

InvenSense Inc  
Form DEF 14A  
July 29, 2016

**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**

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material under §240.14a-12

**INVENSENSE, INC.**

(Name of Registrant as Specified In Its Charter)

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

Payment of Filing Fee (Check the appropriate box):

- No fee required.
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**INVENSENSE, INC.**

1745 Technology Drive, Suite 200

San Jose, California 95110

**NOTICE OF ANNUAL MEETING OF STOCKHOLDERS**

**To Be Held On September 16, 2016**

Dear Stockholder:

You are cordially invited to attend the Annual Meeting of Stockholders of InvenSense, Inc., a Delaware corporation. The meeting will be held on September 16, 2016 at 10:00 a.m. Pacific Daylight Time on the ground floor of our headquarters, located at 1745 Technology Drive, San Jose, California 95110.

Proposals to be considered at the Annual Meeting:

1. Election of the two nominees for Class II directors to serve until the 2019 annual meeting of stockholders or until their successors are elected or appointed;
2. Amend the 2013 Employee Stock Purchase Plan to increase the number of shares authorized for employee purchases by two million shares; and
3. Ratify the selection by the Audit Committee of our board of directors of Deloitte & Touche LLP as our independent registered public accounting firm for our fiscal year ending April 2, 2017.

These items of business are more fully described in the proxy statement accompanying this notice. The record date for the Annual Meeting is July 22, 2016. Only stockholders of record at the close of business on that date may vote at the meeting or any postponement or adjournment thereof. We are providing our stockholders with access to the proxy materials over the Internet. This permits us to conserve natural resources and reduces our printing costs, while giving our stockholders a convenient and efficient way to access our proxy materials and vote their shares. On or about July 29, 2016, we intend to mail a Notice of Internet Availability of Proxy Materials to our stockholders, informing them that our notice of Annual Meeting and proxy statement, annual report to stockholders and voting instructions are available on the Internet. As described in more detail in that notice, stockholders may choose to access our materials through the Internet or may request to receive paper copies of the proxy materials.

By Order of the Board of Directors

/s/ Mark Dentinger

Mark Dentinger

*Chief Financial Officer*

July 29, 2016

**You are cordially invited to attend the meeting in person. Whether or not you expect to attend the meeting, please vote on the matters to be considered as promptly as possible in order to ensure your representation at the meeting. You may vote via the Internet or by requesting a printed copy of the proxy materials and returning the proxy card that will be mailed to you. Even if you have voted by proxy, you may still vote in person if you attend the meeting. Please note, however, that if your shares are held of record by a broker, bank or other nominee and you wish to vote at the meeting, you must obtain a proxy issued in your name from that record holder.**

**INVENSENSE, INC.**

1745 Technology Drive, Suite 200

San Jose, California 95110

**PROXY STATEMENT**

**FOR THE 2016 ANNUAL MEETING OF STOCKHOLDERS**

**QUESTIONS AND ANSWERS ABOUT THESE PROXY MATERIALS AND VOTING**

**Why did I receive a notice regarding the availability of proxy materials on the Internet?**

Under rules adopted by the Securities and Exchange Commission, or SEC, we have elected to provide access to our proxy materials over the Internet. Accordingly, we are sending a Notice of Internet Availability of Proxy Materials, or the Notice, to our stockholders of record. All stockholders will have the ability to access the proxy materials on the website referred to in the Notice or to request to receive a printed set of the proxy materials. Instructions on how to access the proxy materials over the Internet or to request a printed copy may be found in the Notice. You will not receive a printed copy of the proxy materials unless you request one in the manner set forth in the Notice. This permits us to conserve natural resources and reduces our printing costs, while giving stockholders a convenient and efficient way to access our proxy materials and vote their shares.

We intend to mail the Notice and, as required, any other printed proxy materials, on or about July 29, 2016 to all stockholders of record as of July 22, 2016, who are entitled to vote at the 2016 Annual Meeting of Stockholders, or Annual Meeting.

**Why are these proxy materials being made available?**

We are providing you with these proxy materials because the board of directors of InvenSense, Inc. (which we refer to in this proxy statement as InvenSense, the Company, we, or us) is soliciting your proxy to vote at the Annual Meeting. You are invited to attend the Annual Meeting and we request that you vote on the proposals described in this proxy statement. However, you do not need to attend the Annual Meeting to vote your shares. Instead, you may simply vote your shares by proxy via the Internet or, if you receive a paper copy of the proxy statement, by completing, signing and returning a paper proxy card.

**What proposals will be voted on?**

There are three matters scheduled for a vote and for which we are soliciting your proxy:

1. Election of the two nominees for Class II directors;
2. Amendment of our 2013 Employee Stock Purchase Plan to increase the number of shares authorized for employee purchases by two million shares; and

3. Ratification of the selection by the Audit Committee of our board of directors of Deloitte & Touche LLP as our independent registered public accounting firm for our fiscal year ending April 2, 2017. You may either vote For all the nominees to the board of directors or you may Withhold your vote for any nominee(s) you specify. For each of the other proposals, you may vote For or Against the proposal or abstain from voting.

**How do I attend the Annual Meeting?**

The Annual Meeting will be held on September 16, 2016 at 10:00 a.m. Pacific Daylight Time at our headquarters at the ground floor of 1745 Technology Drive, San Jose, California 95110.

## **Who can vote at the Annual Meeting?**

Only stockholders of record at the close of business on July 22, 2016 will be entitled to vote at the Annual Meeting. On the record date, there were 93,688,672 shares of common stock outstanding and entitled to vote. Each stockholder is entitled to one vote for each share of our Common Stock held as of the record date.

### *Stockholder of Record: Shares Registered in Your Name*

If, on July 22, 2016, your shares of our common stock were registered directly with Computershare Trust Company, N.A., the transfer agent for our common stock, then you are a stockholder of record. As a stockholder of record, you may vote in person at the Annual Meeting or vote by proxy. Whether or not you plan to attend the meeting, we urge you to vote your proxy on the matters to be considered as promptly as possible in order to ensure your representation at the meeting. You may vote your proxy via the Internet or by requesting a printed copy of the proxy materials and returning the enclosed proxy card.

### *Beneficial Owner: Shares Registered in the Name of a Broker or Bank*

If, on July 22, 2016, your shares were held in an account at a brokerage firm, bank, dealer, or other similar organization, then you are the beneficial owner of shares held in street name and the Notice is being forwarded to you by that organization. The organization holding your account is considered the stockholder of record for purposes of voting at the Annual Meeting. As a beneficial owner, you have the right to direct your broker or other agent on how to vote the shares in your account. You are also invited to attend the Annual Meeting. However, since you are not the stockholder of record, you may not vote your shares in person at the meeting unless you request and obtain a valid proxy from your broker or other agent.

## **How do I vote?**

The procedures for voting are as follows:

### *Voting via the Internet*

You can vote your shares via the Internet by following the instructions in the Notice. The Internet voting procedures are designed to authenticate your identity and to allow you to vote your shares and confirm your voting instructions have been properly recorded. If you vote via the Internet, you do not need to mail a proxy card.

### *Voting by Mail*

You can vote your shares by mail by requesting that a printed copy of the proxy materials be sent to your address. When you receive the proxy materials, you may fill out the proxy card enclosed therein and return it per the instructions on the card.

If your shares are held by your broker, bank or another agent as a nominee or agent, you should follow the instructions provided by your broker, bank or other agent.

## **What if I return a proxy card or otherwise complete a ballot or give voting instructions but do not make specific choices?**



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If you return a signed and dated proxy card or otherwise complete a ballot or voting instructions without marking your selections, your shares will be voted, as applicable, For the election of the nominees for director, For the amendment of our 2013 Employee Stock Purchase Plan to increase the number of shares authorized for employee purchases by two million shares, and For the ratification of Deloitte & Touche LLP as our

independent registered public accounting firm for our fiscal year ending April 2, 2017. The board of directors knows of no other matters that will be presented for consideration at the Annual Meeting. If any other matter is properly presented at the meeting, your proxy (one of the individuals named on your proxy card) will vote your shares using their best judgment.

**What does it mean if I receive more than one Notice?**

If you receive more than one Notice, your shares are registered in more than one name or are registered in different accounts. Please follow the voting instructions on the Notice and vote your shares for each name or account to ensure that all of your shares are voted.

**Can I change my vote after submitting my proxy?**

Yes. You can revoke your proxy at any time before the final vote at the Annual Meeting. If you are the record holder of your shares, you may revoke your proxy in any one of four ways:

You may submit another properly completed proxy card with a later date;

You may grant a subsequent proxy through our Internet voting site;

You may send a written notice that you are revoking your proxy to our Corporate Secretary at 1745 Technology Drive, Suite 200, San Jose, California 95110; or

You may attend the Annual Meeting and vote in person. Simply attending the meeting will not, by itself, revoke your proxy.

Please remember, as mentioned above, if you are a beneficial owner of shares you may not vote your shares in person at the meeting unless you request and obtain a valid proxy from your broker, bank or other agent that holds your shares in street name. If your shares are held by your broker, bank or another agent as a nominee or agent, you should follow the instructions provided by your broker, bank or other agent.

**What are broker non-votes? How do I vote if I hold my shares in street name?**

A broker non-vote occurs when a nominee holding shares for a beneficial owner does not vote on a particular proposal because the nominee does not have discretionary voting power with respect to that proposal and has not received instructions with respect to that proposal from the beneficial owner (despite voting on at least one other proposal for which it does have discretionary authority or for which it has received instructions).

If your shares are held by your broker as your nominee (that is, in street name), you will need to obtain a proxy from the institution that holds your shares and follow the instructions included on that form regarding how to instruct your broker to vote your shares. If you do not give instructions to your broker, your broker can vote your shares with respect to routine discretionary items, but not with respect to non-discretionary items under the rules of the New York Stock Exchange, or NYSE, on which your broker may vote shares held in street name in the absence of your voting instructions. On non-discretionary items for which you do not give your broker instructions, the shares will be treated as broker non-votes. Other than the proposal regarding the ratification of our auditors, all proposals at the Annual Meeting are considered to be non-routine and, therefore, brokers and other nominees will not be able to vote on the

proposals unless they receive instructions from the beneficial owners of the shares.

**How many votes are needed to approve each of the proposals?**

**Proposal 1 Election of the two nominees for Class II director.** The two nominees receiving the most For votes (among votes properly cast in person or by proxy) will be elected. Broker non-votes will have no effect and will not be counted towards the vote total for the proposal.

**Proposal 2 Approval to amend the 2013 Employee Stock Purchase Plan to increase the number of shares authorized for employee purchases by two million shares.** This proposal must receive a For vote from the holders of a majority of the voting power present and entitled to vote on the proposal. Abstentions will be counted towards the vote total for the proposal, and will have the same effect as Against votes. Broker non-votes will have no effect and will not be counted towards the vote total for the proposal.

**Proposal 3 Ratification of the selection by the Audit Committee of our board of directors of Deloitte & Touche LLP as the independent registered public accounting firm of InvenSense for our fiscal year ending April 2, 2017.** This proposal must receive a For vote from the holders of a majority of the voting power present and entitled to vote on the proposal. Abstentions will be counted towards the vote total for the proposal, and will have the same effect as Against votes. Broker non-votes will have no effect and will not be counted towards the vote total for the proposal.

**What is the quorum requirement?**

A quorum of stockholders is necessary to hold a valid meeting. A quorum will be present if at the Annual Meeting there are present in person or represented by proxy the holders of outstanding shares of common stock entitled to cast a majority of the votes that could be cast by all outstanding shares of common stock. On the record date, there were 93,688,672 shares of common stock outstanding, all of which are entitled to vote. Thus, holders of shares representing at least a majority of the total number of shares of common stock must be present in person or represented by proxy at the meeting to have a quorum.

Shares that are voted in person or by proxy are treated as being present at the meeting for purposes of establishing a quorum. Abstentions and broker non-votes will also be counted for purposes of calculating whether a quorum is present at the Annual Meeting. If there is no quorum, the holders of shares representing a majority of the votes present at the meeting may adjourn the meeting to another date.

**How can I find out the results of the voting at the Annual Meeting?**

Preliminary voting results will be announced at the Annual Meeting. Final voting results will be published in a current report on Form 8-K that we expect to file within four business days after the Annual Meeting. If final voting results are not available to us in time to file a Form 8-K within four business days after the meeting, we intend to file a Form 8-K to publish preliminary results and, within four business days after the final results are known to us, file an additional Form 8-K to publish the final results.

**Who is paying for this proxy solicitation?**

We are paying for the entire cost of soliciting proxies. In addition to these proxy materials, our directors and employees may also solicit proxies in person, by telephone or by other means of communication. Directors and employees will not be paid any additional compensation for soliciting proxies. We may also reimburse brokerage firms, banks and other agents for the cost of forwarding proxy materials to beneficial owners.

## **PROPOSAL ONE**

### **ELECTION OF CLASS II DIRECTORS**

Pursuant to our certificate of incorporation, our board of directors is divided into three classes with staggered three-year terms. The total number of authorized directors on our board of directors has been set at eight by a resolution of our board of directors. There are two nominees for Class II director at the Annual Meeting: Amir Faintuch and Usama Fayyad. If elected, each nominee will hold office until the annual meeting of stockholders held in 2019 or until his successor is elected or appointed. Each nominee is currently a director of InvenSense and has agreed to serve if elected. We have no reason to believe that any nominee will be unable to serve. There are no family relationships between any of our directors, nominees or executive officers. There are also no arrangements or understandings between any director, nominee or executive officer and any other person pursuant to which he or she has been or will be selected as a director or executive officer.

#### **Required Vote**

The two nominees receiving the highest number of For votes shall be elected as Class II directors. Shares represented by executed proxies will be voted, if authority to do so is not withheld, for the election of the two nominees named above. If any nominee becomes unavailable for election as a result of an unexpected occurrence, shares that would have been voted for such nominee will instead be voted for the election of a substitute nominee proposed by our board of directors and our nominating and corporate governance committee, or the Nominating and Corporate Governance Committee.

