

InvenSense Inc  
Form DEF 14A  
July 29, 2013  
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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**SCHEDULE 14A**

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

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

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

**INVENSENSE, INC.**

(Name of Registrant as Specified In Its Charter)

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

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**INVENSENSE, INC.**

1745 Technology Drive

San Jose, California 95110

**NOTICE OF ANNUAL MEETING OF STOCKHOLDERS**

**To Be Held On September 13, 2013**

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 13, 2013 at 8:30 a.m. pacific daylight time at the offices of Morrison & Foerster LLP, 755 Page Mill Road, Palo Alto, California 94306.

Proposals to be considered at the annual meeting:

1. Election of our board's two nominees for Class II directors to serve for the ensuing three years and until their successors are elected.
2. Approval of our Employee Stock Purchase Plan.
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 March 30, 2014.

These items of business are more fully described in the proxy statement accompanying this notice. The record date for the annual meeting is July 17, 2013. 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 using the "Notice and Access" delivery model established by the Securities and Exchange Commission. 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 31, 2013, 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

Alan Krock

*Vice President and Chief Financial Officer*

Sunnyvale, California

July 29, 2013

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**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.**

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1745 Technology Drive

San Jose, California 95110

**PROXY STATEMENT**

**FOR THE 2013 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 31, 2013 to all stockholders of record entitled to vote at the 2013 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 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.

**How do I attend the annual meeting?**

The meeting will be held on September 13, 2013 at 8:30 a.m. pacific daylight time at the offices of Morrison & Foerster LLP, 755 Page Mill Road, Palo Alto, California 94306.

**Who can vote at the annual meeting?**

Only stockholders of record at the close of business on July 17, 2013 will be entitled to vote at the annual meeting. On the record date, there were 86,335,017 shares of common stock outstanding and entitled to vote.

*Stockholder of Record: Shares Registered in Your Name*

If, on July 17, 2013, your shares of InvenSense's common stock were registered directly with Computershare Trust Company, N.A., our 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 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.

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

If, on July 17, 2013, 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.

### **What am I voting on?**

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

1. Election of our board's two nominees for Class II directors.
2. Approval of our Employee Stock Purchase Plan.
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 March 30, 2014.

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 the proposals regarding approval of our Employee Stock Purchase plan and ratification of the selection of Deloitte & Touche LLP as our independent registered public accounting firm, you may vote For or Against the proposal or abstain from voting.

### **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.

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

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 both nominees for director, For the resolution to approve our Employee Stock Purchase Plan, and For the ratification of Deloitte & Touche LLP as our independent registered public accounting firm for our fiscal year ending March 30, 2014. 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 his best judgment.

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



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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.

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### **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 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 1197 Borregas Avenue, Sunnyvale, California 94089; 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.

### **When are stockholder proposals due for next year's annual meeting?**

To be considered for inclusion in next year's proxy materials, your proposal must be submitted in writing between May 17, 2014 and June 16, 2014 to our Corporate Secretary at 1745 Technology Drive, San Jose, California 95110. If you wish to submit a proposal that is not to be included in next year's proxy materials or nominate a director, you must do so by March 28, 2014. You are also advised to review our bylaws, which contain additional requirements about advance notice of stockholder proposals and director nominations.

### **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 form 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. Under NYSE rules, elections of directors are considered to be non-routine and, therefore, brokers and other nominees will not be able to vote in the election of directors unless they receive instructions from the beneficial owners of the shares.

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### **How are votes counted?**

Votes will be counted by the inspector of election appointed for the meeting, who will separately count For and Withhold votes and any broker non-votes for the election of directors. Broker non-votes will not count for or against any nominees or for any frequency of named executive officer compensation advisory votes.

With respect to the non-binding advisory resolution to approve our named executive officer compensation and the ratification of Deloitte & Touche, the inspector of election will separately count For and Against votes. 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.

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

**Proposal 1 Election of our 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.

**Proposal 2 Approval of our Employee Stock Purchase Plan.** This proposal must receive a For vote from the holders of a majority of the voting power present and entitled to vote either in person or by proxy on the proposal. If you Abstain from voting, your vote will not be counted as a vote cast.

**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 March 30, 2014.** This proposal must receive a For vote from the holders of a majority of the voting power present and entitled to vote either in person or by proxy on the proposal. If you Abstain from voting, it will have the same effect as an Against vote.

### **What is the quorum requirement?**

A quorum of stockholders is necessary to hold a valid meeting. A quorum will be present if at the 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 86,335,017 shares of common stock outstanding, all of which are entitled to vote. Thus, holders of shares representing at least 43,167,509 votes 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 many votes do I have?**

On each matter to be voted upon, for holders of our common stock, you have one vote for each share of common stock you owned as of July 17, 2013.

### **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.

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**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 immediately following the 2013 annual meeting has been fixed at seven by a resolution of our board of directors, and two directors will serve as Class II directors whose terms will expire at the annual meeting of stockholders to be held in 2016.

There are two nominees for Class II director at this annual meeting, R. Douglas Norby and Tim Wilson. Stockholders cannot submit proxies voting for a greater number of persons than the two nominees named in this Proposal One. Each director to be elected will hold office until the annual meeting of stockholders held in 2016 and until his successor is elected or until the director's death, resignation or removal. Each nominee is currently a director of InvenSense and has agreed to serve if elected, and 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 and/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 the nominating and corporate governance committee. Under the rules of the NYSE, brokers are prohibited from giving proxies to vote on elections of directors unless the beneficial owner of such shares has given voting instructions on the matter. This means that if your broker is the record holder of your shares, you must give voting instructions to your broker with respect to the two nominees in this Proposal One if you want your broker to vote your shares on the matter. Otherwise, your shares will be treated as broker non-votes. Broker non-votes will have no effect on the outcome of the vote.

**Recommendation**

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

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The following table sets forth information as of July 17, 2013 with respect to the nominees for election as Class II directors of our board.

**Class II Director Nominees**

<b>Name</b>	<b>Age</b>	<b>Position</b>
R. Douglas Norby	78	Director, Chairman of the Audit Committee, Member of the Nominating and Corporate Governance Committee
Tim Wilson	54	Director and Member of the Audit Committee and Chairman of the Nominating and Corporate Governance Committee

**Continuing Directors**

<b>Name</b>	<b>Age</b>	<b>Class(1)</b>	<b>Position</b>
Behrooz Abdi	51	III	President and Chief Executive Officer
Jon Olson	60	I	Director and Member of the Audit Committee
Amit Shah	48	I	Chairman of the Board and Chairman of the Compensation Committee
Yunbei Ben Yu, Ph.D.	43	I	Director and Member of the Compensation Committee

(1) The terms of Class III directors will expire at the 2014 annual meeting. The terms of Class I directors will expire at the 2015 annual meeting. We intend to designate one of our current Class I directors as a Class III director prior to the 2014 annual meeting.

**Nominees for Class II Directors**

**R. Douglas Norby** has served on our board of directors since September 2009. From July 2003 to January 2006, Mr. Norby served as Senior Vice President and Chief Financial Officer of Tessera, Inc., a provider of intellectual property for advanced semiconductor packaging. From March 2002 to February 2003, Mr. Norby served as Senior Vice President and Chief Financial Officer of Zambeel, Inc., a data storage systems company. From December 2000 to March 2002, Mr. Norby served as Senior Vice President and Chief Financial Officer of Novalux, Inc., a manufacturer of lasers for optical networks. From 1996 until December 2000, Mr. Norby served as Executive Vice President and Chief Financial Officer of LSI Logic Corporation, a semiconductor company, and he also served as a director of LSI Logic Corporation from 1993 until 2007. From July 1993 until November 1996, he served as Senior Vice President and Chief Financial Officer of Mentor Graphics Corporation, a software company. Mr. Norby served as President of Pharmedix Corporation, a drug delivery company, from July 1992 to September 1993, and from 1985 to 1992, he was President of Lucasfilm, Ltd., an entertainment company. From 1979 to 1985, Mr. Norby was Senior Vice President and Chief Financial Officer of Syntex Corporation, a pharmaceutical company. Mr. Norby is a director of STATS ChipPAC, Ltd., Alexion Pharmaceuticals, Inc., MagnaChip Semiconductor Corporation and Singulex, Inc. Mr. Norby received a B.A. in Economics from Harvard University and an M.B.A. from Harvard Business School. We believe Mr. Norby's qualifications to sit on our board of directors include his experience as an executive and a board member of various public and private semiconductor and technology companies. Mr. Norby qualifies as independent according to the rules and regulations of the NYSE as determined by our board of directors.

