the Board or the Corporation by its officers or employees or by outside experts, such as the Corporation's independent auditors.

The Committee has the authority to undertake the specific duties and responsibilities listed below and such other duties as the Board may from time to time prescribe. It is acknowledged, however, that all of the areas of oversight listed below may not be relevant to all of the matters and tasks that the Committee may consider and act upon from time to time, and the members of the Committee in their judgment may determine the relevance thereof and the attention such items will receive in any particular context.

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COMMITTEE MEMBERSHIP, ORGANIZATION AND GOVERNANCE

Composition. The Committee shall be comprised of no fewer than three (3) members of the Board. The Committee members will be appointed by, and will serve at the discretion of, the Board. Members of the Committee must meet the following criteria (as well as any additional criteria required by the SEC and the SEC rules or by The Nasdaq Stock Market, Inc. or the Nasdaq Rules):

each member satisfy the requirements for independence set out in Rule 4200 of The NASDAQ Stock Market Marketplace Rules (the *Nasdaq Rules*) and Rule 10A-3(b)(1) of the Securities Exchange Act of 1934, as amended, or under any other applicable SEC rules;

each member must be able to read and understand fundamental financial statements, in accordance with the NASD's Audit Committee requirements for companies listed on the Nasdaq National Market;

no member shall have participated in the preparation of the financial statements of the Corporation or any current subsidiary of the Corporation at any time during the past three (3) years;

at least one (1) member shall have past employment experience in finance or accounting, requisite professional certification in accounting, or any other comparable experience or background, including being or having been a chief executive officer, chief financial officer or other senior officer with financial oversight responsibilities; and

at least one (1) member shall be an audit committee financial expert, as pursuant to the SEC, and the Board will be responsible for determining whether a Committee member meets the qualifications set forth in such rules.

Chairperson. The Governance and Nominating Committee of the Board shall recommend to the Board, for its approval, the designation of one (1) member of the Audit Committee to serve as its chairperson.

Meetings and Procedures. The Committee will meet at least once each fiscal quarter. The Committee may establish its own schedule, which it will provide to the Board in advance. Special meetings may be convened as required. The Committee, or its Chairperson, shall report orally to the full Board on the results of all Committee meetings. The Committee may choose as its secretary such person as the Committee deems appropriate. The Committee may invite to its meetings other directors, officers or employees of the Corporation, or other persons as the Committee deems appropriate in order to carry out its responsibilities.

The Committee will meet separately with the Chief Executive Officer and separately with the Chief Financial Officer of the Corporation at such times as are appropriate to review the financial affairs of the Corporation. The Committee will meet separately with the independent auditors of the Corporation, at such times as it deems appropriate, but not less than quarterly, to fulfill the responsibilities of the Committee under this Charter. The Committee may also meet separately with the Corporation's internal auditor and/or with such division financial officers, controllers, attorneys or other persons as the Committee, in its sole discretion, may determine from time to time.

Minutes. The Committee will maintain written minutes of its meetings, which minutes will be filed with the minutes of the meetings of the Board.

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Reports. In addition to submitting and signing the Audit Committee report in the Corporation's proxy statement in accordance with the SEC rules, the Audit Committee will summarize its examinations and recommendations to the Board as may be appropriate, consistent with this Charter.

Compensation. Members of the Committee shall receive compensation for their service as members of the Committee in such amount and form as the Board shall determine in its sole discretion. Such fees may include retainers and per meeting fees. Any changes in such compensation shall be determined by the Board in its sole discretion. No member of the Committee may receive any compensation from the Corporation other than the fees that they receive for service as a member of the Board or any committee thereof and except as permitted by the Nasdaq Rules.

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RESPONSIBILITIES AND AUTHORITY

In addition to other responsibilities given to the Committee by the Board from time to time, the Committee shall:

1. review on a continuing basis the adequacy of the Corporation's internal control structure and procedures for financial reporting, which shall include meeting periodically with the Corporation's management and the independent auditors to review the adequacy of such control structure and to review before release the disclosure regarding such control structure required under SEC rules to be contained in the Corporation's periodic filings and the attestations or reports by the independent auditors relating to such disclosure.
2. appoint, compensate, retain and oversee the work of the independent auditors (and resolve disagreements between management and the independent auditors regarding financial reporting) for the purpose of preparing or issuing an audit report or related work.
3. pre-approve audit and non-audit services provided to the Corporation by the independent auditors (or subsequently approve non-audit services in those circumstances where a subsequent approval is necessary and permissible); in this regard, the Audit Committee shall have the sole authority to approve the hiring and firing of the independent auditors, all audit engagement fees and terms and all non-audit engagements, as may be permissible, with the independent auditors.
4. review and provide guidance with respect to the external audit and the Corporation's relationship with its independent auditors by (1) reviewing the independent auditors' proposed audit scope, approach and independence; (2) obtaining on a periodic basis a statement from the independent auditors regarding relationships and services with the Corporation which may impact independence and presenting this statement to the Board, and to the extent there are such relationships, monitoring and investigating them; (3) reviewing the independent auditors' peer review conducted every three (3) years; (4) discussing with the Corporation's independent auditors the financial statements and audit findings, including any significant adjustments, management judgments and accounting estimates, significant new accounting policies and disagreements with management and any other matters described in SAS No. 61, as may be modified or supplemented; (5) reviewing reports submitted to the audit committee by the independent auditors in accordance with the applicable SEC requirements and requirements under the Sarbanes-Oxley Act of 2002; and (6) such other reviews, inspections, independent evaluations as the Committee in its sole discretion may deem advisable.
5. review and discuss with management and the independent auditors the annual audited financial statements and quarterly unaudited financial statements, including the Corporation's disclosures under Management's Discussion and Analysis of Financial Condition and Results of Operations, prior to filing the Corporation's Annual Report on Form 10-K and Quarterly Reports on Form 10-Q, respectively, with the SEC.
6. direct the Corporation's independent auditors to review before filing with the SEC the Corporation's interim financial statements included in Quarterly Reports on Form 10-Q, using professional standards and procedures for conducting such reviews.
7. conduct a post-audit review of the financial statements and audit findings, including any significant suggestions for improvements provided to management by the independent auditors.

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8. review before release the unaudited quarterly operating results in the Corporation's quarterly earnings release.

9. oversee compliance with the requirements of the SEC for disclosure of auditor's services and audit committee members, member qualifications and activities.

10. review and discuss with management and the Corporation's independent auditors management's report on internal controls and the independent auditors' attestation and report on management's assertions, as required by Section 404 of the Sarbanes-Oxley Act of 2002, as well as the preparation and content of any

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officer certifications required by the Sarbanes-Oxley Act of 2002 or the SEC to be filed with the Corporation's Quarterly Report on Form 10-Q, Annual Report on Form 10-K or any other periodic report filed with the SEC.

11. review, approve and monitor the Corporation's code of ethics for its senior financial officers;
12. review management's monitoring of compliance with the Corporation's standards of business conduct and with the Foreign Corrupt Practices Act.
13. review periodically with counsel any legal matter that could have a significant impact on the Corporation's financial statements.
14. provide oversight of and review at least annually the Corporation's guidelines and policies with respect to risk assessment and risk management, including the Corporation's investment policies.
15. oversee and review the Corporation's policies regarding information technology and management information systems.
16. if necessary, institute special investigations with full access to all books, records, facilities and personnel of the Corporation.
17. as appropriate, obtain advice and assistance from outside legal counsel, experts or other advisors, with (1) the authority to retain such counsel, experts or other advisors as the Committee may deem appropriate in its sole discretion and (2) the sole authority to approve related fees and retention terms.
18. submit and sign a report in the Corporation's proxy statement in accordance with the SEC rules.
19. establish procedures for the receipt, retention and treatment of complaints received by the Corporation regarding accounting, internal accounting controls or auditing matters, including procedures for the confidential, anonymous submission by employees of concerns regarding questionable accounting or auditing matters.
20. act as a Qualified Legal Compliance Committee as defined by SEC rules. In this regard, the Committee is authorized to:
 - (a) inform the Chief Executive Officer and chief legal officer of any report of evidence of a material violation of state or Federal securities laws, a material breach of fiduciary duty arising under state or Federal law, or a similar violation of state or Federal law;

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- (b) determine whether an investigation is necessary and, if the Committee determines that an investigation is necessary, to initiate the investigation, notify the Board and retain necessary expert personnel;

- (c) at the conclusion of any investigation, to recommend an appropriate response and to inform the Chief Executive Officer, the chief legal officer and the Board of the results of the investigation and related recommendations; and

- (d) to notify the SEC if the Corporation fails in any material respect to implement an appropriate response recommended by the Committee.