#### **Recommendation**

**Our board of directors recommends a vote FOR each nominee named in Proposal One.**

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**INFORMATION REGARDING OUR NOMINEES AND DIRECTORS**

The following table sets forth information as of July 22, 2016 with respect to the nominees for election as Class II directors at the Annual Meeting and the continuing members of our board of directors.

<b>Class II Director Nominees</b>			
<b>Name</b>	<b>Age</b>	<b>Class (1)</b>	<b>Position</b>
Amir Faintuch	48	II	Director and Member of the Nominating and Corporate Governance Committee
Usama Fayyad	53	II	Director and Member of the Compensation Committee

<b>Continuing Directors</b>			
<b>Name</b>	<b>Age</b>	<b>Class (1)</b>	<b>Position</b>
Jon Olson	63	I	Director and Chairman of the Audit Committee
Amit Shah	51	I	Chairman of the Board and Chairman of the Compensation Committee
Yunbei Ben Yu, Ph.D.	46	I	Director and Member of the Compensation Committee
Behrooz Abdi	54	III	President and Chief Executive Officer and Director
Emiko Higashi	57	III	Director and Member of the Audit Committee
Eric Stang	56	III	Director and Member of the Audit Committee and Chairman of the Nominating and Corporate Governance Committee

(1) The terms of Class I directors will expire at the 2018 annual meeting. The terms of Class II directors elected at the Annual Meeting will expire at the 2019 annual meeting. The terms of Class III directors will expire at the 2017 annual meeting.

**Nominees for Class II Directors**

*Amir Faintuch* has served on our board of directors since October 2014. Since 2014 Mr. Faintuch has served as Senior Vice President and General Manager of the Platform Engineering Group at Intel Corporation. In this role, he leads numerous worldwide engineering teams that are responsible for the IP design, system-on-chip (SoC) development, manufacturing and validation of the company's overall chip portfolio across Intel businesses. Previously Mr. Faintuch held various positions at Qualcomm Atheros, Inc. serving as President from 2012 to 2014 and as Senior Vice President and General Manager from 2011 to 2012. During his tenure at Qualcomm Atheros, Mr. Faintuch helped establish QUALCOMM Incorporated's position in wireless connectivity and location technologies targeting the mobile, computing and consumer electronics businesses. He also successfully managed the integration of Atheros Communications, Inc.'s and QUALCOMM's respective mobile connectivity teams, products and technologies following the 2011 acquisition of Atheros by QUALCOMM. Mr. Faintuch serves as a director at Bugetta, GlobeTouch, Inc., Talent Tribe and team 8. From 2008 to 2011, Mr. Faintuch held various positions at Atheros serving as Senior Vice President and General Manager from 2010 to 2011 and as Vice President and General Manager from 2008 to 2010. From 2002 to 2008, Mr. Faintuch served as a Senior Director at Texas Instruments Incorporated. Mr. Faintuch holds dual master's degrees in management with an emphasis in high technology from Northwestern University's Kellogg School of Management and Tel-Aviv University's Recanati School of Management. Mr. Faintuch also holds Bachelor of Science degrees in economics and business management from Haifa University in Israel.

We believe Mr. Faintuch is qualified to serve on our board as a result of his experience in management, engineering and technical operations at various technology companies. Mr. Faintuch possesses strong leadership skills gained through experience as an executive at technology companies.

***Usama Fayyad*** has served on our board of directors since January 2015. Mr. Fayyad served as Chief Data Officer and Managing Director at Barclays from 2013 to May 2016. Prior to joining Barclays, Mr. Fayyad served as Chairman and CTO of ChoozOn Corporation from 2011 to 2013, a personalized mobile vertical search engine.

He also was founder and Executive Chairman of Oasis500, a technology startup accelerator and seed investment fund in the Middle East, from 2010 to 2013. Mr. Fayyad previously served as the President of Open Insights LLC. Mr. Fayyad was appointed as the Chief Data Officer by Yahoo! Inc. in 2004, following the acquisition of DMX Group, a technology company he founded. In 2000 he left his position at Microsoft Corporation, where he led the data mining research and product teams to co-found his first startup: DigiMine (Audience Science) as Chairman and CEO. Prior to Microsoft, he was at NASA's Jet Propulsion Laboratory where he led the automated analysis of remote sensing and Big Data in science applications. Mr. Fayyad also currently serves as a director at D1g.com, the King Hussein Foundation and RapidMiner Inc. and on the advisory boards of the Data Science Institute at Imperial College in London and at the University of Michigan, Ann Arbor College of Engineering. Mr. Fayyad holds a Ph.D. in Computer Science & Engineering from the University of Michigan, Ann Arbor. He also holds an M.S.E. in Computer Science Engineering and an M.Sc. in mathematics, in addition to B.S.E.s in both Electrical and Computer Engineering. Mr. Fayyad is considered one of the founders of the field of Data Mining, is a Fellow of the Association of Computing Machinery and the Association for the Advancement of Artificial Intelligence, and is a named inventor on over 30 patents.

We believe that Mr. Fayyad is qualified to serve as a member of our board of directors based on his deep understanding of technology and engineering. Mr. Fayyad is considered a thought leader within the industry of data mining, which provides us with a unique perspective when evaluating various technical and operational matters. Mr. Fayyad also brings with him entrepreneurial experience.

### **Continuing Directors**

**Jon Olson** has served on our board of directors since October 2011. Mr. Olson was the Executive Vice President, Finance and Chief Financial Officer at Xilinx, Inc. (NASDAQ: XLNX), a provider of programmable semiconductor platforms, from May 2014 until his retirement in May 2016. Mr. Olson served as the Vice President, Finance and Chief Financial Officer at Xilinx from June 2005 to August 2006 and as Senior Vice President, Finance and Chief Financial Officer from August 2006 to May 2014. Prior to joining Xilinx, he served from 1979 to 2005 at Intel Corporation in various senior financial positions, including Vice President, Finance and Enterprise Services and Director of Finance. Mr. Olson holds an M.B.A. in Finance from Santa Clara University and a B.S. in Accounting from Indiana University.

We believe Mr. Olson's qualifications to serve on our board of directors include his over 30 years of experience in senior roles of financial responsibility in the semiconductor industry, his track record of growing profitable businesses and his experience at various semiconductor and technology companies.

**Amit Shah** has served on our board of directors since April 2004. As a Managing Member of Artiman Management LLC since 2000 and Anthelion Management LLC since 1996, he serves on the boards of Adama Materials, Inc., Aditazz, Inc., Anthcap LLC, Auryn, Inc., AV 2014 Mauritius Limited, AV 2014 Global Investments Limited, AVLVP Mauritius Limited, CellMax, Ltd., Guavus, Inc., HomeUnion Holdings, Inc., Kaybus, Inc., Motif, Inc., Niron Magnetics, Inc. and Tonbo Imaging Pte. Ltd. In addition, he previously served on the boards of AbsolutelyNew Holdings, Inc., Dyyno, Inc., Lightwire, Inc., Mastek Limited, MYNDnet, Inc., Net Devices, Inc., Sierra Design Automation, Inc., VuCast Media, Inc. and Zyme Solutions, Inc. Prior to founding Artiman Management, Mr. Shah founded Anthelion I & II, seed stage venture funds, which he has managed since 1996. From 1998 to 2000, he served as Vice President of New Markets and Technologies for the Business Development and Alliances Group of Cisco Systems, Inc., a consumer electronics company, and he founded and was Chief Executive Officer of PipeLinks, Inc., an optical network company, until its acquisition by Cisco Systems in 1998. Mr. Shah also founded ZeitNet, a networking systems company, which was acquired by Cabletron Systems in 1996. Mr. Shah holds a B.S. in Electrical Engineering from The Maharaja Sayajirao University of Baroda, India and has done graduate work at the University of California, Irvine.



We believe Mr. Shah's qualifications to serve on our board of directors include his understanding of our company acquired during his years of service on our board of directors, his experience serving as a director of various technology companies and his perspective gained as a venture capital investor.

**Yunbei Ben Yu, Ph.D.** has served on our board of directors since March 2008. Dr. Yu also currently serves on the boards of 800App, Applied MicroStructures, Inc., CNEX Labs, Inc., NextInput, Inc., Planetary Network Technologies, Inc. and Qeexo Co. Dr. Yu previously served on the boards of AuthenTec, Inc., mSilica, Inc., Multigig, Inc., Social Touch, SyChip Inc. (acquired by Murata Manufacturing Co., Ltd.) TempoAI, Inc and VeriSilicon Holdings Co., Ltd., and previously served as an observer on the boards of Novariant, Inc. and Verari Systems, Inc. Dr. Yu has served as a Venture Partner or Managing Director at Sierra Ventures since 2000. Prior to joining Sierra Ventures, he worked from 1997 to 2000 at 3Com Corporation, an electronics manufacturer, where he held a number of engineering and project management positions. He received his B.S. in Engineering from the University of Western Australia and a Ph.D. in Electrical Engineering from Princeton University.

We believe Dr. Yu's qualifications to serve on our board of directors include his extensive experience in investment management of and service as a board member of various companies in the semiconductor, communications component and systems industries.

**Behrooz Abdi** has served on our board of directors since June 2011 and was appointed President and Chief Executive Officer in October 2012. Mr. Abdi served as Executive Vice President and General Manager at NetLogic Microsystems, Inc., a provider of semiconductor solutions, from 2009 to 2011. Mr. Abdi served as the President and Chief Executive Officer of RMI Corporation (formerly Raza Microelectronics Inc.), a fabless semiconductor company, from 2007 to 2009. He served as Senior Vice President and General Manager of CDMA Technologies (QCT) at QUALCOMM Incorporated, a provider of wireless technology and services, from 2004 to 2007. Prior to joining Qualcomm, he held leadership and engineering positions of increasing responsibility at Motorola, Inc. in its Semiconductor Products Sector (SPS). From 1999 to 2003, he served as Vice President and General Manager for Motorola's radio products division, in charge of RF and mixed signal ICs for the wireless mobile market. He currently serves as a director at Tabula, Inc., Encore Semi and Exar Corporation (NYSE: EXAR), a provider of high performance mixed-signal integrated circuits and sub-system solutions for networking and telecommunications, and industrial markets. Mr. Abdi served as the Chairman and director of SMSC Storage, Inc. (formerly Synwave, Inc.), from 2009 to 2010 and as a director of RMI Corporation from 2007 to 2009. Mr. Abdi holds a B.S. from Montana State University and an M.S. from the Georgia Institute of Technology, both in Electrical Engineering.

We believe Mr. Abdi's qualifications to serve on our board of directors include his 27 years of experience in the semiconductor industry, his track record of growing profitable businesses and his experience as a board member of various public and private semiconductor and technology companies.

**Emiko Higashi** has served on our board of directors since October 2014. Ms. Higashi is founder and Managing Partner of Tomon Partners, LLC, a mergers and acquisitions and strategy consulting firm, a position she has held since 2004. Prior to Tomon Partners, she was a co-founder and Chief Executive Officer of the technology-focused venture capital firm, Gilo Ventures. Ms. Higashi previously spent 15 years in investment banking. After beginning her investment banking career at Lehman Brothers, she joined Wasserstein Parella & Co. at its inception and became the head of that firm's technology M&A business, and subsequently served as a managing director in charge of Merrill Lynch's global technology M&A practice. She also currently serves as a director at KLA-Tencor (NASDAQ: KLAC), Met Life Insurance K.K., Takeda Pharmaceutical (TYO: 4502), Tera Health Foundation and Zeptor Co. Ms. Higashi also spent two years as a consultant at McKinsey & Co. in Tokyo, Japan. Ms. Higashi received a B.A. from International Christian University in Japan and an M.B.A. from Harvard Business School.

As a result of her extensive career in technology-focused investment banking and finance, we believe Ms. Higashi brings to our board of directors significant strategic, business development, M&A and financial experience related to the business and financial issues facing large global technology corporations, as well as a comprehensive understanding of international business matters, particularly in Asia, and knowledge of the semiconductor industry.



***Eric Stang*** has served on our board of directors since September 2013. Mr. Stang has also served as a Chairman of the Board, Director, President and Chief Executive Officer of Ooma, Inc. (NYSE: OOMA), a provider of broadband telephony products and services, since January 2009. Prior to joining Ooma, Mr. Stang served as Chief Executive Officer and President of Reliant Technologies, Inc., a developer of medical technology solutions for aesthetic applications, from 2006 to 2008. From 2009 to 2013, Mr. Stang served as a director of Solta Medical, Inc. (acquired by Valeant Pharmaceuticals). From 2001 to 2006, Mr. Stang served as Chief Executive Officer and President of Lexar Media, Inc., a provider of solid state memory products, and served as its Chairman from 2004 to 2006. Mr. Stang currently serves on the board of Rambus Inc. (NASDAQ: RMBS), Avalanche Technology, Inc. and Metbolomx Corp. Mr. Stang received his B.A. from Stanford University and M.B.A. from the Harvard Business School.

We believe Mr. Stang's qualifications to serve on our board of directors include his years of service as a Chief Executive Officer of various technology companies and his perspective gained in management of and service as a board member of various companies.

## **BOARD OF DIRECTORS AND CORPORATE GOVERNANCE**

### **Board Composition and Leadership Structure**

Our board of directors is divided into three classes with staggered three-year terms. At each annual meeting, the directors whose terms then expire or their successors will be elected to serve from the time of election and qualification until the third annual meeting following their election. Our directors are divided among the three classes as follows:

The Class I directors are Messrs. Olson and Shah and Dr. Yu, and their terms will expire at the annual meeting of stockholders to be held in 2018;

The Class II directors are Messrs. Faintuch and Fayyad, and their terms will expire at the annual meeting of stockholders to be held on September 16, 2016 as described in this proxy statement; and

The Class III directors are Messrs. Abdi and Stang and Ms. Higashi, and their terms will expire at the annual meeting of stockholders to be held in 2017.