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**Tim Wilson** has served on our board of directors since April 2004. Mr. Wilson joined Artiman Management in January 2012 as a Managing Director. From 2001 until December 2011, he was a Partner of Partech International, LLC. Mr. Wilson currently serves on the boards of ACCO Semiconductor, Five9, Prysm, LEDEngin, and Kaybus. Between 1998 and 2001, he served as Vice President of Marketing and as Chief Marketing Officer for Digital Island, a Partech portfolio company. From 1996 to 1998, he was a General Manager at Lucent Technology. From 1983 to 1996, he held a variety of senior management positions within AT&T (North America and Australia) and AT&T Bell Labs. Mr. Wilson graduated summa cum laude, Phi Beta Kappa from Bowdoin College receiving his undergraduate degree in Physics. He received his M.B.A. from Duke University's Fuqua School of Business, where he was named a Fuqua Scholar. We believe Mr. Wilson's qualifications to sit on our board of directors include his years of service on our board, his experience with capital markets and his perspective gained in management of and service as a board member of various private companies. Mr. Wilson qualifies as independent according to the rules and regulations of the NYSE as determined by our board of directors.

## **Continuing Directors**

**Behrooz Abdi** has served on our board of directors since June 2011 and was appointed President and CEO in October 2012. Mr. Abdi served as Executive Vice President and General Manager at NetLogic Microsystems, Inc., a provider of semiconductor solutions, from November 2009 to December 2011. Mr. Abdi served as the President and Chief Executive Officer of RMI Corporation (formerly Raza Microelectronics Inc.), a fabless semiconductor company, from November 2007 to October 2009. He served as Senior Vice President and General Manager of CDMA Technologies (QCT) at Qualcomm, Inc., a provider of wireless technology and services, from March 2004 to November 2007. Prior to joining Qualcomm, he held leadership and engineering positions of increasing responsibility at Motorola, Inc. in its Semiconductor Products Sector (SPS). From September 1999 to March 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. He also serves as a director at Exar Corporation (Nasdaq: 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 Symwave, Inc.), from September 2009 to November 2010 and as a director of RMI Corporation from November 2007 to November 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 sit on our board of directors include his over 26 years of experience in the semiconductor industry, his track record of growing profitable businesses and his experience as a board member of various private semiconductor and technology companies.

**Jon Olson** has served on our board of directors since October 2011. Mr. Olson has been the Senior Vice President, Finance and Chief Financial Officer at Xilinx, Inc., a provider of programmable semiconductor platforms, since August 2006 and joined Xilinx as Vice President, Finance and Chief Financial Officer in June 2005. Prior to joining Xilinx, he served from 1979 to 2005 at Intel Corporation, a semiconductor chip maker, in various senior financial positions, including Vice President, Finance and Enterprise Services, 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 sit 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. Mr. Olson qualifies as independent according to the rules and regulations of the NYSE as determined by our board of directors.

**Amit Shah** has served on our board of directors since April 2004. As a Managing Member of Artiman Management since 2000, he serves on the boards of Auryn, Inc., AbsolutelyNew, Inc., Guavus, Inc., Aditazz, Inc., Adama Materials, Inc., CellMax, Ltd., Tonbo Imaging Pte. Ltd., Ddyno, Inc., VuCast Media, Inc. and Motif, Inc. In addition, he previously served on the boards of MYNDnet, Inc., Mastek, Inc., Sierra Design Automation, Inc., Net Devices, Inc., Zyme Solutions, Inc. and Lightwire, Inc. Prior to founding Artiman Management,

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Mr. Shah founded Anthelion I & II, seed stage venture funds, which he has managed since 1996. From 1998 to 2000, he worked 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 sit 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. Mr. Shah qualifies as independent according to the rules and regulations of the NYSE as determined by our board of directors.

*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., Miox and VeriSilicon Holdings Co., Ltd., and serves as an observer on the board of Novariant, Inc. Dr. Yu has previously served on the boards of AuthenTec, Inc., mSilica, Inc., Multigig, Inc. and SyChip Inc. (acquired by Murata Manufacturing Co., Ltd.), and previously served as an observer on the board of Verari Systems. 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 sit 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. Dr. Yu qualifies as independent according to the rules and regulations of the NYSE as determined by our board of directors.

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

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

Our board of directors consists of six members, including our President and Chief Executive Officer, Behrooz Abdi, as well as five non-management directors, Messrs. R. Douglas Norby, Jon Olson, Amit Shah and Tim Wilson and Dr. Yunbei Ben Yu, each of whom qualifies as independent according to the rules and regulations of the NYSE as determined by our board of directors.

Our board of directors is divided into three classes with staggered three-year terms. At each annual general meeting of stockholders, the successors to directors whose terms then expire 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 Mr. Olson, Mr. Shah and Dr. Yu, and their terms will expire at the annual meeting of stockholders to be held in 2015;

The Class II directors are Messrs. Norby and Wilson, and their terms will expire at the next annual meeting of stockholders to be held on September 13, 2013 as described in this proxy statement; and

The Class III director is Mr. Abdi and his term will expire at the annual meeting of stockholders to be held in 2014. We intend to designate one of our current Class I directors as a Class III director prior to the 2014 annual meeting.

Our board highly values independent directors. Currently, all of the members of our board of directors other than our Chief Executive Officer, Mr. Abdi, are independent, as well as all members of the audit committee, the compensation committee and the nomination and corporate governance committee. 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.

The 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.

While the board has not appointed a lead independent director, the board maintains effective independent oversight through a number of governance practices, including our strong committee system, open and direct communication with management, input on meeting agendas, annual performance evaluations and regular executive sessions.

In addition, the board has established the following procedures for selecting the presiding director during the executive sessions of the board. The presiding director will be (i) the Chairman of the board, if that person is a non-employee director, or (ii) the lead independent director, if any. The position of presiding director rotates among our independent, non-employee directors depending on the primary focus of matters to be discussed during the executive session.

#### **Contacting the Board of Directors**

Any stockholder who desires to contact our board, committees of the board and individual directors may do so by writing to: 1745 Technology Drive, San Jose, California 95110 Attention: Alan Krock, Chief Financial Officer. Mr. Krock will direct such communication to the appropriate persons.



**Table of Contents****Role of the Board in Risk Oversight**

The board of directors is actively involved 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, our 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, our compensation committee assesses and monitors whether any of our compensation policies and programs has the potential to encourage excessive risk-taking, our 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 March 31, 2013, the board held four meetings. Each of our incumbent directors attended more than seventy-five percent of the meetings of the board and of the committees on which the 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. Our independent directors held an executive session in conjunction with each in-person board meeting.