DELEGATION OF AUTHORITY

The Committee may delegate to one or more designated members of the Committee the authority to pre-approve audit and permissible non-audit services, *provided that* such pre-approval decision is presented to the full Committee at its scheduled meetings.

RESOURCES AND ADDITIONAL AUTHORITY OF THE COMMITTEE

The Committee shall have the resources and authority appropriate to discharge its duties and responsibilities in accordance with this Charter.

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ANNUAL PERFORMANCE EVALUATION

The Committee shall perform a review and evaluation, at least annually, of the performance of the Committee and its members, including by reviewing the compliance of the Committee with this Charter. In addition, the Committee shall review and reassess, at least annually, the adequacy of this Charter and recommend to the Governance and Nominating Committee of the Board or the Board any improvements to this Charter that the Committee considers necessary or valuable. The Committee shall conduct such evaluations and reviews in such manner as it deems appropriate.

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APPENDIX B

**CHARTER FOR THE COMPENSATION COMMITTEE
OF THE BOARD OF DIRECTORS
OF ALTIRIS, INC.**

(Adopted on February 22, 2002 and Effective on May 29, 2002)

(Amended and restated on January 27, 2004)

PURPOSE OF THE COMMITTEE

The purpose of the Compensation Committee (the *Committee*) of the Board of Directors (the *Board*) of Altiris, Inc. (the *Corporation*) is to: (1) assist the Board in discharging its responsibilities relating to oversight of the compensation of the Corporation's Chief Executive Officer and other executive officers (including officers reporting under Section 16 of the Securities Exchange Act of 1934, as amended (the *Exchange Act*)) and directors of the Corporation; (2) administer the Corporation's stock plans and make grants thereunder; (3) consult with management regarding compensation and benefits for non-executive officers and other employees of the Corporation; and (4) oversee the Corporation's compensation policies, plans and benefits programs generally. In addition, the Committee will undertake those specific duties and responsibilities listed below and such other duties as the Board from time to time prescribes.

The Committee has the authority to undertake the specific duties and responsibilities listed below and will have the authority to undertake such other specific duties as the Board from time to time prescribes.

STATEMENT OF PHILOSOPHY

The philosophy of the Committee is to provide compensation to the Corporation's officers and directors in such a manner as to attract and retain the best available personnel for positions of substantial responsibility with the Corporation, to provide incentives for such persons to perform to the best of their abilities for the Corporation, and to promote the success of the Corporation's business.

COMMITTEE MEMBERSHIP, ORGANIZATION AND GOVERNANCE

Composition. The Governance and Nominating Committee shall recommend to the Board nominees for the Compensation Committee, and the Board will appoint the members of the Compensation Committee. Committee members will serve at the discretion of the Board. The Compensation Committee shall consist of (a) solely independent directors pursuant and subject to the applicable listing standards of The NASDAQ Stock Market (*Nasdaq*) and applicable federal law, as in effect from time to time, and (b) no fewer than two (2) members. The

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members of the Compensation Committee shall also meet the (x) non-employee director definition of Rule 16b-3 promulgated under Section 16 of the Exchange Act, and (y) the outside director definition of Section 162(m) of the Internal Revenue Code of 1986, as amended.

Chairperson. The Governance and Nominating Committee shall recommend to the Board, for its approval, the designation of the chairperson of the Committee (the *Chairperson*).

Meetings and Procedures. It is anticipated that members of the Committee will meet at least quarterly. However, the Committee may establish its own schedule, which it will provide to the Board in advance. At a minimum of one meeting annually, the Committee will consider stock plans, performance goals and incentive awards, and the overall coverage and composition of the Corporation's compensation packages. The Committee shall fix its own rules of procedure, which shall be consistent with the Bylaws of the Corporation and this Charter. The Committee may invite to its meetings other directors, officers or employees of the Corporation, or other persons as the Committee deems appropriate in order to carry out its responsibilities.

Minutes. The Committee will maintain written minutes of its meetings, which minutes will be filed with the minutes of the meetings of the Board.

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Reports. In addition to submitting and signing the Compensation Committee report in the Corporation's proxy statement in accordance with the SEC rules, the Committee will summarize its examinations and recommendations to the Board as may be appropriate, consistent with this Charter.