Our board of directors retains the flexibility to determine on a case-by-case basis whether the Chief Executive Officer, or an independent director, should serve as Chairman. This flexibility permits our board of directors to organize its functions and conduct its business in a manner it deems most effective in then-prevailing circumstances. Our board currently separates the role of Chairman and Chief Executive Officer, with Mr. Abdi serving as Chief Executive Officer and Mr. Shah serving as Chairman. The board believes that separating these two roles promotes balance between the board's independent authority to oversee our business and the Chief Executive Officer and our management team, which manages the business on a day-to-day basis. The current separation of the Chairman and Chief Executive Officer roles allows the Chief Executive Officer to focus his time and energy on operating and managing the Company and leverage the experience and perspectives of the Chairman.

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

Any stockholder or other interested party who desires to contact our board, committees of the board or individual directors (including the independent directors) about bona fide issues or questions about the Company may do so by writing to: 1745 Technology Drive, Suite 200, San Jose, California 95110 Attention: Mark Dentinger, Chief Financial Officer. Mr. Dentinger will direct such communication to the appropriate persons.

### **Role of the Board in Risk Oversight**

The board of directors is actively involved in the oversight of our risk management process. The board does not have a standing risk management committee, but administers this oversight function directly through the board as a whole, as well as through its standing committees that address risks inherent in their respective areas of oversight. In particular, the Audit Committee has the responsibility to consider and discuss our major financial risk exposures and the steps our management has taken to monitor and control these exposures, the Compensation Committee assesses and monitors whether any of our compensation policies and programs has the potential to encourage excessive risk-taking, the Nominating and Corporate Governance Committee monitors our major legal compliance risk exposures and our program for promoting and monitoring compliance with applicable legal and regulatory requirements and our board is responsible for monitoring and assessing strategic risk exposure and other risks not covered by our committees.

The full board, or the appropriate committee, receives reports on risks facing our company from our Chief Executive Officer or other members of management to enable it to understand our risk identification, risk management and risk mitigation strategies. We believe that our board's leadership structure supports effective risk management because it allows the independent directors on our committees to exercise oversight over management.

## Board Meetings

During the fiscal year ended April 3, 2016, the board held six meetings. Each of our directors attended more than seventy-five percent of the meetings of the board and of the committees on which such director served that were held during the last fiscal year. Board members are expected to regularly attend all meetings of the board and committees on which they serve. During board meetings, the independent directors meet regularly in an executive session without management or management directors present. The purpose of these executive sessions is to promote open and candid discussion among the non-management directors. Amit Shah, the Chairman of our board of directors, presides over the executive sessions of the independent directors.

## Committees of the Board

In fiscal year 2016, our board of directors had three standing committees: an Audit Committee, a Compensation Committee and a Nominating and Corporate Governance Committee. The following table provides membership information for each of these board committees as of July 1, 2016:

Name	Audit	Compensation	Nominating and Corporate Governance
Amir Faintuch			M
Usama Fayyad		M	
Emiko Higashi	M		
Jon Olson	C		
Amit Shah		C	
Eric Stang	M		C
Yunbei Ben Yu, Ph.D.		M	

M = Member      C = Chair

Below is a description of each of these committees of the board of directors. Each of the committees has authority to engage legal counsel or other experts or consultants, as it deems appropriate to carry out its responsibilities. The board of directors concluded that each of the board members serving on a committee was independent as defined by the rules and regulations of the NYSE.

### *Audit Committee*

The Audit Committee is comprised of Messrs. Olson and Stang and Ms. Higashi. Mr. Olson is the Audit Committee chairman and the Audit Committee financial expert, as currently defined under the SEC rules. Our board of directors has determined that each of Messrs. Olson and Stang and Ms. Higashi is independent within the meaning of the applicable SEC rules and regulations of the NYSE.

The Audit Committee oversees our corporate accounting and financial reporting process. Among other matters, the Audit Committee evaluates the independent registered public accounting firm's qualifications, independence and performance; determines the engagement of the independent registered public accounting firm; reviews and approves the scope of the annual audit and the audit fee; discusses with management and the independent registered public accounting firm the results of the annual audit and the review of our quarterly consolidated financial statements; approves the retention of the independent registered public accounting firm to perform any proposed permissible non-audit services; monitors the rotation of partners of the independent registered public accounting firm on our engagement team as required by law; reviews our critical accounting policies and estimates; and will annually review

the Audit Committee charter and the committee's performance. The Audit Committee met six times during fiscal year 2016, including meetings with our independent registered public accounting firm to review our quarterly and annual financial statements and their review or audit of such statements.



### ***Nominating and Corporate Governance Committee***

The Nominating and Corporate Governance Committee is comprised of Messrs. Faintuch and Stang. Mr. Stang is the Nominating and Corporate Governance Committee chairman. The Nominating and Corporate Governance Committee is responsible for making recommendations regarding candidates for directorships and the size and the composition of our board of directors. In addition, the Nominating and Corporate Governance Committee is responsible for overseeing our corporate governance principles and making recommendations concerning governance matters. The Nominating and Corporate Governance Committee met four times during fiscal year 2016.

The Nominating and Corporate Governance Committee will consider director candidates recommended by stockholders. The Nominating and Corporate Governance Committee does not intend to alter the manner in which it evaluates candidates, including the minimum criteria set forth above, based on whether or not the candidate was recommended by a stockholder. Stockholders who wish to recommend individuals for consideration by the Nominating and Corporate Governance Committee to become nominees for election to the board at next year's annual meeting of stockholders may do so by delivering a written recommendation to the Nominating and Corporate Governance Committee at the following address: Chair of the Nominating and Corporate Governance Committee, c/o Corporate Secretary of InvenSense, Inc., 1745 Technology Drive, Suite 200, San Jose, California 95110, by April 3, 2017. Submissions must include the requirements set forth in our bylaws, including the full name of the proposed nominee, a description of the proposed nominee's business experience for at least the previous five years, complete biographical information, a description of the proposed nominee's qualifications as a director and a representation that the nominating stockholder is a beneficial or record owner of our common stock. Any such submission must be accompanied by the written consent of the proposed nominee to be named as a nominee and to serve as a director if elected.

### ***Compensation Committee***

The Compensation Committee is comprised of Messrs. Fayyad and Shah and Dr. Yu. Mr. Shah is the Compensation Committee chairman.

The Compensation Committee reviews and recommends policies relating to the compensation and benefits of our officers and employees. The Compensation Committee reviews and approves corporate goals and objectives relevant to the compensation of our Chief Executive Officer and other executive officers, evaluates the performance of these officers in light of those goals and objectives, and sets the compensation of these officers based on such evaluations. The Compensation Committee administers the issuance of stock options and other awards under our stock plans. The Compensation Committee will review and evaluate, at least annually, the performance of the Compensation Committee and its members. The Compensation Committee met five times during fiscal year 2016. The Compensation Committee has authority to retain compensation consultants, outside counsel and other advisors that the committee deems appropriate, in its sole discretion, to assist it in discharging its duties, and to approve the terms of retention and fees to be paid to such consultants.

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

Messrs. Fayyad and Shah and Dr. Yu served on the Compensation Committee for fiscal year 2016. During fiscal year 2016, none of our executive officers served on the Compensation Committee (or its equivalent) or board of directors of another entity whose executive officer served on the Compensation Committee.

### **Corporate Governance**

#### ***Corporate Governance Guidelines***

Our board has adopted written corporate governance guidelines, or Corporate Governance Guidelines, to ensure that the board will have the necessary authority and practices in place to review and evaluate our business

operations as needed and to make decisions that are independent of our management. The guidelines are also intended to align the interests of directors and management with those of our stockholders. The Corporate Governance Guidelines set forth the practices the board intends to follow with respect to board composition and selection, board meetings and involvement of senior management, Chief Executive Officer performance evaluations and succession planning, and board committees and compensation. The Nominating and Corporate Governance Committee assists the board in implementing and adhering to the Corporate Governance Guidelines. Recently, two of our directors, Messrs. Olson and Fayyad, had changes of employment. In accordance with our Corporate Governance Guidelines, each of Messrs. Olson and Fayyad submitted their resignation to our board of directors. After reviewing Mr. Fayyad's and Mr. Olson's respective qualifications, and upon the recommendation of the Nominating and Corporate Governance Committee, our board of directors did not accept their resignations. The Corporate Governance Guidelines are reviewed at least annually by the Nominating and Corporate Governance Committee, and changes are recommended to our board of directors with respect to changes as warranted.

### ***Code of Business Conduct and Ethics***

We have adopted a Code of Business Conduct and Ethics which applies to all officers, directors and employees. The Code of Business Conduct and Ethics is available on the investor relations section of our website at [ir.invensense.com](http://ir.invensense.com) under the heading *Corporate Governance*. If we make any substantive amendments to the Code of Business Conduct and Ethics or grant any waiver from a provision of the Code of Business Conduct and Ethics to any executive officer or director, we will promptly disclose the nature of the amendment or waiver on the investor relations section of our website at [ir.invensense.com](http://ir.invensense.com) under the heading *Corporate Governance*.

### ***Corporate Governance Materials***

Our Corporate Governance Guidelines, Code of Business Conduct and Ethics, charters for each of the Audit, Compensation and Corporate Governance Committees and other corporate governance documents, are posted on the investor relations section of our website at [ir.invensense.com](http://ir.invensense.com) under the heading *Corporate Governance*. In addition, stockholders may obtain a print copy of our Corporate Governance Guidelines and Code of Business Conduct and Ethics as well as the charters of the Audit Committee, Compensation Committee and Nominating and Corporate Governance Committee by writing to our Corporate Secretary at 1745 Technology Drive, Suite 200, San Jose, California 95110.

### **Director Compensation**

#### ***Director Compensation for Fiscal Year 2016***

Our non-employee directors who served during the fiscal year ended April 3, 2016 received the following compensation for their service on our board of directors:

<b>Name</b>	<b>Fees Earned or Paid in Cash (\$) (1)</b>	<b>Option Awards (\$)</b>	<b>Stock Awards (\$)</b> (2) (3)	<b>All Other Compensation (\$)</b>	<b>Total (\$)</b>
Amir Faintuch	28,000		200,001		228,001
Usama Fayyad	30,000		197,263		227,263
Emiko Higashi	31,500		200,001		231,501
Jon Olson	40,000		200,001		240,001
Amit Shah	35,000		200,001		235,001
Eric Stang	37,583		200,001		237,584
Yunbei Ben Yu, Ph.D. (4)			200,001		200,001

Tim Wilson (5)

6,417

6,417

(1) Reflects board retainer fees as well as committee and committee chair retainer fees.

- (2) On April 3, 2016, the following non-employee directors each held stock options and stock awards covering the following aggregate numbers of shares:

<b>Name</b>	<b>Stock Options</b>	<b>Stock Awards</b>
Amir Faintuch	60,000	20,450
Usama Fayyad	60,000	20,170
Emiko Higashi	60,000	20,450
Jon Olson	130,000	20,450
Amit Shah	46,667	20,450
Eric Stang	110,000	20,450
Yunbei Ben Yu, Ph.D.	80,000	20,450
Tim Wilson (5)		

- (3) The amounts reported are based on the grant date fair value computed in accordance with the Financial Accounting Standards Board Accounting Standards Codification Topic 718, or ASC Topic 718. There can be no assurance that the price of our common stock when restricted stock units vest will equal or exceed the price of our common stock on the date of the applicable award.
- (4) Yunei Ben Yu, Ph.D. elected not to receive cash compensation for his services as a director in fiscal year 2016.
- (5) Tim Wilson resigned from our board of directors on May 28, 2015.

#### ***Discussion of Director Compensation***

Directors who are employees of ours do not receive any compensation for their service on our board of directors. Our board of directors adopted the following compensation policy in October 2014 that is applicable to all of our current non-employee directors:

*Initial Equity Grants.* Each non-employee director who joins our board of directors receives an option to purchase 60,000 shares of our common stock, with 1/48th of the shares subject to vesting on a monthly basis over four years, subject to the director's continuous service as a member of our board of directors. The exercise price of these options is the fair market value on the date of grant. If still vesting, the grant accelerates in full upon a change in control of the Company.

*Annual Equity Grants.* Each non-employee director with twelve or more months of service on our board of directors as of January 1st of each year is awarded, on that date, restricted stock units equal in value to \$200,000. These annual awards will vest in full twelve months after the date of grant, subject to the director's continuous service as a member of the board. Any such grant which has commenced vesting will accelerate in full upon a change of control of the Company.

*Retainers.* Each non-employee director receives annual cash retainers, payable quarterly in arrears. The unpaid amounts of these retainers are payable in full for the current fiscal year in the event of a change of control of the Company during that fiscal year. The annual retainer for service on the board is \$25,000, and the annual retainers for service on certain committees of the board is as follows:

#### **Position**

	<b>Audit Committee</b>	<b>Compensation Committee</b>	<b>Nominating and Corporate Governance Committee</b>
Chair	\$ 15,000	\$ 10,000	\$ 7,000
Member	\$ 6,500	\$ 5,000	\$ 3,000

We also reimburse our non-employee directors for their reasonable out-of-pocket costs and expenses in connection with their attendance at board and committee meetings.

## EXECUTIVE COMPENSATION

### Compensation Discussion and Analysis

Our named executive officers for fiscal year 2016 were as follows:

Behrooz Abdi, President and Chief Executive Officer

Mark Dentinger, Vice President Chief Financial Officer

Daniel Goehl, Vice President Worldwide Sales

Adam Tachner, Vice President General Counsel and Corporate Secretary

Mozafar Maghsoudnia, Vice President Technology and Worldwide Manufacturing

#### *Executive Summary*

#### *Fiscal 2016 Company Performance Highlights*

Achieved the highest revenue in the Company's history.

Brought to market a large number of new products across our motion sensor, software and microphone portfolio.

Achieved numerous customer wins in the IOT space.

Our success in mobile laid important groundwork for continued achievement in fiscal 2017.

#### *Executive Compensation Highlights for Fiscal 2016*

No CEO base salary increase for the third consecutive year.

Maintained or modestly increased base salaries of our other named executive officers.

Each of our named executive officers met the performance metrics under our non-equity incentive program at an average level of at least 66% of target performance.