**Committees of the Board**

In fiscal year 2013, 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 and meeting information for each of the board committees in fiscal year 2013:

<b>Member of our board of directors in fiscal year 2013</b>	<b>Audit</b>	<b>Compensation</b>	<b>Nominating and Corporate Governance</b>
Behrooz Abdi(1)			
R. Douglas Norby(2)			
Jon Olson			
Amit Shah			
Tim Wilson			
Yunbei Ben Yu, Ph.D.			
Total meetings in fiscal year 2013	6	2	1
= Member	= Chair		

(1) Mr. Abdi served on the Nominating and Corporate Governance Committee until his election to the position of Chief Executive Officer in October 2012.

(2) Mr. Norby joined the Nominating and Corporate Governance Committee in April of 2013.



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Below is a description of each committee 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 in the rules and regulations of the NYSE.

### ***Audit Committee***

Our audit committee is comprised of Messrs. Norby, Olson and Wilson, each of whom is a non-employee member of our board of directors. Mr. Norby is our audit committee chairman and our audit committee financial expert, as currently defined under the SEC rules. Our board of directors has determined that each of Messrs. Norby, Olson and Wilson is independent within the meaning of the applicable SEC rules and regulations of the NYSE.

Our 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 2013, 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. Our audit committee operates under a written charter adopted by the board that satisfies the applicable standards of the NYSE that is posted on our website at [ir.invensense.com](http://ir.invensense.com) under the heading Corporate Governance.

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

Our nominating and corporate governance committee is comprised of Messrs. Wilson and Norby, each of whom is a non-employee member of our board of directors. Mr. Wilson is our nominating and corporate governance committee chairman. Our 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. Our nominating and corporate governance committee operates under a written charter adopted by the board that satisfies the applicable standards of the NYSE that is posted on our website at [ir.invensense.com](http://ir.invensense.com) under the heading Corporate Governance. The nominating and corporate governance committee met once during fiscal year 2013.

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 for 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 at 1745 Technology Drive, San Jose, California 95110, by March 28, 2014. Submissions must include 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.

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### ***Compensation Committee***

Our compensation committee is comprised of Mr. Shah and Dr. Yu, each of whom is a non-employee member of our board of directors. Mr. Shah is our compensation committee chairman.

Our 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. Our compensation committee operates under a written charter adopted by the board that satisfies the applicable standards of the NYSE that is posted on our website at [ir.invensense.com](http://ir.invensense.com) under the heading *Corporate Governance*. The compensation committee met twice during fiscal year 2013. 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**

None of our executive officers currently serves or in the past year has served as a member of the compensation committee (or, in the absence of such committee, the board of directors) of any other entity that has one or more executive officers serving on our compensation committee.

### **Corporate Governance**

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

Our board has adopted written Corporate Governance Guidelines to assure 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. Our Corporate Governance Guidelines are available on the investor relations section of our website at [ir.invensense.com](http://ir.invensense.com) under the heading *Corporate Governance*. The corporate governance guidelines are reviewed at least annually by our 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 the InvenSense Code of Business Conduct and Ethics that applies to all officers, directors and employees. Our 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 our 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*.

**Table of Contents*****Corporate Governance Materials***

Our Corporate Governance Guidelines, Code of Business Conduct and Ethics, charters for each committee of the board and other corporate governance documents, are posted on the investor relations section of our website at *ir.invensense.com* under the heading *Corporate Governance*. In addition, stockholders may obtain a print copy of our Corporate Governance Guidelines, Code of Business Conduct and Ethics as well as the charters of our audit committee, compensation committee and nominating and corporate governance committee by writing to our Corporate Secretary at 1745 Technology Drive, San Jose, California 95110.

**Director Compensation*****Director Compensation for Fiscal Year 2013***

Our non-employee directors who served during the fiscal year ended March 31, 2013 received the following compensation for their service on our board of directors.

Name	Fees Earned or Paid in Cash \$(1)	Option Awards \$(2)(3)	Total (\$)
R. Douglas Norby	40,000	116,748(4)	156,748
Jon Olson	31,500	92,020(5)	123,520
Amit Shah		139,424(6)	139,424
Tim Wilson		139,424(6)	139,424
Yunbei Ben Yu, Ph.D.		78,869(7)	78,869

- (1) Reflects board retainer fees, as well as committee and committee chair retainer fees.
- (2) At April 1, 2013, the following non-employee directors each held stock awards and stock options covering the following aggregate numbers of shares:

Name	Stock Options (number of shares)
R. Douglas Norby	165,000
Jon Olson	110,000
Amit Shah	20,000
Tim Wilson	40,000
Yunbei Ben Yu, Ph.D.	60,000

- (3) The amounts reported for the stock option awards are based on the grant date fair value computed in accordance with FASB 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 March 31, 2013 which was filed with the SEC on June 14, 2013.
- (4) On September 15, 2012, we granted Mr. Norby an option to purchase 20,000 shares of our common stock with a per share exercise price of \$13.18. 1/12th of the shares subject to the option will vest each month commencing on the vesting commencement date of September 16, 2014.

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- (5) On October 21, 2012, we granted Mr. Olson an option to purchase 20,000 shares of our common stock with a per share exercise price of \$11.85. 1/12th of the shares subject to the option will vest each month commencing on the vesting commencement date of October 21, 2015.
- (6) On April 14, 2012, we granted each of Mr. Shah and Mr Wilson an option to purchase 20,000 shares of our common stock with a per share exercise price of \$15.58. 1/12th of the shares subject to the option will vest each month commencing on the vesting commencement date of November 15, 2012.
- (7) On March 28, 2013, we granted Mr. Yu an option to purchase 20,000 shares of our common stock with a per share exercise price of \$10.68. 1/12 of the shares subject to the option will vest each month commencing on the vesting commencement date of December 15, 2013.

**Table of Contents*****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 has adopted the following compensation policy that is applicable to all of our current non-employee directors:

**Initial Equity Grants.** Each non-employee director who joins the board receives an option to purchase 90,000 shares of our common stock, with 1/48th of the shares subject to the option vesting on a monthly basis over four years, subject to the director's continuous service as a member of the board of directors. If still vesting, the grant accelerates in full upon a change in control of our Company.

**Annual Equity Grants.** Each non-employee director receives annually an option to purchase 20,000 shares of our common stock, with 1/12th of the shares subject to the option vesting on a monthly basis commencing the month after the completion of vesting of any existing grants held by such director. The annual option grant is made on the anniversary of the date on which a non-employee director joins the board of directors. Any such grant which has commenced vesting will accelerate in full upon a change of control of our Company.

**Retainers.** Each non-employee director who is not an affiliate of an investor holding more than 5% of our outstanding shares of common stock as of November 15, 2011 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 our Company during that fiscal year. The annual retainer for service on the board of directors is \$25,000, and the annual retainers for service on committees of our board of directors will be as follows:

<b>Position</b>	<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

In the fiscal year ended March 31, 2013, the total cash compensation earned by non-employee directors was \$87,833.33.

**Table of Contents****EXECUTIVE COMPENSATION****Executive Officers**

Our executive officers as of July 17, 2013, and their positions, and their respective ages on that date, are:

<b>Name</b>	<b>Age</b>	<b>Position</b>
Behrooz Abdi	51	President and Chief Executive Officer
Alan Krock	52	Vice President and Chief Financial Officer
Daniel Goehl	42	Vice President Worldwide Sales
Stephen Lloyd	48	Vice President Engineering and New Product Development

Our executive officers serve at the discretion of the board of directors, subject to rights, if any, under contracts of employment. See Employment Agreements; Change in Control Arrangements; and Potential Payments Upon Termination or Change in Control. Biographical information for Mr. Abdi is provided above. See Information Regarding Our Nominees and Directors.