Compensation. Members of the Committee shall receive compensation for their service as members of the Committee in such amount and form as the Board shall determine in its sole discretion. Such fees may include retainers and per meeting fees. Any changes in such compensation shall be determined by the Board in its sole discretion. No member of the Committee may receive any compensation from the Corporation other than the fees that they receive for service as a member of the Board or any committee thereof and except as permitted by Nasdaq rules.

RESPONSIBILITIES AND AUTHORITY

In addition to other responsibilities given to the Committee by the Board from time to time, the Committee shall:

1. Unless otherwise determined by a majority of the independent directors of the Board meeting in executive session, determine in executive session or recommend to the Board for its determination the compensation of the Chief Executive Officer of the Corporation (the **CEO**).
2. Unless otherwise determined by a majority of the independent directors of the Board, determine or recommend to the Board for its determination the compensation of all executive officers of the Corporation, other than the CEO, and such other employees of the Corporation as directed by the Board.
3. Review and approve the Corporation's compensation and benefits plans, programs and policies (collectively, the **Compensation Policies**) generally, including reviewing and approving any incentive-compensation plans and equity-based plans of the Corporation. In its review of the Compensation Policies, the Committee may consider the recruitment, development, promotion, retention and compensation of executives and other employees of the Corporation and any other factors that it deems appropriate. The Committee shall report the results of such review and any action it takes with respect to the Corporation's Compensation Policies to the Board. In addition, the Committee shall make recommendations to any subcommittees with respect to the results of such review, as applicable.
4. Review and approve all forms of compensation (including, to the extent relevant, all plan compensation, as such term is defined in Item 402(a)(7) of Regulation S-K promulgated by the Securities and Exchange Commission (**Regulation S-K**), and all non-plan compensation, such as employment, severance and change of control agreements and ongoing perquisites or special benefit items) to be provided to the executive officers of the Corporation. In its review and approval of such compensation, the Committee will, among other things:
 - (a) identify corporate goals and objectives relevant to executive compensation;
 - (b) evaluate each executive's performance in light of such goals and objectives and set each executive's compensation based on such evaluation and such other factors as the Committee deems appropriate and in the best interests of the Corporation; and

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(c) determine any long-term incentive component of each executive's compensation based on awards given to such executive in past years, the Corporation's performance, stockholder return and the value of similar incentive awards relative to such targets at comparable companies and such other factors as the Committee deems appropriate and in the best interests of the Corporation.

5. Report the results of such review and any action it takes with respect to the compensation of the Corporation's executive officers to the Board.

6. Review and make recommendations to the Board and any subcommittees, as applicable, regarding general compensation goals and guidelines and performance targets for the Corporation's employees and the criteria by which bonuses (if any) to the Corporation's employees are determined.

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7. Review and make recommendations to the Board regarding the compensation policy for such other officers, employees and consultants of the Corporation as directed by the Board.

8. Review and approve changes in policies relating to employee insurance.

9. Review and make recommendations to the Board regarding the Corporation's executive staffing plan for meeting present and future leadership needs of the Corporation.

10. Establish and administer objective performance goals under which performance-based compensation may be paid to the Chief Executive Officer and the Named Executive Officers (as that term is defined in Item 402 of Regulation S-K) of the Corporation and certify that such performance goals have been attained prior to the payment of any performance-based compensation that is intended to qualify as performance-base compensation under Section 162(m) of the IRC.

11. Administer the Corporation's equity compensation plans within the authority delegated by the Board. The Committee shall also make recommendations to the Board with respect to the adoption or amendment of any Corporation equity compensation plans and changes in the number of shares reserved for issuance thereunder. In its administration of any such plans, the Committee may: (a) grant stock options or stock purchase rights to individuals eligible for such grants (including grants to individuals subject to Section 16 of the Exchange Act in compliance with Rule 16b-3 thereunder); (b) amend such stock options or stock purchase rights; and (c) take all other actions permitted under the plans;

12. Review the Corporation's compliance with employee benefit plans.

13. Submit and sign the Compensation Committee report to be included in the Corporation's annual proxy statements relating to its meeting of stockholders.

14. Oversee the Corporation's employee benefit programs and advise the Board on which programs or changes thereto should be approved by the stockholders or the Board, where applicable.