*Summary of Executive Compensation Practices*

We endeavor to maintain sound corporate governance standards consistent with our executive compensation policies and practices. During fiscal 2016, the following policies and practices were in effect:

**WHAT WE DO**

ü **Fully Independent Compensation Committee** permits the establishment of competitive compensation practices and the measurement of actual performance from an independent perspective

ü **Broad-based retirement programs** other than what is provided to other full-time employees, we do not currently offer pension arrangements, non-qualified deferred compensation plans or arrangements, etc., to our executive officers

ü **Independent compensation consultant** the Compensation Committee engaged its own independent compensation consultant to assist with its compensation reviews

ü **Risk mitigation** we have certain controls in place (signature authority, compensation structure, etc.) and a risk analysis is conducted

ü **Double-trigger agreements** all change-in-control payments and benefits are based on a double-trigger provision

**Compensation Objectives**

We structure our compensation programs to reward high performance and innovation, promote accountability and ensure that employee interests are aligned with the interests of our stockholders. Our executive compensation program is structured to attract, motivate and retain highly qualified executive officers by paying them competitively and tying their compensation to our success as a whole and to their individual contributions to such success.

Specifically, the Compensation Committee believes that the primary objectives of our compensation policies are:

creating long-term incentives for management to increase stockholder value;

**WHAT WE DON'T DO**

û **No gross-ups** executive officers are not eligible to receive any tax reimbursement payments or gross-ups in connection with any severance or change-in-control payments or benefits

û **No special perquisites** we do not provide any perquisites to our named executive officers.

û **Prohibition of hedging and pledging shares** we do not permit hedging or pledging as collateral for a loan nor do we permit our executives or non-employee directors to engage in any derivatives trading with respect to our common stock

motivating our executives to achieve our short-term and long-term goals;

providing clear company and individual objectives that promote innovation to achieve our objectives;

rewarding the achievement of targeted results, or pay for performance; and

retaining executive officers whose abilities are critical to our long-term success and competitiveness.

***Emphasize Variable Pay and Balance Short- and Long-Term Incentives***

Annual compensation for our named executive officers as a group varies year-to-year based on corporate results and individual performance. Consistent with our pay-for-performance philosophy, our compensation

program emphasizes variable pay over fixed pay, and seeks to balance short- and long-term incentives. The majority of our named executive officer's compensation consists of variable pay, including cash awarded under our annual non-equity incentive plan and equity grants.

Fixed pay, primarily consisting of base salary, made up only 11% of our Chief Executive Officer's total target compensation in fiscal 2016, while variable pay, consisting of equity incentives and an annual non-equity incentive award, made up 89% of our Chief Executive Officer's total compensation. The chart below shows the percentage of variable target compensation versus fixed target compensation for our Chief Executive Officer and other named executive officers in fiscal 2016:

### ***Say-on-Pay Advisory Vote and Related Compensation Program Updates***

At our 2012 annual meeting of stockholders, we submitted two advisory votes to our stockholders: one seeking their approval of the compensation of our named executive officers as disclosed in our 2012 definitive proxy statement (a "Say-on-Pay" vote) and the other regarding the frequency of future Say-on-Pay votes. At that time, our stockholders overwhelmingly approved the compensation of our named executive officers and, consistent with the recommendation of our board of directors, expressed a preference that future Say-on-Pay votes be held once every three years.

At our 2015 annual meeting of stockholders, the majority of our stockholders voted against the compensation of our named executive officers as disclosed in our 2015 definitive proxy statement. While the Compensation Committee had implemented the bulk of our fiscal 2016 executive compensation program prior to this negative vote, we have since responded to the stockholder concerns expressed in the 2015 Say-on-Pay vote by making the following changes to our executive compensation program:

including a performance-based equity component in our Chief Executive Officer's fiscal 2017 executive refresh grant;

modifying the target pay positioning to the 50th percentile of our peer group of companies for fiscal 2017, departing from our historical positioning of target cash compensation at the 25th percentile and equity compensation at the 75th percentile; and

preparing for adoption of a compensation clawback policy to be effective upon finalization of applicable regulations pursuant to The Dodd - Frank Wall Street Reform and Consumer Protection Act.

### ***Compensation Consultant Resource***

The Compensation Committee obtained advice and assistance during fiscal 2016 from Compensia, Inc., or Compensia, including updates on best practices and market trends for executive officer compensation, risk assessments of our compensation program, compensation peer group identification and data and other ad hoc advice and support. Compensia reports to the Compensation Committee rather than to our management, although Compensia may meet with members of the management, including our CEO and members of our executive compensation staff, for purposes of gathering information on proposals that management may make to the Compensation Committee. The Compensation Committee has assessed the independence of Compensia taking into account, among other things, the various factors as set forth in Rule 10C-1 of the Exchange Act and the enhanced independence standards and factors set forth in the applicable listing standards of NYSE, and has concluded that its relationship with Compensia and the work of Compensia on behalf of the Compensation Committee has not raised any conflict of interest.

### ***Framework for Determining Executive Compensation***

The executive compensation program we adopted for fiscal 2016 had three primary components: (i) base salary, (ii) non-equity incentive plan compensation and (iii) equity awards. In addition, we provided our executive officers with other compensation, including a variety of benefits that are available generally to all salaried employees in the geographic locations where such executives are based.

In making its compensation decisions in fiscal 2016, the Compensation Committee also used data from Compensia to assess the compensation of our named executive officers. This market assessment relied on the list of peer companies established in fiscal 2016 with the assistance of Compensia based on companies meeting one or more of the following criteria: (i) industry group, a company that competes within the semiconductor and related devices industry; (ii) annual revenue, revenue growth rate and profitability; (iii) market cap size; and (iv) size of employee base. The Compensation Committee considered whether these peer group companies was still relevant for setting compensation decisions in fiscal 2016 and determined such list was representative of our peer group. Based on these criteria, the following seventeen companies were selected to form our peer group:

Ambarella	Applied Micro Circuits	Audience
Cavium	Cirrus Logic	Entropic Communications
Exar	Inphi	Integrated Device Technology
Integrated Silicon Solutions	Monolithic Power Systems	Power Integrations
Rambus	RealD	Semtech
Sigma Designs	Silicon Image	

We considered information with respect to our peer companies and compared our compensation levels to these companies. For fiscal 2016, we maintained our established practice to pay our named executive officers a base salary within the 25% range of our peer group of companies and equity compensation within the 75% of our peer group of companies. We believed this mix aligned our named executive officers more closely with our stockholders in focusing them to build shareholder value. Nevertheless, in response to the failed 2015 Say-on-Pay vote, we are taking the steps discussed above under the heading *Say-on-Pay Advisory Vote and Related Compensation Program Updates*. In addition, we utilize the business judgment and experience of the Compensation Committee and our Chief Executive Officer in establishing our executive compensation program. We rely in part on the experience and familiarity of the Compensation Committee members with current information relating to total aggregate compensation levels paid by technology companies of similar scale to ours. The Compensation Committee members have obtained this experience and familiarity as venture capitalists and/or executives at technology companies.



## *Elements of Compensation*

### *Base Salary*

We pay base salaries to provide a fixed level of cash compensation for our named executive officers to compensate them for services rendered during the fiscal year. Each year we determine salary increases, if any, based upon a subjective evaluation of each executive's individual performance, position, tenure, experience, expertise, leadership, management capability, and the extent to which the executive has been successful in managing and growing the operations or organization for which such executive is responsible. We do not apply formulaic base salary increases to our named executive officers.

For fiscal year 2016, the Compensation Committee determined to maintain the base salary of our Chief Executive Officer. The Compensation Committee approved increases in the base salaries of Messrs. Goehl, Dentinger and Maghsoudnia recommended by our Chief Executive Officer from \$260,000 to \$280,000, \$300,000 to \$325,000, and \$270,000 to \$290,000, respectively, in each case in recognition of the increased responsibility of their positions resulting from the increasing scale and scope of our operations. Mr. Tachner continued to receive the base salary amount that was set at the time he joined us as an executive officer, \$300,000.

### *Non-Equity Incentive Awards*

For fiscal 2016, the non-equity incentive program was designed to reward performance based on two performance factors: forty percent based on the Company's performance, as measured against predetermined revenue and non-GAAP gross margin goals, and sixty percent related to the executive's individual performance, as measured against specific management objective goals. There were four different strategic and tactical goals for the Company, including design wins, customer wins, product development milestones and other strategic metrics. The Compensation Committee decided to increase the emphasis on individual performance goals from the previous year, as it determined that accomplishing such stated goals would have a substantial effect on the revenue and non-GAAP gross margin targets.

Specific incentive award targets were determined to align individual performance with the annual goals and objectives of the Company, after taking into consideration the practices of the Company's peer group, general market practices and recognition that the executives have a greater level of influence over and impact on the overall success of the Company. Upon completion of fiscal 2016, an assessment was conducted by Mr. Abdi of the results achieved by each other executive relative to the established goals and objectives. Each of our named executive officers was determined to have achieved, and the committee approved, the payment of incentive award amounts based on Mr. Abdi's recommendations (except with respect to Mr. Abdi himself, whose incentive award amounts were determined solely by the Compensation Committee) and as set forth in the section entitled *Summary Compensation Table* herein.

### *Equity Awards*

We believe that equity ownership in our company is an important component of each named executive officer's total compensation because it promotes long-term performance by aligning the interests of our named executive officers with the interests of our stockholders. We believe that equity awards will incentivize our named executive officers to achieve long-term performance because they provide greater opportunities for our named executive officers to benefit from any future successes in our business. Our equity compensation plans have provided the principal method for our named executive officers to acquire equity or equity-linked interests in our company.

The number of shares subject to options granted to each named executive officer is determined by the Compensation Committee based upon several factors, including individual performance reviews and the levels of equity ownership we believe to be representative of and competitive with ownership levels of officers having similar responsibilities in

technology companies of similar scale and stage of development to ours. We use

options as an incentive to ensure long term growth of the Company, with four-year vesting cycles. In addition to the annual awards, grants of additional equity awards may be made to executive officers as an inducement to accept employment, following a significant change in job responsibility or in recognition of a significant achievement. In May 2015, we granted our named executive officers additional stock options vesting monthly over four years and Messrs. Abdi, Goehl and Tachner restricted stock awards, or RSAs, in connection with their annual performance reviews. In addition, we granted Messrs. Maghsoudnia and Dentinger restricted stock units, or RSUs, that vest over four years in equal annual installments, beginning on the first anniversary of the date of grant. The Compensation Committee is mindful of the potential dilution to stockholders resulting from stock option awards, which was a factor in the committee's decision to award restricted stock units as part of the equity award mix. This decision has enabled us to provide long-term incentive compensation while using fewer shares of our common stock than if stock options alone were granted.

### **Other Supplemental Benefits**

Our named executive officers are eligible for the following benefits on a similar basis as other eligible employees:

health, dental and vision insurance;

vacation, personal holidays and sick days;

life insurance and supplemental life insurance;

short-term and long-term disability;

a 401(k) plan with matching contributions; and

a Section 423 employee stock purchase plan enabling discounted purchases of our stock.

### **Other Compensation Policies**

#### *Hedging and Pledging Policy*

In 2014, we adopted a policy prohibiting our employees, including our executive officers, and members of our board of directors from speculating in our equity securities, including the use of short sales or any equivalent transaction involving our equity securities. In addition, they may not engage in any other hedging transactions, such as trading in puts, calls, collars, forward sales, equity swaps and other similar or related arrangements, with respect to the securities that they hold. We also have adopted a policy prohibiting the pledging of our common stock by our employees, including our executive officers, and members of our board of directors.

### **Tax and Accounting Considerations**

#### *Deductibility of Executive Compensation*



Section 162(m) of the Internal Revenue Code of 1986, as amended, or the Code, generally disallows a deduction for federal income tax purposes to any publicly traded company for remuneration in excess of \$1 million paid in any taxable year to its Chief Executive Officer and each of the three other most highly-compensated executive officers (other than the CFO). We may deduct compensation with respect to any of these individuals only to the extent that during any fiscal year such compensation does not exceed \$1 million or meets certain other conditions (such as stockholder approval) to be considered performance based compensation for purposes of Section 162(m) of the Code. Considering the Company's current compensation plans and policy, the Company and the Compensation Committee expect that, for the near future, the impact of any lost tax deductions as a result of Section 162(m) of the Code should not be material. However, the Company will continue to monitor such compensation covered under Code Section 162(m) to maximize deductibility by making appropriate changes to the plan if necessary, and/or to continue to authorize compensation payments that do not comply with the exemptions in Section 162(m) when the Company believes that such payments are appropriate and in the best interests of the stockholders, after taking into consideration changing business conditions or the officer's performance.

*Policy Regarding Restatements*

We do not currently have a formal policy requiring a fixed course of action with respect to compensation adjustments, or clawbacks, following later restatements of financial results. The Compensation Committee has resolved to adopt a comprehensive clawback policy upon finalization of the relevant clawback regulations pursuant to Section 954 of the Dodd - Frank Wall Street Reform and Consumer Protection Act. Until such policy is adopted, the Compensation Committee reserves the authority to evaluate whether compensation adjustments are appropriate after a restatement based upon the facts and circumstances surrounding the restatement, including the requirements of the Sarbanes-Oxley Act of 2002.