**Alan Krock** joined us in May 2011 as our Chief Financial Officer. Prior to joining us, Mr. Krock gained extensive experience in financial and audit control related matters as the Chief Financial Officer of Beceem Communications, Inc., a provider of integrated circuit products, from January 2010 until January 2011, Vice President and Chief Financial Officer of PMC-Sierra, Inc., a provider of integrated circuit products, from November 2002 until March 2007, Vice President of Corporate Affairs for PMC-Sierra, Inc., from March 2007 until March 2008, and Vice President and Chief Financial Officer of Integrated Device Technology, Inc., a provider of semiconductor solutions, from January 1998 until November 2002. Mr. Krock also served as a member of the board of directors of NetLogic Microsystems, Inc. from August 2005 to February 2012. Mr. Krock holds a B.S. in Business Administration from the University of California, Berkeley, and is a California Certified Public Accountant.

**Daniel Goehl** joined us in 2004 as our Director of Business Development and became our Vice President of Worldwide Sales in March 2007. Prior to joining us, Mr. Goehl held senior management positions and led sales and business development initiatives at start-up companies in semiconductor and wireless technology markets such as Nazomi Communications, CSI Wireless, Meridian Wireless and Omni Telecommunications. Mr. Goehl has a B.A. in Economics from the University of Illinois and attended Kansai Gaidai University in Osaka, Japan for International Business and Japanese language studies.

Stephen Lloyd has been our Vice President of Engineering and New Product Development since December 2008. Prior to joining us, he worked at several semiconductor companies, including service from 2004 to 2008 at Beceem Communications first as Vice President of Engineering for RF Microelectronics and later as Executive Vice President of Engineering. From 2002 to 2004, he served as Executive Director of RF IC Design for Skyworks Solutions, and from 1997 to 2002, he served as an Executive Director of Conexant Systems. Mr. Lloyd received his B.S. in Electronic Engineering from the University of California, Berkeley.

**Compensation Discussion and Analysis**

The following discussion and analysis of the compensation arrangements of our named executive officers identified below for fiscal year 2013 should be read together with the compensation tables and related disclosures set forth below.

We refer to our chief executive officer, our former chief executive officer, our chief financial officer and our two other most highly compensated executive officers during fiscal year 2013 as our named executive officers. Our named executive officers for fiscal year 2013 are as follows:

Behrooz Abdi, President and Chief Executive Officer



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Steven Nasiri, Former President and Chief Executive Officer

Alan Krock, Vice President and Chief Financial Officer

Daniel Goehl, Vice President    Worldwide Sales

Stephen Lloyd, Vice President    Engineering and New Product Development

***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;

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; and

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

***Framework for Determining Executive Compensation***

The executive compensation program we adopted for fiscal 2013 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.

We utilize a discretionary approach for determining our named executive officers' compensation, which is based upon the business judgment and experience of our compensation committee and our chief executive officer. We rely in part on the experience and familiarity of our compensation committee members with current information relating to total aggregate compensation levels paid by technology companies of similar scale to ours. Our compensation committee members have obtained this experience and familiarity as venture capitalists and/or executives at technology companies. In June 2011, in anticipation of our initial public offering, our compensation committee engaged Compensia, Inc., a national compensation consulting firm, to review the compensation arrangements of our executive officers and to evaluate our equity award grant practices, in comparison to the practices of a group of publicly traded semiconductor companies identified by Compensia. The committee and Mr. Nasiri reviewed this previously gathered information and publicly available information of which members of the committee and Mr. Nasiri were aware in April 2012 in connection with setting compensation for named executive officers for fiscal 2013. The committee reviewed additional information provided by Compensia in establishing Mr. Abdi's compensation package in connection with the execution of his employment agreement as chief executive officer in October 2012. We did not benchmark our compensation levels against a peer group of companies. We have not adopted any formal or informal policies or guidelines for allocating compensation between long-term and short-term compensation, between cash and non-cash compensation, or among different forms of non-cash compensation.

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In fiscal 2013, our former chief executive officer, Mr. Nasiri, provided recommendations to the compensation committee in connection with the establishment of compensation of our executive officers for 2013. Mr. Nasiri discussed the target compensation and past performance of all executive officers, excluding

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himself, with the compensation committee. Mr. Nasiri based his recommendations for 2013 compensation in part upon annual performance reviews of our executive officers conducted at beginning of fiscal 2013. New individual performance goals were established for 2013 and were reviewed with the compensation committee at the time they are established.

Prior to fiscal 2013, as part of each performance review, our chief executive officer utilized a scoring methodology and his discretion to determine the amount of the non-equity incentive awards paid to our executive officers.

Beginning in November 2012, our new chief executive officer, with the assistance of our human relations organization, commenced a review of the structure of our historical performance review and executive compensation program, and recommended to the compensation committee that the program be restructured to focus on achievement and goals and to eliminate its scoring features, on the basis that such a restructuring would lead to improvements in executive performance and overall satisfaction. In conjunction with the completion of this review, the compensation committee, upon the recommendation of management and with the agreement of our named executive officers, determined that despite the achievement of certain revenue goals established as part of the original compensation program for 2013, it was decided that the non-equity incentive compensation plan would be discontinued for the 2013 fiscal year, with no bonuses being paid thereunder. Although the compensation committee, in light of the decision not to pay bonuses, did not complete a formal assessment of performance of our executive officers against goals, the compensation committee did evaluate the overall performance of our executive officers, and our executive officers were compensated through base salary adjustments and equity awards made in early fiscal 2014. In addition, our compensation committee has adopted a new non-equity incentive program for the 2014 fiscal year.

Until his resignation in October 2012, the compensation of our president and chief executive officer, Mr. Nasiri, was established by the board of directors, excluding Mr. Nasiri, upon the recommendation of the compensation committee, based on the compensation committee's discussions with, and evaluation of, Mr. Nasiri. The specific criteria used to evaluate Mr. Nasiri's performance during fiscal year 2013 are described below.

The compensation of our current president and chief executive officer, Mr. Abdi, for 2013 was determined pursuant to an employment agreement described below under Employment Agreements; Change in Control Arrangements; and Potential Payments upon Termination or Change in Control Behrooz Abdi.

The following is a discussion of the individual performance evaluation criteria applicable to our named executive officers for fiscal year 2013:

### *Steven Nasiri, Former President and Chief Executive Officer*

Mr. Nasiri was to be evaluated on the basis of the overall performance of our Company, including the extent to which we were successful in achieving net revenue goals, market leadership, profitability, customer diversification, product development, technology milestones, and organizational development.

### *Alan Krock, Vice President and Chief Financial Officer*

Mr. Krock was evaluated on his management of our financial operations, development of reporting systems to support our functioning as a public company, timely and accurate reporting of financial and critical operating information to our management team and board, establishment and management of a treasury function, and improvements in systems supporting, and management of, our human resources, information technology and facilities functions.

**Table of Contents***Daniel Goehl, Vice President Worldwide Sales*

Mr. Goehl was evaluated on his achievement of sales objectives, development of marketing strategies, generation of business development opportunities, management of our sales organization, support of our business development activities, management of key customer relationships, and participation in hiring and training activities.

*Stephen Lloyd, Vice President Engineering and New Product Development*

Mr. Lloyd was evaluated on his achievement of certain product development and production goals, development of intellectual property, support of business development activities, and participation in hiring and training activities.

**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 2013, the compensation committee approved increases in the base salaries of Mr. Krock, Mr. Goehl and Mr. Lloyd recommended by our chief executive officer from \$220,000 to \$270,000, \$200,000 to \$230,000 and \$205,000 to \$240,000, respectively, in each case in recognition of the increased responsibility of their positions resulting from our status as a public company and the increasing scale and scope of our operations resulting from growth in our business.

*Non-Equity Incentive Awards*

For fiscal 2013, our compensation committee established a bonus pool available to all of our named executive officers to reward named executive officers for the successful performance of our Company as a whole and of each participating named executive officer as an individual. The bonus pool was initially based on our annual plan for the 2013 fiscal year, which took into account net revenue objectives established by the board of directors in consultation with management. The compensation committee would distribute the bonus pool to our named executive officers based on the extent to which we attained specified net revenue goals, believing that adequate incentives and controls were in place to encourage the attainment of other objectives established in our annual plan.