15. Authorize the repurchase of shares from terminated employees pursuant to applicable law and agreements governing such repurchases.

16. Periodically advise and consult with the Corporation's executives regarding managerial personnel matters.

17. Make regular reports to the Board.

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18. Review this Charter periodically, as appropriate, and make recommendations to the Board with respect to any proposed changes thereto.
19. Periodically review the performance of the Committee and report to the Board on such evaluation.
20. Perform any other activities consistent with this Charter, the Corporation's Certificate of Incorporation, Bylaws, and governing law, as the Committee or the Board deems necessary or appropriate.

STUDIES AND OUTSIDE ADVISORS

The Committee shall have the sole authority to retain or terminate any compensation consultant assisting the Committee in the evaluation of the CEO or other executive officer compensation, including sole authority to approve all such compensation consultant's fees and other retention terms. The Committee shall also have the authority to obtain advice and assistance from internal or external legal, accounting or other advisors in performing its responsibilities.

DELEGATION OF AUTHORITY

The Committee may form and delegate its authority to subcommittees or the Chairperson of the Committee when it deems appropriate and in the best interests of the Corporation, *provided that* such delegation is not in violation of applicable law or the rules and regulations applicable to companies with securities quoted on Nasdaq.

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APPENDIX C

**CHARTER FOR THE GOVERNANCE AND NOMINATING COMMITTEE
OF THE BOARD OF DIRECTORS
OF ALTIRIS, INC.**

(Adopted by the Board of Directors and Effective on January 27, 2004)

PURPOSE OF THE COMMITTEE

The Governance and Nominating Committee (the *Committee*) is a committee of the Board of Directors (the *Board*) of Altiris, Inc. (the *Corporation*). The purpose of the Committee is to assist the Board in fulfilling its responsibility with respect to corporate governance of the Corporation. To carry out this purpose, the Committee shall:

develop and recommend to the Board the governance principles applicable to the Corporation;

oversee the evaluation of the Board and management of the Corporation;

recommend to the Board director nominees for each committee; and

assist the Board by identifying prospective director nominees and determine the director nominees for annual meetings of stockholders.

In addition, the Committee will undertake those specific responsibilities and duties listed below and such other duties as the Board may from time to time prescribe.

COMMITTEE MEMBERSHIP AND ORGANIZATION

Composition. The Committee shall be comprised of no fewer than three (3) members of the Board. All members of the Committee shall be appointed by the Board, shall be independent of the Corporation and its affiliates, shall have no relationship to the Corporation or its affiliates that may interfere with the exercise of their independent judgment in carrying out their responsibilities, and shall otherwise be deemed independent directors as defined in Rule 4200 of The NASDAQ Stock Market Marketplace Rules (the *Nasdaq Rules*).

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Meetings and Organization. The Committee will meet at least four times each year. The Committee may establish its own schedule, which it will provide to the Board in advance. Special meetings may be convened as required. The Board may designate one member of the Committee as its Chairperson. The Committee, or its Chairperson, shall report orally to the full Board on the results of all Committee meetings. The Committee may choose as its secretary such person as the Committee deems appropriate. The Committee may invite to its meetings other directors, officers or employees of the Corporation, or other persons as the Committee deems appropriate in order to carry out its responsibilities. The Committee may, to the extent permitted by applicable laws, the rules and regulations of the U.S. Securities and Exchange Commission, the Nasdaq Rules and the Certificate of Incorporation and Bylaws of the Corporation, form and delegate authority to subcommittees when appropriate.

Minutes. The Committee will maintain written minutes of its meetings, which minutes will be filed with the minutes of the meetings of the Board.

Reports. Consistent with this charter, the Committee Chairperson shall make regular reports to the Board on the actions and recommendations of the Committee.

Compensation. Members of the Committee shall receive compensation for their service as members of the Committee in such amount and form as the Board shall determine in its sole discretion. Such fees may include retainers and per meeting fees. Any changes in such compensation shall be determined by the Board in its sole

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discretion. No member of the Committee may receive any compensation from the Corporation other than the fees that they receive for service as a member of the Board or any committee thereof and except as permitted by the Nasdaq Rules.