**Executive Compensation Tables***Summary Compensation Table*

The following table presents information regarding the total compensation earned by or awards to our named executive officers during each of our last three fiscal years:

Name and Principal Position	Fiscal Year	Salary (\$)	Bonus (\$)	Option Awards		Stock Awards	Non-Equity Incentive Plan Compensation (\$)	All Other Compensation (\$)	Total (\$)
				(\$)	(1)	(2)	(3)		
Behrooz Abdi <i>President and Chief Executive Officer</i>  <i>(Principal Executive Officer)</i>	2016	400,000		2,102,205		728,500	220,800	21,015	3,472,520
	2015	400,000		2,562,440		1,059,600	240,000	18,402	4,280,442
	2014	400,000					175,000	14,361	589,361
Mark Dentinger (4) <i>Vice President and Chief Financial Officer</i>  <i>(Principal Financial Officer)</i>	2016	323,958		720,756		582,800	113,100	19,087	1,759,701
	2015	161,364	80,000	2,672,550		1,854,750		4,734	4,773,398
Daniel Goehl <i>Vice President, Worldwide Sales</i>  <i>Mozafar Maghsoudnia (5) Vice President, Technology and</i>	2016	279,167		480,504		291,400	105,300	21,015	1,177,386
	2015	259,583		384,366		141,280	127,500	17,938	930,667
	2014	249,167	80,000	461,182		1,017,300	120,000	13,408	1,941,057
	2016	289,167		510,536		364,250	109,330	19,809	1,293,092

*Worldwide**Manufacturing*

Adam Tachner (6)	2016	300,000	480,504	291,400	80,460	16,913	1,169,277
Vice President and	2015	300,000	320,305	141,280	64,000	15,230	840,815
General Counsel	2014	168,269	2,061,689	2,025,100	120,000	7,367	4,382,425

- (1) This column reflects the aggregate grant date fair value of option awards granted to our named executive officers estimated pursuant to ASC Topic 718. The assumptions made in the valuation of the stock option awards are discussed in Note 6, *Stockholders' Equity*, of the Notes to the Consolidated Financial Statements included in our Annual Report on Form 10-K for the year ended April 3, 2016 which was filed with the SEC on May 25, 2016.
- (2) This column reflects the aggregate grant date fair value of our common stock for the stock awards granted to our named executive officers estimated pursuant to ASC Topic 718. The assumptions made in the valuation of our common stock on the grant date are discussed in Note 6, *Stockholders' Equity*, of the Notes to the Consolidated Financial Statements included in our Annual Report on Form 10-K for the year ended April 3, 2016 which was filed with the SEC on May 25, 2016.
- (3) Represents our contribution to the executive's medical and life insurance payments, health savings account and 401(k) retirement plan account.
- (4) Mark Dentinger was appointed chief financial officer during fiscal year 2015.
- (5) Mozafar Maghsoudnia was appointed as an executive officer during fiscal year 2016.
- (6) Adam Tachner resigned from our company effective May 16, 2016.

**Grants of Plan-Based Awards**

The following table sets forth certain information with respect to grants of plan-based awards to our named executive officers during fiscal year 2016:

Name	Grant Date	Estimated Future Payouts Under Non-Equity Incentive Based Plans		All Other Stock Awards: Number of Shares of Stock or Units (#)	Option Awards: Number of securities Underlying Options (#)	Exercise or Base Price of Option Awards (\$/Sh)	Grant Date Fair Value Of Stock and Option Awards (\$)	
		Threshold (\$)	Target (\$)				Maximum (\$)	(1)
Behrooz Abdi			400,000	400,000				
	5/15/2015					14.57	2,102,205	
	5/15/2015			50,000			728,500	
Mark Dentinger			162,500	162,500				
	5/15/2015					14.57	720,756	
	5/15/2015			40,000			582,800	
Daniel Goehl			150,000	150,000				
	5/15/2015					14.57	480,504	
	5/15/2015			20,000			291,400	
Mozafar Maghsoudnia			145,000	145,000				
	5/15/2015					14.57	510,536	
	5/15/2015			25,000			364,250	
Adam Tachner			135,000	135,000				
	5/15/2015					14.57	480,504	
	5/15/2015			20,000			291,400	

- (1) This column reflects the aggregate grant date fair value of option awards granted to our named executive officers estimated pursuant to ASC Topic 718. The assumptions made in the valuation of the stock option awards are discussed in Note 6, *Stockholders' Equity*, of the Notes to the Consolidated Financial Statements included in our Annual Report on Form 10-K for the year ended April 3, 2016 which was filed with the SEC on May 25, 2016. There can be no assurance that options will be exercised (in which case no value will be realized by the individual), that the value on exercise of options will approximate the compensation expense we recognized, or that the price of our common stock when RSUs vest will equal or exceed the price of our common stock on the date of the applicable RSU award.
- (2) This column reflects the aggregate grant date fair value of our common stock for the stock awards granted to our named executive officers estimated pursuant to ASC Topic 718. The assumptions made in the valuation of our common stock on the grant date are discussed in Note 6, *Stockholders' Equity*, of the Notes to the Consolidated Financial Statements included in our Annual Report on Form 10-K for the year ended April 3, 2016 which was filed with the SEC on May 25, 2016.



**Outstanding Equity Awards at the End of Fiscal Year 2016**

The following table presents certain information regarding outstanding equity awards held by our named executive officers as of April 3, 2016:

Name	Grant Date	Option Awards				Stock Awards	
		Number of Securities Underlying Unexercised Options Exercisable (#)	Number of Securities Underlying Unexercised Options Unexercisable (#)	Option Exercise Price (\$)	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested (#)	Market Value of Shares or Units of Stock That Have Not Vested (\$)(1)
Behrooz Abdi	7/9/2011	28,125(2)		7.32	7/9/2021		
	10/24/2012	668,565(3)	120,975	11.57	10/23/2022		
	10/24/2012	138,255(4)	69,130	11.57	10/23/2022		
	10/24/2012	125,294(5)	82,091	11.57	10/23/2022		
	10/24/2012	103,692(6)	103,693	11.57	10/23/2022		
	10/24/2012					60,488(7)	511,124
	5/15/2014		400,000(8)	17.66	5/15/2024		
	5/15/2015	72,916(9)	277,084	14.57	5/15/2025		
	5/15/2015					50,000(10)	422,500
Mark Dentinger	9/2/2014	118,750(11)	181,250	24.73	9/2/2024		
	9/2/2014					56,250(12)	475,313
	5/15/2015	24,999(9)	95,001	14.57	5/15/2025		
	5/15/2015					40,000(13)	338,000
Dan Goehl	1/19/2011	20,000(14)		6.11	1/18/2021		
	10/21/2011	8,334(15)		7.32	10/21/2021		
	10/21/2011	25,000(16)		7.32	10/21/2021		
	5/15/2013	63,751(17)	25,001	12.92	5/15/2023		
	5/15/2013					7,500(18)	63,375
	8/15/2013					7,500(19)	63,375
	11/15/2013					7,500(20)	63,375
	2/15/2014					7,500(21)	63,375
	5/15/2014		60,000(8)	17.66	5/15/2024		
	5/15/2015	16,666(9)	63,334	14.57	5/15/2025		
		5/15/2015					20,000(10)
Mozafar Maghsoudnia	6/15/2012	187,500(22)	12,500	11.95	6/15/2022		
	6/15/2012		25,000(23)	11.95	6/15/2022		
	9/15/2013	48,437(24)	26,563	18.41	9/15/2023		
	5/15/2013					9,500(18)	80,275
	8/15/2013					9,500(19)	80,275

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	9/15/2013					15,000(25)	126,750
	11/15/2013					9,500(20)	80,275
	2/15/2014					9,500(21)	80,275
	5/15/2014		60,000(8)	17.66	5/15/2024		
	5/15/2015	17,707(9)	67,293	14.57	5/15/2025		
	5/15/2015					25,000(13)	211,250
Adam Tachner	9/15/2013	193,750(26)	106,250	18.41	9/15/2023		
	9/15/2013					36,667(27)	309,836
	5/15/2014		50,000(8)	17.66	5/15/2024		
	5/15/2015	16,665(9)	63,335	14.57	5/15/2025		
	5/15/2015					20,000(10)	169,000

- (1) The value of the unvested stock awards was calculated by multiplying the number of shares of unvested stock awards by the estimated fair market value of \$8.45 per share of our common stock on the last trading day of our 2016 fiscal year.
- (2) The option vests with respect to 1/48th of the total shares subject to the option monthly for 48 months with a vesting commencement date of July 9, 2011. On October 24, 2012, 28,125 shares had vested and the Company and employee agreed that no additional shares will vest under this option.
- (3) The option vests with respect to 1/4th of the total shares subject to the option on the first anniversary of the vesting commencement date of October 24, 2012, and with respect to 1/48th of the total shares subject to the option monthly thereafter for 36 months, such that all the shares will be fully vested upon the fourth anniversary of the option's vesting commencement date.
- (4) The option award will vest ratably at a rate of 1/48th per month after commencement of vesting, with vesting commencing upon the closing price of the Company's publicly traded stock equaling or exceeding \$15.00 for a period of 20 consecutive trading days.
- (5) The option award will vest ratably at a rate of 1/48th per month after commencement of vesting, with vesting commencing upon the closing price of the Company's publicly traded stock equaling or exceeding \$17.50 for a period of 20 consecutive trading days.
- (6) The option award will vest ratably at a rate of 1/48th per month after commencement of vesting, with vesting commencing upon the closing price of the Company's publicly traded stock equaling or exceeding \$20.00 for a period of 20 consecutive trading days.
- (7) Restricted stock granted on October 24, 2012. The restricted stock vests with respect to 1/4th of the total shares subject to the grant on the first anniversary of the vesting commencement date of October 24, 2012, and with respect to 1/48th of the total shares subject to the grant monthly thereafter for 36 months, such that all the shares will be fully vested upon the fourth anniversary of the restricted stock grant date.
- (8) The option vests with respect to all of the shares subject to the option on April 1, 2018.
- (9) The option vests with respect to 1/48th of the total shares subject to the option monthly from the vesting commencement date of May 15, 2015.
- (10) The restricted stock vests with respect to 1/4th of the total shares on each annual anniversary of the vesting commencement date of May 15, 2015.
- (11) The option vested with respect to 1/4th of the total shares subject to the option on the first anniversary of the vesting commencement date of September 2, 2014, and with respect to 1/48th of the total shares subject to the option monthly thereafter for 36 months, such that all the shares will be fully vested upon the fourth anniversary of the option's vesting commencement date.
- (12) The restricted stock units vest with respect to 1/4th of the total shares subject to the restricted stock units yearly from the vesting commencement date of September 2, 2014.
- (13) The restricted stock units vest with respect to 1/4th of the total shares subject to the restricted stock units yearly from the vesting commencement date of May 15, 2015.
- (14) The option vests with respect to all of the shares subject to the option 45 months after the vesting commencement date of February 15, 2011.
- (15) The option vests with respect to 1/36th of the total shares subject to the option monthly from the vesting commencement date of October 1, 2011.
- (16) The option vests with respect to 1/12th of the total shares subject to the option monthly from the vesting commencement date of April 1, 2015.
- (17) The option vests with respect to 1/48th of the total shares subject to the option monthly from the vesting commencement date of April 1, 2013.
- (18) The restricted stock units vest with respect to 1/4th of the total shares subject to the restricted stock units yearly from the vesting commencement date of May 15, 2013.
- (19) The restricted stock units vest with respect to 1/4th of the total shares subject to the restricted stock units yearly from the vesting commencement date of August 15, 2013.



(20) The restricted stock units vest with respect to 1/4th of the total shares subject to the restricted stock units yearly from the vesting commencement date of November 15, 2013.

- (21) The restricted stock units vest with respect to 1/4th of the total shares subject to the restricted stock units yearly from the vesting commencement date of February 15, 2014.
- (22) The option vested with respect to 1/4th of the total shares subject to the option on the first anniversary of the vesting commencement date of June 11, 2012, and with respect to 1/48th of the total shares subject to the option monthly thereafter for 36 months, such that all the shares will be fully vested upon the fourth anniversary of the option's vesting commencement date.
- (23) The option vests with respect to all of the shares subject to the option on June 11, 2017.
- (24) The option vests with respect to 1/48th of the total shares subject to the option monthly from the vesting commencement date of September 1, 2013.
- (25) The restricted stock units vest with respect to 1/4th of the total shares subject to the restricted stock units yearly from the vesting commencement date of September 15, 2013.
- (26) The option vested with respect to 1/4th of the total shares subject to the option on the first anniversary of the vesting commencement date of August 26, 2013, and with respect to 1/48th of the total shares subject to the option monthly thereafter for 36 months, such that all the shares will be fully vested upon the fourth anniversary of the option's vesting commencement date.
- (27) The restricted stock units vest with respect to 1/3rd of the total shares subject to the restricted stock units yearly from the vesting commencement date of September 15, 2013.

### ***Option Exercises and Stock Vested***

The following table summarizes for each named executive officer the stock option exercises and stock awards vested during fiscal 2016:

Name	Option Awards		Stock Awards	
	Number of Shares Acquired on Exercise (#)	Value Realized on Exercise (\$)(1)	Number of Shares Acquired on Vesting (#)	Value Realized on Vesting (\$)(2)
Behrooz Abdi	40,000	159,120	163,692	1,805,998
Mark Dentinger			18,750	184,875
Dan Goehl			23,000	248,573
Mozafar Maghsoudnia			38,500	410,108
Adam Tachner			44,667	453,497

- (1) Value realized is based on the market price of our common stock on the date of exercise minus the exercise price and does not necessarily reflect proceeds actually received by the individual.
- (2) Value realized is based on the market price of our common stock on the vesting date and does not necessarily reflect proceeds actually received by the individual.

### ***Pension Benefits***

We did not sponsor any defined benefit pension or other actuarial plan for our executive officers, including the named executive officers, during fiscal year 2016.

### ***Nonqualified Deferred Compensation***

We did not maintain any nonqualified defined contribution or other deferred compensation plans or arrangements for our executive officers, including the named executive officers, during fiscal year 2016.

***401(k) Plan***

We maintain a 401(k) retirement savings plan. Each participant who is a U.S. employee may contribute to the 401(k) plan, through payroll deductions, subject to statutory limitations imposed by the Internal Revenue Service. All amounts contributed by employee participants and earnings on these contributions are fully vested at all times. Employee participants may elect to invest their contributions in various established funds. We make contributions to the accounts of plan participants.

### ***Compensation Risk Assessment***

In connection with its review of employee compensation and the compensation process, the company has concluded that risks arising from its compensation policies and practices are not reasonably likely to have a material adverse effect on the company.

### ***Severance and Change in Control Agreements***

In May 2014, we approved a new form of executive change in control and severance agreement, which each of our named executive officers has entered into, other than our Chief Executive Officer. This form of agreement superseded and replaced any agreements or benefits relating to severance and change of control previously in effect for these officers.