The compensation committee delegated the ability to designate our named executive officers' fiscal year 2013 target awards to our former chief executive officer, Mr. Nasiri. The committee designated a fiscal year 2013 target award for our former chief executive officer after reviewing this target with our board. The following target awards were allocated to the participating named executive officers by our former chief executive officer on the basis of relative salary levels and contributions to our net revenue goals.

<b>Named Executive Officer</b>	<b>2013 Fiscal Year Target Award</b>
Behrooz Abdi	\$ N/A(1)
Steven Nasiri	\$ 200,000
Alan Krock	\$ 60,000
Daniel Goehl	\$ 80,000
Stephen Lloyd	\$ 60,000

- (1) Mr. Abdi was not an executive officer at the time that fiscal 2013 cash bonus targets were set. Mr. Abdi's compensation package for the 2013 fiscal year, including a potential bonus, was established in his



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employment agreement, described below in Employment Agreements; Change in Control Arrangements; and Potential Payments upon Termination or Change in Control Behrooz Abdi.

For the 2013 fiscal year, the target awards for each of our named executive officers were subject to a percentage adjustment based on a target revenue goal of \$200 million based on the following schedule:

	Revenue Attainment						
	Under 95% of Goal	95% to 100% of Goal	100% to 105% of Goal	105% to 110% of Goal	100% to 115% of Goal	115% to 120% of Goal	Above 120% of Goal
Target Award Adjustment	0%	50%	100%	150%	200%	250%	300%

As discussed further above in Framework for Determining Executive Compensation, our compensation committee determined the non-equity incentive plan would be discontinued for the 2013 fiscal year and that no bonuses be paid thereunder.

*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. We have not adopted stock ownership guidelines, and 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 our 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. In addition to the annual awards, grants of options 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. The exercise price of options granted under our equity incentive plans is equal to or exceeds the fair market value of the underlying shares on the date of grant. Our equity incentive plans are more fully described below in the section titled Employee Benefit and Equity Plans.

*Policies with Respect to Equity Compensation Awards*

During fiscal year 2013, we granted options to purchase shares of our common stock under our 2011 Stock Incentive Plan. The plan allows us to grant options, restricted stock, and other equity awards. We grant options with exercise prices equal to or in excess of the fair market value of our common stock as of the date of grant. The fair market value of shares of our common stock and the corresponding exercise prices of our option grants is established as the closing sale price of our common stock on the NYSE on the date a grant is made.

**Table of Contents****Executive Compensation Tables****Summary Compensation Table**

The following table presents information regarding compensation earned by or awards to our named executive officers for fiscal year 2013 during each of our last three fiscal years.

Name and Principal Position	Fiscal Year	Salary (\$)	Bonus (\$)	Option Awards (\$)(1)	Non-Equity Incentive		Total (\$)
					Plan Compensation (\$)	All Other Compensation (\$)(2)	
Behrooz Abdi <i>President and Chief Executive Officer</i> <i>(Principal Executive Officer)</i>	2013	159,231		6,345,720(3)		22,199(4)	6,527,150
Steven Nasiri <i>Former President and Chief Executive Officer</i> <i>(Former Principal Executive Officer)</i>	2013	318,509				1,434,390(5)	1,752,899
	2012	337,500		1,640,828	300,000	8,101	2,286,429
	2011	275,000			225,000	11,288(6)	511,288
						4,963	
Alan Krock <i>Vice President and Chief Financial Officer</i> <i>(Principal Financial Officer)</i>	2013	258,571				13,174	271,745
	2012	163,114	50,000	1,854,409	65,625	4,157	2,137,305
Daniel Goehl <i>Vice President Worldwide Sales</i>	2013	228,750	5,000(7)			11,580	245,330
	2012	190,880	38,500	271,279	92,400	9,720	602,780
	2011	175,000	42,500	86,805	63,750	7,608	375,663
Stephen Lloyd <i>Vice President Engineering and New Product Development</i>	2013	233,926				12,768	246,694
	2012	205,270	42,500	141,364	63,750	11,365	464,249
	2011	205,000	29,750	153,216	44,625	10,632	443,223

- (1) This column reflects the aggregate grant date fair value of option awards granted to our named executive officers estimated pursuant to Financial Accounting Standards Board Accounting Standards Codification Topic 718 ( FASB ASC Topic 718 ). The amounts reported for the stock option awards are based on the grant date fair value computed in accordance with FASB 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 March 31, 2013 which was filed with the SEC on June 14, 2013.
- (2) This column includes our Company's contribution to the executive's medical and life insurance payments and health savings account contributions.
- (3) This amount includes a grant of 20,000 options made to Mr. Abdi for service as a director that were subsequently cancelled upon Mr. Abdi's commencement of employment as chief executive officer.
- (4) This amount includes fees earned as compensation for service as a director in the amount of \$16,333.
- (5)

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This amount reflects severance payments in the amount of \$1,424,848 (including \$800,000 in cash, \$596,820 in expense related to option acceleration and \$28,028 in medical plan costs) and medical, dental, and disability insurance coverage payments in the aggregate amount of \$9,542.

- (6) This amount includes a pay-out of Mr. Nasiri's accrued vacation of \$5,288.
- (7) This amount reflects an employee referral bonus paid out under the Company's employee referral program.



**Table of Contents****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 2013.

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 (\$)(1)
		Target (\$)	Maximum (\$)				
Behrooz Abdi	10/24/2012			414,770			11.57
	10/24/2012				829,540	11.57	4.49
	10/24/2012				207,385	11.57	4.54
	10/24/2012				207,385	11.57	4.92
	10/24/2012				207,385	11.57	5.14
Steven Nasiri		200,000	600,000				
Alan Krock		60,000	180,000				
Daniel Goehl		80,000	240,000				
Stephen Lloyd		50,000	150,000				

- (1) This column reflects the aggregate grant date fair value of option awards granted to our named executive officers estimated pursuant to Financial Accounting Standards Board Accounting Standards Codification 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 March 31, 2013 which was filed with the SEC on June 14, 2013.

**Table of Contents****Outstanding Equity Awards at the End of Fiscal Year 2013**

The following table presents, for the fiscal year ended March 31, 2013, certain information regarding outstanding equity awards held by our named executive officers at March 31, 2013.

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 (\$)
Behrooz Abdi	7/9/2011	28,125(1)		7.32	7/9/2021		
	10/24/2012	(2)	829,540	11.57	10/23/2022		
	10/24/2012	(3)	207,385	11.57	10/23/2022		
	10/24/2012	(4)	207,385	11.57	10/23/2022		
	10/24/2012	(5)	207,385	11.57	10/23/2022		
	10/24/2012					414,770(6)	4,429,744(7)
Steven Nasiri	3/28/2008	709,714(8)		0.70	12/31/2013		
	10/21/2011	262,500(9)		7.32	12/31/2013		
Alan Krock	7/9/2011	127,723(10)	270,834	7.32	7/9/2021		
	10/21/2011	(11)	20,000	7.32	10/21/2021		
Dan Goehl	3/1/2007	57,292(12)		0.17	2/28/2017		
	3/28/2008	53,750(13)		0.70	3/27/2018		
	3/31/2010	(14)	10,000	5.07	3/30/2020		
	1/19/2011	(15)	20,000	6.11	1/18/2021		
	10/21/2011	28,333(16)	31,667	7.32	10/21/2021		
	10/21/2011	(11)	25,000	7.32	10/21/2021		
Stephen Lloyd	12/10/2008	105,000(17)		1.02	12/9/2018		
	1/19/2011	(18)	50,000	6.11	1/18/2021		
	10/21/2011	(19)	20,000	7.32	10/21/2021		
	10/21/2011	(11)	25,000	7.32	10/21/2021		

- (1) 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.
- (2) 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.
- (3) The 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.