COMMITTEE RESPONSIBILITIES AND DUTIES

The responsibilities and duties of the Committee shall include:

Corporate Governance Generally

developing principles of corporate governance and recommending them to the Board for its consideration and approval.

reviewing annually the principles of corporate governance approved by the Board to ensure that they remain relevant and that they are being complied with.

recommending ways to enhance communications and relations with stockholders of the Corporation, and, if deemed appropriate by the Committee, developing and documenting a process for stockholders to send communications to the Board and identifying the directors to whom such communication may be sent.

reviewing periodically the succession planning for executive management of the Corporation, reporting Committee findings and recommendations to the Board, and working with the Board in evaluating potential successors to such positions.

overseeing compliance by the Board and its committees with applicable laws and regulations, including the Nasdaq Rules and the rules and regulations promulgated by the U.S. Securities and Exchange Commission.

establishing and maintaining an orientation program for new directors.

overseeing and implementing, as necessary or as required by applicable laws and regulations, director continuing education programs.

Board Composition, Evaluation and Nominating Activities

determining, as from time to time deemed appropriate by the Committee, the criteria for qualification and selection of directors for election to the Board, including the consideration of issues of character, judgment, diversity, age, expertise, corporate experience, length of service, other time commitments, independence (under the various standards applicable to the Board and its committees), depth and breadth of experience within the Corporation's industry and otherwise, leadership ability and the like.

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developing and updating a long-term plan for the composition and size of the Board that takes into consideration the current strengths, independence, skills and experience of members of the Board, retirement dates and the strategic direction of the Corporation.

identifying and evaluating possible director candidates against such criteria and long-term plan, including current directors eligible for re-election, and either (1) select candidates for nomination to the Board or (2) recommend candidates for the Board's selection; in performing these duties, the Committee shall have the authority to retain and terminate any search firm to be used to identify Board candidates and shall have authority to approve the search firm's fees and other retention terms.

considering and, if deems appropriate by the Committee, adopting director qualification requirements related to the number of boards of directors on which a director may sit and director tenure, retirement and succession.

establishing policies for reviewing the continued appropriateness of Board membership when an individual director changes the position he or she held when elected or appointed to the Board.

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developing and documenting a policy with respect to the Corporation's consideration of director candidates recommended by the stockholders of the Corporation.

overseeing the Board performance evaluation process, including conducting periodic surveys of director observations, suggestions and preferences, and reviewing the self-evaluation of each director, and if necessary, recommending remedial action or termination (for cause or for other appropriate reasons) of membership of individual directors in accordance with the Board's governance principles.

reviewing the composition, size, organization and governance of the Board and its committees, determining future Board and committee requirements, and making recommendations regarding the foregoing to the Board for approval.

evaluating director compensation, consulting with outside consultants and/or with the Corporation's Human Resources department when deemed appropriate by the Committee, and making recommendations to the Board regarding director compensation.

reviewing the disclosure included in any Annual Report on Form 10-K or proxy statement of the Corporation regarding the policies and procedures for the Committee's consideration of director candidates or other matters within the Committee's scope of responsibility.

Board Committees

reviewing periodically the charter and composition of each Board committee and making recommendations to the Board for any proposed changes, creating additional Board committees or changing the mandate or dissolving Board committees.

recommending to the Board the nominees of directors to be selected for membership on each Board committee.

reviewing and re-examining this Charter annually and making recommendations to the Board for any proposed changes.

annually reviewing and evaluating the performance of the Committee.

Conflicts of Interest

reviewing, approving and monitoring compliance with the Corporation's code of conduct.

considering questions of possible conflicts of interest of Board members and of corporate officers.

reviewing actual and potential conflicts of interest of Board members and corporate officers, and clearing any involvement of such persons in matters that may involve a conflict of interest or corporate opportunity.

reviewing, approving and monitoring all service by executive officers of the Corporation on outside boards of directors.

reviewing and approving in advance any proposed related party transactions, including without limitation, approving all transactions required to be disclosed pursuant to Item 404 of the Securities and Exchange Commission's Regulation S-K.

INVESTIGATIONS, STUDIES AND OUTSIDE ADVISORS

The Committee may conduct or authorize investigations into or studies of matters within the Committee's scope of responsibility, with full access to all books, records, facilities and personnel of the Corporation. In performing its responsibilities and duties, the Committee shall have the authority to obtain advice, reports or opinions from internal or external legal counsel, accounting advisors or other advisors and experts at the Corporation's expense.

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