If, within an executive officer's first year of employment, such executive officer is terminated without cause and such termination is not in connection with a change of control, such officer will be eligible to receive the following severance:

an amount equal to six months of then-current base salary;

payment of six months of continued medical insurance premiums under COBRA, if elected;

six month acceleration of vesting (or release from our repurchase rights, as applicable) of stock (including options) then subject to vesting (or repurchase, as applicable); and

outstanding option awards remain exercisable for six months.

In the event we undergo a change of control and the employment of an executive officer (other than our Chief Executive Officer) is terminated for good reason or without cause either 30 days prior to the closing of such change of control or 18 months after, such officer will be eligible to receive the following severance:

an amount equal to 12 months of then-current base salary;

payment of 18 months of continued medical insurance premiums under COBRA, if elected;

an amount equal to the lower of his current year target bonus or the amount of the most recent bonus paid;

the acceleration of vesting (or release from our repurchase rights, as applicable) with respect to 100% of stock (including options) then subject to vesting (or repurchase, as applicable); and

extension of the exercise period for outstanding option awards by six months.

The benefits outlined above are contingent upon the officer signing a release.

Mr. Tachner, our former Vice President and General Counsel and Corporate Secretary, resigned his employment effective as of close of business May 16, 2016 without eligibility for severance benefits. At that time his change in control and severance agreement terminated.

***Behrooz Abdi***

In connection with Mr. Abdi's appointment as President and Chief Executive Officer on October 24, 2012, we entered into an employment agreement and an executive change in control and severance agreement with Mr. Abdi. Pursuant to the employment agreement, Mr. Abdi's annual base salary was set at \$400,000 per year. The agreement provides that Mr. Abdi will participate in any bonus or similar plan for our executive officers adopted by our board of directors.

In addition, under his employment agreement, Mr. Abdi was granted: (i) an option to purchase 829,540 shares of our common stock, at an exercise price equal to \$11.57 per share, the closing price of our common

stock on the NYSE on October 24, 2012. One quarter of the shares subject to the option vested on the one year anniversary of his employment and the remaining shares will vest in equal monthly installments over the three years thereafter; (ii) an option to purchase 622,155 shares of our common stock, at an exercise price equal to \$11.57 per share, with shares subject to the option vesting ratably at a rate of 1/48th per month after commencement of vesting, and vesting commencing for such shares in even thirds of 207,385 shares upon the closing price of our stock equaling or exceeding \$15.00, \$17.50 and \$20.00, respectively, for periods of 20 consecutive trading days; and (iii) 414,770 shares of restricted common stock, with one quarter of the shares vesting on the one year anniversary of his employment and the remaining shares vesting in equal monthly installments over the three years thereafter. In consideration for the our entering into the employment agreement, Mr. Abdi agreed that no additional shares would vest under existing options covering an aggregate of 90,000 shares granted to him in his capacity as a non-employee member of our board of directors. Mr. Abdi retained that portion of the option that was already vested, representing the right to purchase 28,125 shares at \$7.32 per share. Pursuant to Mr. Abdi's change in control and severance agreement, if Mr. Abdi resigns for good reason or is terminated without cause not in connection with a change in control, he is entitled to: (i) a severance payment equal to 18 months of his then-current base salary; (ii) a bonus payment equal to his target bonus amount for the prior fiscal year (or, if no such prior year target annual bonus has been established, for the current fiscal year); and (iii) a payment of 18 months of continued medical insurance premiums under COBRA, each of which shall be paid in single lump-sum amounts, subject to applicable withholding taxes. In addition, his then-outstanding equity awards that have commenced vesting in accordance with their terms will vest in the additional portion that would have vested had his service with us continued for an additional 12 months after the date of termination (but without giving effect to any change in the trading price of our common stock following the date of termination).

In addition, if he resigns for good reason or is terminated without cause within 90 days before or 18 months following a change in control, Mr. Abdi is entitled to: (i) a severance payment equal to 18 months of the greater of his then-current base salary or his base salary as in effect immediately prior to the change in control; (ii) a bonus payment equal to 150% of the weighted average of his target bonus amount for the year in which his termination occurs and for the bonus amount paid to him for the year prior to the year in which his termination occurs; and (iii) a payment of 18 months of continued medical insurance premiums under COBRA, each of which shall be paid in single lump-sum amounts, subject to applicable withholding taxes. In addition, 100% of his then-outstanding equity awards that have commenced vesting in accordance with their terms will become vested (as if, with respect to equity awards the vesting of which is conditioned on the achievement of any common stock trading price, our common stock's price had closed for 20 consecutive trading days at the price per share paid in the change in control), all restrictions and repurchase rights will lapse, and all performance goals or other criteria will be deemed achieved at target levels and all other terms and condition met. regard to whether Mr. Abdi is terminated or resigns, upon a change of control, 100% of his then-outstanding equity awards that are not assumed or replaced upon the change in control and that have commenced vesting in accordance with their terms will become vested (as if, with respect to equity awards the vesting of which is conditioned on our achievement of any common stock trading price, our common stock's price had closed for 20 consecutive trading days at the price per share paid in the change in control).

**Potential Payments upon Termination or Change in Control**

The following table describes the potential compensation that would have been paid to our named executive officers if a change of control had occurred and the named executive officer resigned for good reason or was terminated without cause either within 30 days prior (90 days prior in the case of our Chief Executive Officer) to the closing of such change of control or within 18 months after, assuming such termination was effective as of April 3, 2016, the last day of our 2016 fiscal year:

Name	Cash Severance (\$)(1)	Benefits Continuation (\$)	Annual Incentive (\$)(2)	Acceleration		Total (\$)
				of Option Awards (3)	Acceleration of Stock Awards (4) (\$)	
Behrooz Abdi	600,000	38,600	331,200		933,624	1,903,424
Mark Dentinger	325,000	32,032	113,100		813,313	1,283,445
Daniel Goehl	280,000	38,600	105,300		422,500	846,400
Mozafar Maghsoudnia	290,000	36,143	109,330		659,100	1,094,573
Adam Tachner(5)	300,000	31,962	80,640		478,836	891,438

- (1) Certain of the executive officers' salaries transitioned to new fiscal year 2017 rates during the first pay period of April 2016. In order to provide greater overall consistency in the estimated termination payment amounts, however, this table reflects the salary rates in effect on March 31, 2016.
- (2) Given the current structure of our executive compensation program, the Severance and Change in Control Agreement rights related to annual bonus are calculated by reference to annual non-equity incentive compensation award amounts.
- (3) The value of accelerated vesting of options was calculated by multiplying the number of shares subject to acceleration by the difference between the estimated fair market value of \$8.45 per share of our common stock on the last trading day of fiscal 2016 and the per share exercise price of the accelerated options.
- (4) The value of accelerated vesting of stock awards was calculated by multiplying the number of shares subject to acceleration by the estimated fair market value of \$8.45 per share of our common stock on the last trading day of fiscal 2016.
- (5) Mr. Tachner, our former Vice President and General Counsel and Corporate Secretary, resigned his employment effective as of close of business May 16, 2016 without eligibility for severance benefits. At that time his change in control and severance agreement terminated.

**Equity Compensation Plan Information**

Information, as of April 3, 2016, regarding our equity compensation plans is summarized in the following table:

Plan Category	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) (1)
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Equity compensation plans approved by security holders	15,098,000	12.76	10,295,000(1)
Equity compensation plans not approved by security holders			
<b>Total</b>	<b>15,098,000</b>	<b>12.76</b>	<b>10,295,000</b>

(1) Included in this amount are 1,000,000 shares available for future issuance under our 2013 Employee Stock Purchase Plan.



## Limitations of Liability and Indemnification Matters

We have adopted provisions in our current certificate of incorporation that limit or eliminate the liability of our directors for monetary damages for breach of their fiduciary duties, except for liability that cannot be eliminated under the Delaware General Corporation Law. Accordingly, our directors will not be personally liable for monetary damages for breach of their fiduciary duties as directors, except with respect to the following:

any breach of their duty of loyalty to us or our stockholders;

acts or omissions not in good faith or that involve intentional misconduct or a knowing violation of law;

unlawful payments of dividends or unlawful stock repurchases or redemptions as provided in Section 174 of the Delaware General Corporation Law; or

any transaction from which the director derived an improper personal benefit.

This limitation of liability does not apply to liabilities arising under the federal securities laws and does not affect the availability of equitable remedies such as injunctive relief or rescission. If Delaware law is amended to authorize the further elimination or limiting of director liability, then the liability of our directors will be eliminated or limited to the fullest extent permitted by Delaware law as so amended. Our certificate of incorporation and our bylaws also provide that we shall indemnify our directors and executive officers and shall indemnify our other officers and employees and other agents to the fullest extent permitted by law. We believe that indemnification under our bylaws covers at least negligence and gross negligence on the part of indemnified parties. Our bylaws also permit us to secure insurance on behalf of any officer, director, employee or other agent for any liability arising out of his or her actions in this capacity, regardless of whether our bylaws would permit indemnification. We have entered and intend to continue to enter into separate indemnification agreements with certain of our directors and executive officers that are, in some cases, broader than the specific indemnification provisions provided by Delaware law and our charter documents, and may provide additional procedural protection. These agreements will require us, among other things, to:

indemnify officers and directors against certain liabilities that may arise because of their status as officers and directors;

advance expenses, as incurred, to officers and directors in connection with a legal proceeding subject to limited exceptions; and

cover officers and directors under any general or directors and officers liability insurance policy maintained by us.

We believe that these provisions and agreements are necessary to attract and retain qualified persons as directors and executive officers. Insofar as indemnification for liabilities arising under the Securities Act may be permitted to directors, officers or persons controlling our company pursuant to the foregoing provisions, the opinion of the Securities and Exchange Commission is that such indemnification is against public policy as expressed in the Securities Act and is therefore unenforceable. In addition, we maintain standard policies of insurance under which

coverage is provided to our directors and officers against loss arising from claims made by reason of breach of duty or other wrongful act, and to us with respect to payments which may be made by us to such directors and officers pursuant to the above indemnification provisions or otherwise as a matter of law. We also make available standard life insurance and accidental death and disability insurance policies to our employees.

**REPORT OF THE COMPENSATION COMMITTEE<sup>(1)</sup>**

The Compensation Committee has reviewed and discussed with management the Compensation Discussion and Analysis contained in this proxy statement. Based on this review and discussion, the Compensation Committee has recommended to the board of directors that the Compensation Discussion and Analysis be included in this proxy statement and incorporated by reference into our Annual Report on Form 10-K for the fiscal year ended April 3, 2016.

Compensation Committee

Amit Shah (Chairman), Usama Fayyad and Yunbei ( Ben ) Yu, Ph.D.

- (1) The material in this report is not soliciting material, is not deemed filed with the SEC, and is not to be incorporated by reference into any filing of InvenSense under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, other than InvenSense's Annual Report on Form 10-K, where it shall be deemed to be furnished, whether made before or after the date hereof and irrespective of any general incorporation language contained in such filing.

## PROPOSAL TWO

### PROPOSAL 2 APPROVAL TO AMEND THE 2013 EMPLOYEE STOCK PURCHASE PLAN TO INCREASE THE NUMBER OF SHARES

Our 2013 Employee Stock Purchase Plan, or the ESPP, is a benefit that we make broadly available to our employees that allows them to purchase shares of our common stock at a discount. The ESPP helps us attract, motivate and retain highly qualified employees and promotes employee stock ownership, which aligns employees' interests with those of our stockholders. We are asking stockholders to approve amending the ESPP to increase by 2,000,000 the number of shares of our common stock reserved for issuance under the ESPP. The Compensation Committee has approved the amendment and restatement of the ESPP, subject to stockholder approval at the Annual Meeting. Stockholder approval of the ESPP requires the affirmative vote of a majority of the outstanding shares of our common stock present in person or by proxy at the Annual Meeting and entitled to vote on the proposal. If stockholders approve this proposal, the total number of shares of our common stock authorized and reserved for issuance under the ESPP will be 3,400,000 shares. However, if this proposal is rejected by stockholders, the total number of shares of our common stock authorized and reserved for issuance under the ESPP will remain at 1,400,000, of which approximately 678,449 remain available for issuance as of July 3, 2016. Based on our current forecasts and estimated participation rates, if the increase is not approved, it is anticipated that the ESPP will run out of available shares during the offering period ending May 15, 2017 and no longer have shares available for the offering period beginning May 16, 2017. We believe the ESPP is an essential tool that helps us compete for talent in the labor markets in which we operate. We also believe the ESPP is a crucial element in rewarding and encouraging current employees that promotes stock ownership by employees, which aligns their interests with those of our stockholders. Without stockholder approval of this proposal, we believe our ability to attract and retain talent would be hampered, and our recruiting, retention and incentive efforts would become more difficult. Since January 2015, our executive officers were permitted to participate in the ESPP. As such, they may have an interest in this proposal. The remainder of this discussion, when referring to the ESPP, refers to the amended and restated ESPP as if this proposal is approved by our stockholders, unless otherwise specified or the context otherwise references the ESPP prior to amendment and restatement. The ESPP was initially adopted by the board in July 19, 2013 and approved by our stockholders in September 13, 2013. Pursuant to the ESPP, a participant may authorize participant contributions, generally in the form of payroll deductions, which may not exceed 10% of the participant's eligible compensation during the offering period. Payroll deductions are applied on the last day of a purchase period, or the Purchase Date, to purchase a whole number of shares of our common stock on behalf of a participant. The purchase price is 85% of the fair market value of a share on the first day of the offering period or on the purchase date, whichever date results in a lower price.

#### *Reasons for this Proposal*

We believe that the number of shares of our common stock remaining available for issuance under the ESPP will not be sufficient for the expected levels of ongoing participation in the ESPP. Therefore, increasing the number of shares available under the ESPP would be appropriate to help the Company meet the goals of its compensation strategy. The board believes that the interests of the Company and its stockholders will be advanced if the Company can continue to offer employees the opportunity to acquire or increase their ownership interests in the Company. We currently forecast that adding 2,000,000 shares of our common stock to the ESPP will provide enough shares to last approximately two years, which will help us achieve our near-term goal to attract, retain and motivate qualified employees.