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- (4) The 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.
- (5) The 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.

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- (6) 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.
- (7) The value of the unvested restricted stock was calculated by multiplying the number of shares of unvested restricted stock by the estimated fair market value of \$10.68 per share of our common stock on the last day of our 2013 fiscal year.
- (8) The option vested with respect to 1/48th of the total shares subject to the option for 48 months, such that all the shares were fully vested upon the fourth anniversary of the options vesting commencement date of March 28, 2008.
- (9) The option originally vested with respect to 1/40th of the total shares subject to the option monthly from the vesting commencement date of April 1, 2012 for 36 months, with 1/120th vesting monthly for the subsequent 12 months. On October 23, 2012, the Company and Mr. Nasiri agreed pursuant to a transition and release agreement that 162,500 unvested shares of common stock subject to outstanding options held by Mr. Nasiri would vest immediately.
- (10) 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 May 31, 2011, 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.
- (11) 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.
- (12) 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 March 1, 2007, and with respect to 1/48th of the total shares subject to the option monthly thereafter for 36 months, such that all the shares were fully vested as of March 1, 2011.
- (13) The option vests with respect to 1/48th of the total shares subject to the option monthly for 48 months, such that all the shares will be fully vested upon the fourth anniversary of the option s vesting commencement date of November 15, 2008.
- (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, 2010.
- (15) 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.
- (16) 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.
- (17) 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 December 8, 2008, and with respect to 1/48th of the total shares subject to the option monthly thereafter for 36 months, such that all the shares became fully vested upon the fourth anniversary of the option s vesting commencement date.

- (18) The option vests with respect to half of the shares subject to the option 34 months after the vesting commencement date of February 8, 2011, and with respect to the remaining half of the total shares subject to the option 46 months after the vesting commencement date.
  
- (19) The option vests with respect to 1/24th of the total shares subject to the option monthly from the vesting commencement date of April 1, 2013.

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

No stock options or stock awards held by our named executive officers were exercised or vested, respectively, during our 2013 fiscal year.

### **Employment Agreements; Change in Control Arrangements; and Potential Payments upon Termination or Change in Control**

#### ***Severance and Change in Control Policies***

If any of our named executive officers are terminated without cause (as that term is defined in our change-in-control policy), he will be eligible to receive the following severance:

an amount equal to 9 months of his then-current base salary, payable at our option in the form of salary or in a lump sum; and

payment of 18 months of continued medical insurance premiums under COBRA, if elected by him.

In the event we undergo a change of control (as that term is defined in our change-in-control policy) and we or our successor in interest terminates the employment of any of our named executive officers, or any such named executive officer terminates his employment for good reason (as defined in our change-in-control policy), he will be eligible to receive the following severance:

an amount equal to 12 months of his then-current base salary, payable at our option in the form of salary or in a lump sum;

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

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

the acceleration of vesting (or release from our repurchase rights, as applicable) with respect to 50 percent of his stock (including options) then subject to vesting (or repurchase, as applicable).

#### ***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 and he was to earn an annual performance bonus of \$100,000, if bonuses were otherwise paid under our executive bonus plan for 2013. The agreement provides that Mr. Abdi will participate in the future in any other bonus or similar plan for our executive officers adopted by our Board of Directors. Along with our other executive officers, Mr. Abdi did not receive a bonus in fiscal 2013.

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 will vest 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 \$11.56 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



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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.

Under his executive 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.

Without 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).

The following table describes the potential compensation that would have been paid to Mr. Abdi in the event of a termination of his employment, assuming such termination was effective as of March 31, 2013 the last day of our 2013 fiscal year. The actual amounts to be paid in the event of a termination of employment or resignation in connection with an acquisition of us by a third party can only be determined at the time of his separation from us.

Benefit and Payments	Payments Upon a Change of Control	Resignation For Good Reason or Termination Without Cause Not in Connection With a Change of Control	Resignation For Good Reason or Termination Without Cause in Connection With a Change of Control
Cash severance payment	\$ 700,000	\$ 700,000	\$ 750,000
Accelerated vesting of options(1)	1,277,492	410,622	1,277,492
Accelerated vesting of RSUs(2)	4,429,744	1,568,868	4,429,744
COBRA Payments		28,494	28,494
<b>Total</b>	<b>\$ 5,707,235</b>	<b>\$ 2,053,528</b>	<b>\$ 6,485,729</b>

(1) The value of accelerated vesting of options was calculated by multiplying (x) the number of shares subject to acceleration by (y) the difference between the estimated fair market value of \$10.68 per share of our





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common stock on the last day of our 2013 fiscal year and the per share exercise price of the accelerated options. On the last day of our 2013 fiscal year, Mr. Abdi held 1,451,695 shares of our common stock issuable pursuant to options subject to full acceleration in connection with a change of control and 466,616 shares of our common stock issuable pursuant to options subject to 12 months acceleration upon termination without cause or resignation with good reason either with or not in connection with a change of control.

- (2) The value of accelerated vesting of restricted stock units was calculated by multiplying (x) the number of shares subject to acceleration by (y) the estimated fair market value of \$10.68 per share of our common stock on the last day of our 2013 fiscal year. On the last day of our 2013 fiscal year, Mr. Abdi held 414,770 shares of unvested restricted stock subject to full acceleration in connection with a change of control and 146,898 shares of unvested restricted stock subject to 12 months acceleration upon termination without cause or resignation with good reason not in connection with a change of control.

**Steven Nasiri**

On October 23, 2012, we entered into a transition and release agreement with Mr. Nasiri in connection with his resignation as our President and Chief Executive Officer. The following table describes the compensation that was paid to Mr. Nasiri under his employment agreement with respect to his resignation. Pursuant to the agreement, 162,500 unvested shares of common stock subject to outstanding options held by him were immediately vested.

In addition, in satisfaction of obligations under Mr. Nasiri's change in control and severance agreement with us, he received (i) a payment of \$300,000 in respect of his annual bonus, paid in a lump sum after his termination, (ii) an additional severance payment of \$500,000, paid in the form of salary continuation for 16 months after his termination, and (iii) a payment of 18 months of continued medical insurance premiums under COBRA following his termination. In connection with the above severance amounts, and pursuant to the terms of his executive employment agreement with us, he agreed to a release of claims in favor of the Company.

The following table describes the compensation that was paid to Mr. Nasiri in connection with his resignation.

<b>Benefit and Payments</b>	<b>Actual Payment Related to Resignation</b>
<b>Upon Separation</b>	
Annual bonus	\$ 300,000
Cash severance payment	500,000
Health coverage reimbursement	28,028
Accelerated vesting of options(1)	690,625
<b>Total</b>	<b>\$ 1,518,653</b>

- (1) The value of accelerated vesting of options was calculated by multiplying (x) 162,500 shares subject to acceleration by (y) the difference between the estimated fair market value of \$11.57 per share of our common stock on the day of Mr. Nasiri's resignation and the per share exercise price of the accelerated options.

**Alan Krock**

Effective May 31, 2011, we entered into an employment agreement with Alan Krock for employment as Chief Financial Officer. Under the agreement and subsequent adjustments to his compensation approved by our board of directors, Mr. Krock is entitled to a base salary of \$220,000, which is currently set at \$270,000, and an option to purchase 500,000 shares of our common stock, which was granted by the board subsequent to July 3,



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2011. The option vests with respect to 1/4 of the total shares subject to the option on the first anniversary of the option's vesting commencement date and with respect to 1/48th of the total shares subject to the option monthly thereafter for 36 months, such that all shares subject to the option will be fully vested on the fourth anniversary of such option's vesting commencement date. He was also eligible to participate in our executive bonus plan for fiscal year 2013 and may receive additional stock option grants. The agreement further provides that he is eligible to receive (i) the benefits we make generally available to similarly-situated executives in accordance with our benefit plans, (ii) vacation and illness benefits and (iii) reimbursement for reasonable expenses incurred in the performance of his duties. The agreement provides that either party may terminate the employment arrangement for any reason or no reason.