In considering its recommendation to seek stockholder approval for the addition to the ESPP of 2,000,000 shares of our common stock, the board considered the number of shares purchased under the ESPP since its adoption in 2013, which was 721,551. The board also considered the Company's expectation that the additional shares should last approximately two years. In the event that more shares are required for the ESPP in the future, the prior approval of

our stockholders will be required.

## **Summary of the ESPP**

### ***Administration***

The ESPP may be administered by the board of directors or a committee thereof. Currently, the Compensation Committee serves as the plan administrator. The Compensation Committee, as the plan administrator, has full authority to adopt such rules and procedures as it may deem necessary for proper plan administration and to interpret the provisions of the ESPP.

### ***Shares Available Under the ESPP***

A total of 1,400,000 shares of our common stock are currently authorized for purchase over the term of the ESPP, subject to adjustment in the event of a stock split, stock dividend, combination or reclassification or similar event.

### ***Offering Periods***

The ESPP is implemented by two offering period during each six-month period beginning on May 16 and November 16 each year. Each participant is granted a separate purchase right to purchase shares of our common stock for each offering period in which he or she participates. Purchase rights under the ESPP are granted on the start date of each offering period in which the participant participates and are automatically exercised on the last day of the offering period. Each purchase right entitles the participant to purchase the whole number of shares obtained by dividing the participant's payroll deductions for the offering period by the purchase price in effect for such period.

### ***Eligibility***

Except as described in this paragraph with respect to certain foreign employees, all employees of the Company and any designated parent or subsidiaries who are regularly expected to work more than 20 hours per week for more than five months per calendar year and who have been employed for such continuous period as the plan administrator may require (which period may not exceed two year) are eligible to participate in the ESPP. An eligible employee may only join an offering period on the start date of that period. Designated parents and subsidiaries include any parent or subsidiary corporation of the Company, whether now existing or hereafter organized, which elects, with the approval of the plan administrator, to extend the benefits of the ESPP to their eligible employees. Employees who are citizens or residents of a non-U.S. jurisdiction (without regard to whether he or she is also a citizen of the United States or a resident alien (within the meaning of Section 7701(b)(1)(A) of the Code)) are ineligible to participate in the ESPP if his or her participation is prohibited under the laws on the applicable non-U.S. jurisdiction or if complying with the laws of the applicable non-U.S. jurisdiction would cause the ESPP or an offering to violate Section 423 of the Code.

Each participant in the ESPP may authorize periodic payroll deductions that may not exceed the least of (i) 10% of his or her compensation, which is defined in the ESPP to include the regular base salary in effect at the beginning of the offering period, exclusive of any payments for overtime, bonuses, annual awards, other incentive payments, reimbursements or other expense allowances, fringe benefits (cash or non-cash), moving expenses, deferred compensation, or contributions (other than contributions under a 401(k) or cafeteria plan); and (ii) such amount determined by the plan administrator per offering period. A participant may increase or reduce his or her rate of payroll deductions during an offering period.

On the last day of each offering period, the accumulated payroll deductions of each participant are automatically applied to the purchased shares at the purchase price in effect for that period.



### ***Purchase Price***

The purchase price per share at which common stock is purchased on the participant's behalf for each offering period is equal to the lower of: (i) 85% of the fair market value per share of the common stock on the date of commencement of such offering period; and (ii) 85% of the fair market value per share of common stock on the last day of such offering period.

### ***Valuation***

The fair market value of the common stock on a given date is the closing sales price of the common stock on the NYSE as of such date. As of July 1, 2016, the fair market value of a share of the Company's common stock as reported on the NYSE was \$6.12.

### ***Special Limitations***

The ESPP imposes certain limitations upon a participant's right to acquire common stock, including the following limitations:

No purchase right may be granted to any individual who owns stock (including stock purchasable under any outstanding options or purchase rights) possessing 5% or more of the total combined voting power or value of all classes of stock of the Company or any of its affiliates.

No purchase right granted to a participant may permit such individual to purchase common stock at a rate greater than \$25,000 worth of such common stock (valued at the time such purchase right is granted) for each calendar year.

No more than 200,000 shares of our common stock may be purchased in a single offering period, subject to the plan administrator's authority to change this limitation.

### ***Termination of Purchase Rights***

A participant's purchase right immediately terminates upon such participant's loss of eligible employee status, and his or her accumulated payroll deductions for the offering period in which the purchase right terminates are refunded. A participant may withdraw from an offering period by giving advance notice prior to the end of that period and his or her accumulated payroll for the offering period in which withdrawal occurs shall be refunded.

### ***Assignability***

No purchase right will be assignable or transferable (other than by will or the laws of descent and distribution) and will be exercisable only by the participant.

### ***Corporate Transaction***

In the event of the proposed dissolution or liquidation of the Company, the current offering period will terminate immediately prior to the consummation of such dissolution or liquidation, unless otherwise provided by the plan administrator. In the event of a proposed sale of all or substantially all of the assets of the Company or certain mergers, each, a Corporate Transaction, during an offering period, all outstanding purchase rights shall be assumed by



the successor corporation (or a parent or subsidiary thereof), unless the plan administrator determines, in its sole discretion, to shorten the offering period then in-effect to a new purchase date. If the plan administrator shortens the offering period then in progress to a new purchase date, the plan administrator will provide notice to each participant that (i) his or her purchase right will be automatically exercised on the new purchase date or (ii) the Company will pay to him or her, on the new purchase date, cash, cash equivalents, or property as determined by the plan administrator that is equal to the difference in the fair market value of the shares covered by his or her purchase right and the purchase price due had the purchase right been automatically exercised on the new purchase date.

### ***Changes in Capitalization***

In the event any change is made to the outstanding shares of common stock by reason of any stock split, stock dividend, recapitalization, combination of shares, exchange of shares or other change in corporate structure effected without the Company's receipt of consideration, appropriate adjustments will be made to (i) the maximum number of securities issuable under the ESPP, including the maximum number of securities issuable per participant on any one purchase date and (ii) the number of securities subject to each outstanding purchase right and the purchase price payable per share thereunder.

### ***Amendment and Termination***

The ESPP will terminate upon the earlier to occur of (i) September 13, 2023 or (ii) the date on which all purchase rights are exercised in connection with a Corporate Transaction.

The plan administrator, currently designated as the Compensation Committee, may at any time terminate or amend the ESPP. To the extent necessary to comply with Section 423 of the Code (or any successor rule or provision or any other applicable law), we will obtain stockholder approval in such a manner and to such a degree as required.

### ***Number of Shares Purchased by Certain Individuals and Groups***

Participation in the ESPP is voluntary and dependent on each eligible employee's election to participate and his or her determination as to the level of payroll deductions. Further, the number of shares of our common stock that may be purchased under the ESPP is determined, in part, by the price of our common stock on the first and last day of each offering period or purchase period, as applicable. Accordingly, the actual number of shares that may be purchased by any eligible individual is not determinable.

Our executive officers were eligible to participate in the ESPP during fiscal year 2016. Messrs. Dentinger, Maghsoudnia and Tachner participated. Messrs. Abdi and Goehl did not participate in the ESPP during any offering period in fiscal year 2016. Non-employee directors are not eligible to participate in the ESPP.

### ***U.S. Federal Income Tax Consequences***

The following brief summary of the effect of U.S. federal income taxation upon the participant and the Company with respect to the shares purchased under the ESPP does not purport to be complete, and does not discuss the tax consequences of a participant's death or the income tax laws of any state or foreign country in which the participant may reside.

The ESPP is intended to be an employee stock purchase plan within the meaning of Section 423. The ESPP also authorizes the grant of rights to purchase shares that do not qualify under Section 423 pursuant to the Non-Section 423 Plan. Under an employee stock purchase plan that qualifies under Section 423, no taxable income will be recognized by a participant, and no deductions will be allowable to the Company, upon either the grant or the exercise of the purchase rights. Taxable income will not be recognized until there is a sale or other disposition of the shares acquired under the ESPP or in the event the participant should die while still owning the purchased shares.

If the participant sells or otherwise disposes of the purchased shares within two years after the start date of the offering period in which the shares were acquired or within one year after the actual purchase date of those shares, then the participant generally will recognize ordinary income in the year of sale or disposition equal to the amount by which the fair market value of the shares on the purchase date exceeded the purchase price paid for those shares, and the Company will be entitled to an income tax deduction, for the taxable year in which such disposition occurs equal in amount to such excess. The amount of this ordinary income will be added to the



participant's basis in the shares, and any resulting gain or loss recognized upon the sale or disposition will be a capital gain or loss. If the shares have been held for more than one year since the date of purchase, the gain or loss will be long-term.

If the participant sells or disposes of the purchased shares more than two years after the start date of the offering period in which the shares were acquired and more than one year after the actual purchase date of those shares, then the participant generally will recognize ordinary income in the year of sale or disposition equal to the lesser of (a) the amount by which the fair market value of the shares on the sale or disposition date exceeded the purchase price paid for those shares, or (b) 15% of the fair market value of the shares on the start date of that offering period. Any additional gain upon the disposition will be taxed as a long-term capital gain. Alternatively, if the fair market value of the shares on the date of the sale or disposition is less than the purchase price, there will be no ordinary income and any loss recognized will be a long-term capital loss. The Company will not be entitled to an income tax deduction with respect to such disposition. The participant still owns the purchased shares at the time of death, the lesser of (i) the amount by which the fair market value of the shares on the date of death exceeds the purchase price or (ii) 15% of the fair market value of the shares on the start date of the offering period in which those shares were acquired will constitute ordinary income in the year of death.

### *Summary*

The board believes that it is in the best interests of the Company and its stockholders to continue to provide employees with the opportunity to acquire an ownership interest in the Company through their participation in the ESPP and thereby encourage them to remain in the Company's employ and more closely align their interests with those of our stockholders.

### *Vote Required and Board of Directors' Recommendation*

The affirmative vote of a majority of the outstanding shares of our common stock present in person or represented by proxy and entitled to vote at the Annual Meeting is required to approve this proposal to amend and restate 2013 Employee Stock Purchase Plan, as amended, to increase the number of shares reserved for issuance under such plan by 2,000,000 shares. Shares that are voted "Abstain" are treated as the same as voting against this proposal; broker non-votes will have no effect on this proposal.

### **Recommendation**

**Our board of directors recommends a vote FOR approval to increase the number of shares authorized under the Employee Stock Purchase Plan in Proposal Two.**

## PROPOSAL THREE

### PROPOSAL 3 RATIFICATION OF SELECTION OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Audit Committee has selected Deloitte & Touche LLP, or Deloitte & Touche, as our independent registered public accounting firm for the fiscal year ending April 2, 2017, and has further directed that management submit the selection of an independent registered public accounting firm for ratification by the stockholders at the Annual Meeting. Deloitte & Touche has been our independent registered public accounting firm beginning with the audit of our 2005 fiscal year financial statements. Representatives of Deloitte & Touche are expected to be present at the Annual Meeting, will have an opportunity to make a statement if they so desire and will be available to respond to appropriate questions. Our bylaws nor other governing documents or law require stockholder ratification of the selection of Deloitte & Touche as our independent registered public accounting firm. However, the Audit Committee is submitting the selection of Deloitte & Touche to the stockholders for ratification as a matter of good corporate practice. If the stockholders fail to ratify the selection, the Audit Committee will reconsider whether or not to retain that firm. Even if the selection is ratified, the Audit Committee in its discretion may direct the appointment of a different independent registered public accounting firm at any time during the year if they determine that such a change would be in the best interests of the Company and our stockholders.

#### Independent Registered Public Accounting Firm Fee Information

The following table represents aggregate fees billed or to be billed to us for services performed for the fiscal years ended April 3, 2016 and March 29, 2015, or fiscal years 2016 and 2015, respectively, by Deloitte & Touche, our independent registered public accounting firm.

	Fiscal Year	
	2016	2015
	(in thousands)	
Audit Fees	\$ 1,261	\$ 1,411
Audit-Related Fees		
Tax Fees	10	17
All Other Fees		
<b>Total Fees</b>	<b>\$ 1,271</b>	<b>\$ 1,428</b>

All services provided by Deloitte & Touche for the fiscal years ended April 3, 2016 and March 29, 2015 were approved by the Audit Committee.

#### *Audit Fees*

The aggregate fees billed or expected to be billed by Deloitte & Touche for financial audit services totaled approximately \$1.3 million for fiscal year 2016 and \$1.4 million for fiscal year 2015, consisting of fees for the audit of our annual financial statements, including audited financial statements presented in our annual report on Form 10-K, review of the financial statements presented in our quarterly reports on Form 10-Q, services rendered in connection with our Form S-8 and services that are normally provided by independent registered public accountants in connection with statutory and regulatory filings or engagements for those fiscal years. This category also includes advice on audit and accounting matters that arose during, or as a result of, the audit or review of interim financial

statements and statutory audits required by non-U.S. jurisdictions.

***Tax Fees***

Tax fees consist of fees billed for professional services rendered for international tax compliance at the Company's non-U.S. jurisdictions.

***Audit-Related Fees and All Other Fees***

There were no audit-related or other fees paid to Deloitte & Touche in fiscal years 2016 and 2015.

**Pre-Approval Procedures of Audit and Non-Audit Services by the Independent Registered Public Accounting Firm**

The Audit Committee's charter, or Audit Committee Charter, requires the Audit Committee to pre-approve all audit and non-audit services performed by the independent registered public accounting firm. As permitted by the Audit Committee Charter, the Audit Committee has delegated to the chairman of the Audit Committee, Jon Olson, the authority to grant such pre-approvals, provided that all approvals made by the chairman are presented to the full Audit Committee at each of its scheduled meetings. In determining whether to approve audit and non-audit services to be performed by Deloitte & Touche, the Audit Committee takes into consideration the fees to be paid for such services and whether such fees would affect the independence of the independent registered public accounting firm in performing its audit function. In addition, when determining whether to approve non-audit services to be performed by Deloitte & Touche, the Audit Committee considers whether the performance of such services is compatible with maintaining the independence of the independent registered public accounting firm in performing its audit function, and confirms that the non-audit services will not include the prohibited activities set forth in Section 201 of the Sarbanes-Oxley Act of 2002. The Audit Committee has determined that the rendering of the services other than audit services by Deloitte & Touche in fiscal years 2016 and 2015 was compatible with maintaining the registered public accounting firm's independence.