In addition to the benefits provided in the severance and change of control policy, Mr. Krock's executive employment agreement also provides that if (i) we terminate his employment other than for cause (as defined in the agreement) or (ii) he terminates his employment for good reason (as defined in the agreement), and if such termination occurs in connection with or within twelve months after consummation of a change in control transaction (as defined in the agreement), he will be eligible to receive (i) an amount equal to four months of his then-current base salary payable on a monthly basis or in a lump sum payment, as determined by us in our sole discretion, (ii) any then-unvested shares subject to the option described above that would have been vested as of the date of termination had the option not been subject to the 12-month cliff vesting provision described above, and (iii) an additional four months of accelerated vesting with respect to any other options or restricted stock outstanding as of the date of such termination.

In addition, subject to the terms of the employment agreement, during his term of employment and for one year thereafter, Mr. Krock has agreed not to solicit or otherwise induce any of our employees to terminate their employment with us and not to disclose to us or induce us to use proprietary information or trade secrets of others at any time.

The following table describes the potential compensation that would have been paid to Mr. Krock in the event of a termination of his employment, assuming such termination was effective as of March 31, 2013 the last day of our 2013 fiscal year. The actual amounts to be paid in the event of a termination of employment or resignation in connection with an acquisition of us by a third party can only be determined at the time of his separation from us.

Benefit and Payments	Termination Without Cause	Termination for Cause or Resignation Without Good Reason	Termination Following a Change of Control	Termination Following a Change of Control	Termination without Cause or Resignation For Good Reason
		Following a Change of Control	Control	Control	Following a Change of Control
Upon Separation					
Cash severance payment	\$ 202,500	\$	\$ 330,000	\$ 330,000	\$ 420,000
Accelerated vesting of options(1)			488,601	488,601	738,502
COBRA Payments	28,392		28,392	28,392	28,392
Total	\$ 230,892	\$	\$ 846,993	\$ 846,993	\$ 1,186,894

- (1) The value of accelerated vesting of options was calculated by multiplying (x) the number of shares subject to acceleration by (y) the difference between the estimated fair market value of \$10.68 per share of our common stock on the last day of our 2013 fiscal year and the per share exercise price of the accelerated options. On the last day of our 2013 fiscal year, Mr. Krock held 290,834 shares of our common stock issuable pursuant to options subject to 50% acceleration.

**Table of Contents*****Daniel Goehl and Stephen Lloyd***

The following tables describe the potential compensation that would have been paid to Messrs. Lloyd and Goehl in the event of a termination of their employment or resignation, assuming such termination was effective as of March 31, 2013, the last day of our 2013 fiscal year. The actual amounts to be paid in the event of a termination of employment in connection with an acquisition of us by a third party can only be determined at the time of Mr. Goehl's or Mr. Lloyd's separation from us.

***Daniel Goehl***

<b>Benefit and Payments</b>	<b>Termination Without Cause</b>	<b>Termination for Cause</b>	<b>Termination or Resignation For Good Reason Following a Change of Control</b>	<b>Resignation Without Good Reason Following a Change of Control</b>
<b>Upon Separation</b>				
Cash severance payment	\$ 172,500	\$	\$ 310,000	\$
Accelerated vesting of options(1)			168,951	
COBRA Payments	23,962		23,962	
<b>Total</b>	<b>\$ 196,462</b>	<b>\$</b>	<b>\$ 502,913</b>	<b>\$</b>

- (1) The value of accelerated vesting of options was calculated by multiplying (x) the number of shares subject to acceleration by (y) the difference between the estimated fair market value of \$10.68 per share of our common stock on the last day of our 2013 fiscal year and the per share exercise price of the accelerated options. On the last day of our 2013 fiscal year, Mr. Goehl held 86,667 shares of our common stock issuable pursuant to options subject to 50% acceleration.

***Stephen Lloyd***

<b>Benefit and Payments</b>	<b>Termination Without Cause</b>	<b>Termination for Cause</b>	<b>Termination or Resignation For Good Reason Following a Change of Control</b>	<b>Resignation Without Good Reason Following a Change of Control</b>
<b>Upon Separation</b>				
Cash severance payment	\$ 180,000	\$	\$ 300,000	\$
Accelerated vesting of options(1)			189,850	
COBRA Payments	25,251		25,251	
<b>Total</b>	<b>\$ 205,251</b>	<b>\$</b>	<b>\$ 515,101</b>	<b>\$</b>

- (1) The value of accelerated vesting of options was calculated by multiplying (x) the number of shares subject to acceleration by (y) the difference between the estimated fair market value of \$10.68 per share of our common stock on the last day of our 2013 fiscal year and the

per share exercise price of the accelerated options. On the last day of our 2013 fiscal year, Mr. Lloyd held 95,000 shares of our common stock issuable pursuant to options subject to 50% acceleration.

**Employee Benefit and Equity Plans**

***2011 Stock Incentive Plan***

Our board of directors have adopted and our stockholders have approved our 2011 Stock Incentive Plan, which we refer to as the 2011 Plan. The 2011 Plan serves as the successor to our 2004 Stock Incentive Plan, as amended, which we refer to as our 2004 Plan. Our 2011 Plan provides for the grant of incentive stock options,

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within the meaning of Section 422 of the Internal Revenue Code of 1986, as amended, or the Code, to our employees and any parent and subsidiary corporations employees, and for the grant of non-qualified stock options, stock appreciation rights, restricted stock, restricted stock units and dividend equivalent rights to our employees, directors and consultants and our parent and subsidiary corporations employees, directors and consultants.

### *Share Reserve*

As of March 31, 2013, we had reserved for issuance pursuant to the 2011 Plan a total of 14,882,991 shares of our common stock. In addition, the number of shares reserved for issuance pursuant to the 2011 Plan will be increased by any additional shares that would otherwise have returned to the 2004 Plan after March 31, 2013 as a result of forfeiture, termination or expiration of awards previously granted under the 2004 Plan. Further, our 2011 Plan provides for annual increases in the number of shares available for issuance thereunder on the first business day of each fiscal year equal to four percent (4%) of the number of shares of our common stock outstanding as of such date, which resulted in an annual increase of 3,399,218 shares for fiscal year 2014. As of March 31, 2013, options to purchase 10,494,500 shares of common stock and 806,688 restricted stock units were outstanding and 9,382,902 shares were available for future grant under the 2011 Plan.

### *Administration*

Our board of directors has appointed our compensation committee as administrator of our 2011 Plan. In the case of awards intended to qualify as performance based compensation within the meaning of Section 162(m) of the Code the committee will consist of two (2) or more outside directors within the meaning of Section 162(m) of the Code. The administrator will have the power to determine and interpret the terms and conditions of the awards, including the employees, directors and consultants who will receive awards, the exercise price, the number of shares subject to each such award, the vesting schedule and exercisability of the awards, the restrictions on transferability of awards and the form of consideration payable upon exercise. The administrator also will have the authority to institute an exchange program whereby the exercise prices of outstanding awards may be reduced or outstanding awards may be surrendered or cancelled in exchange for other awards of the same type (which may have higher or lower exercise prices) or awards of a different type.