**Required Vote**

Ratification of the appointment of Deloitte & Touche as our independent registered public accounting firm for the fiscal year ending April 2, 2017 requires a "For" vote from a majority of the voting power present and entitled to vote either in person or by proxy on the proposal in order to pass. If you "Abstain" from voting, your vote will not be counted as a vote cast. If you return a signed and dated proxy card or otherwise complete a ballot or voting instructions without marking your selections, your shares will be voted "For" ratification of the appointment of Deloitte & Touche.

**Recommendation**

**Our board of directors recommends a vote FOR ratification of the appointment of Deloitte & Touche LLP in Proposal Three.**

**REPORT OF THE AUDIT COMMITTEE<sup>(1)</sup>**

The Audit Committee has reviewed and discussed with InvenSense's management the Company's audited consolidated financial statements for the fiscal year ended April 3, 2016. The Audit Committee has also discussed with Deloitte & Touche LLP, the Company's independent registered public accounting firm, the matters required to be discussed by the Statement on Auditing Standards No. 61, as amended (AICPA, Professional Standards, Vol. 1. AU section 380), as adopted by the Public Company Accounting Oversight Board in Rule 3200T. The Audit Committee has received and reviewed the written disclosures and the letter from Deloitte & Touche LLP required by applicable requirements of the Public Company Accounting Oversight Board regarding the independent accountant's communications with the Audit Committee concerning independence, and has discussed with Deloitte & Touche LLP its independence. On the review and discussions referred to above, the Audit Committee recommended to the board that the audited consolidated financial statements be included in the Company's Annual Report on Form 10-K for the fiscal year ended April 3, 2016 for filing with the SEC.

Audit Committee

Emiko Higashi, Jon Olson and Eric Stang

- (1) The material in this report is not soliciting material, is not deemed filed with the SEC, and is not to be incorporated by reference into any filing of InvenSense, Inc. under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, whether made before or after the date hereof and irrespective of any general incorporation language contained in such filing.



## SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

### Beneficial Ownership of Our Common Stock

The following table sets forth certain information regarding the ownership of our common stock as of July 3, 2016 by: (i) each director; (ii) each of the named executive officers named in the Summary Compensation Table; (iii) all of our current executive officers and directors as a group; and (iv) all those known by InvenSense to be beneficial owners of more than five percent of our common stock. Information with respect to beneficial ownership has been furnished by each director, executive officer or beneficial owner of more than five percent of the shares of our common stock.

We have determined beneficial ownership in accordance with SEC rules. The information does not necessarily indicate beneficial ownership for any other purpose. Under these rules, the number of shares of common stock deemed outstanding includes shares issuable upon exercise of options and warrants held by the respective person or group that may be exercised or converted within 60 days after July 3, 2016. For purposes of calculating each person's or group's percentage ownership, stock options and warrants exercisable within 60 days after July 3, 2016 are included for that person or group but not the stock options of any other person or group. Applicable percentage ownership prior is based on 93,641,297 shares of common stock outstanding at July 3, 2016. Unless otherwise indicated and subject to applicable community property laws, to our knowledge, each stockholder named in the following table possesses sole voting and investment power over the shares listed. Unless otherwise noted below, the address of each person listed on the table is c/o InvenSense, Inc., 1745 Technology Drive, Suite 200, San Jose, California 95110.

Name and Address of Beneficial Owner	Shares Beneficially Owned	
	Number	Percentage (%)
<b>5% Stockholders:</b>		
Artiman, LLC (1)	6,444,901	6.9%
The Vanguard Group, Inc. (2)	5,407,149	5.8%
<b>Directors and Named Executive Officers:</b>		
Behrooz Abdi (3)	1,593,121	1.7%
Amir Faintuch (4)	29,755	*
Usama Fayyad (5)	23,750	*
Emiko Higashi (6)	29,755	*
Jon Olson (7)	130,246	*
Amit Shah (8)	6,536,586	7.0%
Eric Stang (9)	69,427	*
Yunbei Ben Yu, Ph.D. (10)	4,127,183	4.4%
Mark Dentinger (11)	212,754	*
Daniel Goehl (12)	192,889	*
Mozafar Maghsoudnia (13)	352,446	*
Adam Tachner	57,221	*
All current directors and executive officers as a group (11 persons) (14)	13,297,912	14.2%

\* Represents beneficial ownership of less than 1%.

(1) Includes 6,306,901 shares held by Artiman Ventures, L.P., 40,044 shares held by Artiman Ventures Side Fund, L.P. and 82,459 shares held by Artiman Ventures Side Fund II, L.P. Artiman, LLC's business address is 2000 University Avenue, Suite 602, East Palo Alto, CA 94303. Amit Shah and Yatin Mundkur, as managing members of Artiman, LLC, the general partner of the Artiman entities that hold the shares, may be deemed to beneficially

own such shares, but disclaim beneficial ownership of such shares except to the extent of any pecuniary interest therein. See also note 8 to this section.

- (2) As of December 31, 2015, based on information set forth in a Schedule 13G filed with the SEC on February 10, 2016 by the Vanguard Group, Inc. ( Vanguard ). Vanguard s business address is 100 Vanguard Boulevard, Malvern, PA 19355. Vanguard Fiduciary Trust Company, a wholly-owned subsidiary of

Vanguard, is the beneficial owner of 167,176 shares as a result of its serving as investment manager of collective trust accounts, and Vanguard Investments Australia, Ltd., a wholly-owned subsidiary of Vanguard, is the beneficial owner of 8,700 shares as a result of its serving as investment manager of Australian investment offerings.

- (3) Includes 1,324,522 shares of common stock issuable upon the exercise of outstanding options exercisable within 60 days of July 3, 2016 and 72,065 shares which are subject to our right of repurchase, which right will lapse over time. Of the 72,065 shares which are subject to our right of repurchase, 17,282 shares subject to our right of repurchase will have lapsed within 60 days of July 3, 2016.
- (4) Includes 27,500 shares of common stock issuable upon the exercise of outstanding options exercisable within 60 days of July 3, 2016.
- (5) Includes 23,750 shares of common stock issuable upon the exercise of outstanding options exercisable within 60 days of July 3, 2016.
- (6) Includes 27,500 shares of common stock issuable upon the exercise of outstanding options exercisable within 60 days of July 3, 2016.
- (7) Includes 106,666 shares of common stock issuable upon the exercise of outstanding options exercisable within 60 days of July 3, 2016.
- (8) Includes 46,667 shares of common stock issuable upon the exercise of outstanding options exercisable within 60 days of July 3, 2016, 6,444,901 shares beneficially owned by Artiman, LLC, 16,667 shares held by Artiman Management, LLC and 19,943 shares held by Baca, L.P. Amit Shah is a Managing Member of Artiman Management and Artiman, LLC, which is the General Partner of the Artiman Ventures LPs, and shares voting control and investment power of the securities held by Artiman Management and the Artiman Ventures LPs with the other Managing Member of Artiman Management and Artiman, LLC. Mr. Shah disclaims beneficial ownership of the securities held by Artiman Management or the Artiman Ventures LPs except to the extent of his pecuniary interest therein. See also note 1 to this section.
- (9) Includes 65,625 shares of common stock issuable upon the exercise of outstanding options exercisable within 60 days of July 3, 2016.
- (10) Includes 80,000 shares of common stock issuable upon the exercise of outstanding options exercisable within 60 days of July 3, 2016 and 4,035,404 shares held by Sierra Ventures IX, L.P. Yunbei Ben Yu, Ph.D. is a Managing Director of Sierra Ventures Associates IX, LLC, which serves as the sole General Partner of Sierra Ventures IX, LP. As such, Dr. Yu shares voting and investment control over the shares owned by Sierra Ventures IX with its other Managing Directors, and may be deemed to own beneficially the shares held by Sierra Ventures IX. Dr. Yu disclaims beneficial ownership of the shares held by Sierra Ventures IX except to the extent of his pecuniary interest therein.
- (11) Includes 203,124 shares of common stock issuable upon the exercise of outstanding options exercisable within 60 days of July 3, 2016.
- (12) Includes 168,751 shares of common stock issuable upon the exercise of outstanding options exercisable within 60 days of July 3, 2016, 3,750 restricted stock units that vest within 60 days of July 3, 2016 and 15,000 shares which are subject to our right of repurchase, which right will lapse over time.
- (13) Includes 299,061 shares of common stock issuable upon the exercise of outstanding options exercisable within 60 days of July 3, 2016 and 4,750 restricted stock units that vest within 60 days of July 3, 2016.
- (14) Includes 2,373,166 shares of common stock issuable upon the exercise of outstanding options exercisable within 60 days of July 3, 2016, 8,500 restricted stock units that vest within 60 days of July 3, 2016 and 87,065 shares which are subject to our right of repurchase, which right will lapse over time.

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

Section 16(a) of the Exchange Act requires our directors and executive officers, and persons who own more than ten percent of a registered class of our equity securities, to file with the SEC initial reports of ownership and reports of changes in ownership of common stock and other equity securities of InvenSense. Officers, directors and greater than ten percent stockholders are required by SEC regulation to furnish us with copies of all Section 16(a) forms they file.



To our knowledge, based solely on a review of the copies of such reports furnished to us and written representations that no other reports were required, during the fiscal year ended April 3, 2016 all Section 16(a) filing requirements applicable to our officers, directors and greater than ten percent beneficial owners were filed in a timely manner other than the Form 4 listed below:

<b>Name</b>	<b>Date of Earliest Transaction</b>	<b>Date Filed</b>
Mozafar Maghsoudnia	7/24/2015	2/23/2016

### **TRANSACTIONS WITH RELATED PERSONS**

#### **Related-Person Transactions Policy and Procedures**

Our board of directors has adopted a written related person transaction policy to set forth the policies and procedures for the review and approval or ratification of related person transactions. This policy covers any transaction, arrangement or relationship, or any series of similar transactions, arrangements or relationships in which we were or are to be a participant and a related person had or will have a direct or indirect material interest, including, without limitation, purchases of goods or services by or from the related person or entities in which the related person has a material interest, indebtedness, guarantees of indebtedness or employment by us or a related person.

#### **Certain Related-Person Transactions**

##### *Director and Officer Indemnification and Insurance*

We have entered into indemnification agreements with certain of our directors and executive officers, and we purchase directors and officers liability insurance. The indemnification agreements and our amended and restated certificate of incorporation and bylaws will require us to indemnify our directors and officers to the fullest extent permitted by Delaware law. See Executive Compensation Limitations of Liability and Indemnification Matters.

### **HOUSEHOLDING OF PROXY MATERIALS**

The SEC has adopted rules that permit companies and intermediaries (e.g., brokers) to satisfy the delivery requirements for proxy statements and annual reports, including Notices of Internet Availability of Proxy Materials, with respect to two or more stockholders sharing the same address by delivering a single Notice of Internet Availability of Proxy Materials or other proxy materials addressed to those stockholders. This process, which is commonly referred to as householding, potentially means extra convenience for stockholders and cost savings for companies. year, a number of brokers with account holders who are InvenSense stockholders will be householding our proxy materials. A single Notice of Internet Availability of Proxy Materials or other proxy materials may be delivered to multiple stockholders sharing an address unless contrary instructions have been received from the affected stockholders. Once you have received notice from your broker that they will be householding communications to your address, householding will continue until you are notified otherwise or you submit contrary instructions. If, at any time, you no longer wish to participate in householding and would prefer to receive a separate Notice of Internet Availability of Proxy Materials or other proxy materials, you may: (1) notify your broker; (2) direct your written request to our Director of Investor Relations, 1745 Technology Drive, Suite 200, San Jose, California 95110 or (3) contact our Investor Relations department at IR@invensense.com. Stockholders who currently receive multiple copies of the Notice of Internet Availability of Proxy Materials or other proxy materials at their addresses and would like to request householding of their communications should contact their brokers. In addition, we will promptly deliver, upon written or oral request to the address or telephone number above, a separate copy of the Notice of Internet Availability of Proxy Materials to a stockholder at a shared address to which a single copy of the documents was delivered.



## STOCKHOLDER PROPOSALS FOR THE 2017 ANNUAL MEETING

If you wish to nominate a director or to submit a proposal to be considered for inclusion in next year's proxy materials, your nomination or proposal must be submitted in writing between May 16, 2017 and June 15, 2017 to our Corporate Secretary at 1745 Technology Drive, Suite 200, San Jose, California 95110. If you wish to submit a proposal that is not to be included in next year's proxy materials, you must do so by the date that is 30 days prior to next year's annual meeting or nominate a director, you must do so by August 2, 2017. You are also advised to review our bylaws, which contain additional requirements about advance notice of stockholder proposals and director nominations.

## AVAILABLE INFORMATION

We will provide to any stockholder entitled to vote at the Annual Meeting, at no charge, a copy of our Annual Report on Form 10-K for fiscal year 2016 filed with the SEC on May 25, 2016, including the financial statements and the financial statement schedules contained in the Form 10-K. We make our Annual Report on Form 10-K, as well as our other SEC filings, available free of charge through the investor relations section of our website located at *ir.invensense.com* under "SEC Filings" as soon as reasonably practicable after they are filed with or furnished to the SEC. Information contained on or accessible through our website or contained on other websites is not deemed to be part of this proxy statement.

## OTHER MATTERS

Our board of directors knows of no other matters that will be presented for consideration at the Annual Meeting. If any other matters are properly brought before the meeting, it is the intention of the persons named in the accompanying proxy to vote on such matters in accordance with their best judgment.

By Order of the Board of Directors

/s/ Mark Dentinger

**Mark Dentinger**

*Chief Financial Officer*

July 29, 2016