### *Stock Options*

Our 2011 Plan allows for the grant of incentive stock options that qualify under Section 422 of the Code only to our employees and employees of any parent or subsidiary of ours. Non-qualified stock options may be granted to our employees, directors, and consultants and those of any parent or subsidiary of ours. The exercise price of all options granted under our 2011 Plan must at least be equal to the fair market value of our common stock on the date of grant. The term of an incentive stock option may not exceed ten (10) years, except that with respect to any employee who owns more than ten percent (10%) of the voting power of all classes of our outstanding stock or any parent or subsidiary corporation as of the grant date, the term must not exceed five (5) years, and the exercise price must equal at least one hundred ten percent (110%) of the fair market value on the grant date.

After the continuous service of an employee, director or consultant terminates, he or she may exercise his or her option, to the extent vested, for the period of time specified in the option agreement. However, an option may not be exercised later than the expiration of its term.

### *Stock Appreciation Rights*

Our 2011 Plan allows for the grant of stock appreciation rights. Stock appreciation rights allow the recipient to receive the appreciation in the fair market value of our common stock between the date of grant and the exercise date. The administrator will determine the terms of stock appreciation rights, including when such rights

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become exercisable and whether to pay the increased appreciation in cash or with shares of our common stock, or a combination thereof, except that the base appreciation amount for the cash or shares to be issued pursuant to the exercise of a stock appreciation right will be no less than one hundred percent (100%) of the fair market value per share on the date of grant. After the continuous service of an employee, director or consultant terminates, he or she may exercise his or her stock appreciation right, to the extent vested, only to the extent provided in the stock appreciation right agreement.

### *Restricted Stock Awards*

Our 2011 Plan allows for the grant of restricted stock. Restricted stock awards are shares of our common stock that vest in accordance with terms and conditions established by the administrator. The administrator will determine the number of shares of restricted stock granted to any employee, director or consultant. The administrator may impose whatever conditions on vesting it determines to be appropriate. For example, the administrator may set restrictions based on the achievement of specific performance goals. Shares of restricted stock that do not vest are subject to our right of repurchase or forfeiture.

### *Restricted Stock Units*

Our 2011 Plan allows for the grant of restricted stock units. Restricted stock units are awards that will result in payment to a recipient at the end of a specified period only if the vesting criteria established by the administrator are achieved or the award otherwise vests. The administrator may impose whatever conditions to vesting, restrictions and conditions to payment it determines to be appropriate. The administrator may set restrictions based on the achievement of specific performance goals or on the continuation of service or employment. Payments of earned restricted stock units may be made, in the administrator's discretion, in cash, with shares of our common stock or other securities, or a combination thereof.

### *Dividend Equivalent Rights*

Our 2011 Plan allows for the grant of dividend equivalent rights. Dividend equivalent rights are awards that entitle the recipients to compensation measured by the dividends we pay with respect to our common stock.

### *Transferability of Awards*

Our 2011 Plan allows for the transfer of awards under the 2011 Plan only (i) by will, (ii) by the laws of descent and distribution and (iii) for awards other than incentive stock options, to the extent authorized by the administrator. Only the recipient of an incentive stock option may exercise such award during his or her lifetime.

### *Certain Adjustments*

In the event of certain changes in our capitalization, to prevent diminution or enlargement of the benefits or potential benefits available under the 2011 Plan, the administrator will make adjustments to one or more of the number or class of shares that are covered by outstanding awards, the exercise or purchase price of outstanding awards, the numerical share limits contained in the 2011 Plan, and any other terms that the administrator determines require adjustment. In the event of our complete liquidation or dissolution, all outstanding awards will terminate immediately upon the consummation of such transaction.

### *Corporate Transactions and Changes in Control*

Our 2011 Plan provides that in the event of a corporate transaction, as defined in the 2011 Plan, each outstanding award will terminate upon the consummation of the corporate transaction to the extent that such awards are not assumed by the acquiring or succeeding corporation. Prior to or upon the consummation of a corporate transaction or a change in control, as defined in the 2011 Plan, an outstanding award may vest, in



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whole or in part, to the extent provided in the award agreement or as determined by the administrator in its discretion. The administrator may condition the vesting of an award upon the subsequent termination of the recipient's service or employment within a specified period of time following the consummation of a corporate transaction or change in control. The administrator will not be required to treat all awards similarly in the event of a corporate transaction or change in control.

*Plan Amendments and Termination*

Our 2011 Plan will automatically terminate ten (10) years following the date it became effective, unless we terminate it sooner. In addition, our board of directors has the authority to amend, suspend or terminate the 2011 Plan provided such action does not impair the rights under any outstanding award unless mutually agreed to in writing by the recipient and us.

*Equity Compensation Plan Information*

Information, as of March 31, 2013, regarding equity compensation plans approved and not approved by stockholders is summarized in the following table:

<b>Plan Category</b>	<b>Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)</b>	<b>Weighted-average exercise price of outstanding options, warrants and rights (b)</b>	<b>Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)</b>
Equity compensation plans approved by security holders	11,116,000	\$ 7.73	20,800,000 <sup>(1)</sup>
Equity compensation plans not approved by security holders			
<b>TOTAL</b>	<b>11,116,000</b>	<b>\$ 7.73</b>	<b>20,800,000</b>

(1) Consists of shares available for issuance under our 2011 Stock Incentive Plan.

*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 2013.

*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 2013.

*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 and are not taxable to participants until withdrawn. Employee participants may elect to invest their contributions in various established funds. We may make contributions to the accounts of plan participants.

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### **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.



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**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 March 31, 2013.

Compensation Committee

Amit Shah (Chairman)

Yubei ( 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.

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**PROPOSAL TWO**

**APPROVAL OF EMPLOYEE STOCK PURCHASE PLAN**

**General**

The stockholders are being asked to approve the Company's Employee Stock Purchase Plan (the "ESPP") and the reservation of 400,000 shares for issuance under the ESPP. The purpose of the ESPP is to allow the Company to provide eligible employees of the Company and its participating parents and subsidiaries with the opportunity to purchase the Company's common stock at a discount from the then-current market price through payroll deductions. The ESPP, and the right of participants to make purchases thereunder, is intended to qualify under the provisions of Sections 421 and 423 of the Code.

Under the ESPP, eligible employees may authorize payroll deductions of up to 10% of eligible compensation for the purchase of common stock during each semi-annual purchase period.

A general description of the ESPP is set forth below. This description is qualified in its entirety by the terms of the ESPP, a copy of which is available to any stockholder upon request.

**Administration**

The ESPP may be administered by the board of directors or a committee thereof. It is anticipated that the compensation committee will serve 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 400,000 shares of common stock are 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 intended to be implemented by one offering period during each six-month period beginning on November 16, 2013. The plan administrator may alter the duration of future offering periods in advance without stockholder approval. Each participant is granted a separate purchase right to purchase shares of 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 of common stock 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 and the Company's Section 16 officers, 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 years) 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-

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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.

As of July 17, 2013, no executive officers and approximately 193 other employees were expected to be eligible to participate in the ESPP.

### **Purchase Provisions**

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 purchase shares of common stock 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 17, 2013, the fair market value of a share of the Company's common stock as reported on the NYSE was \$16.11.

### **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 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.



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### **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 of common stock 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) ten (10) years following the date of the original adoption of the ESPP or (ii) the date on which all purchase rights are exercised in connection with a Corporate Transaction.

The plan administrator 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), the Company shall obtain stockholder approval in such a manner and to such a degree as required.

### **Amended Plan Benefits**

Because the number of shares of common stock issued under the ESPP depends on the level of participation by its participants, we cannot determine the number of shares of common stock that may be awarded in the future to eligible employees.

### **Federal Income Tax Consequences**

The ESPP is intended to be an employee stock purchase plan within the meaning of Section 423 of the Code. Under a plan which so qualifies, no taxable income will be recognized by a participant, and no deductions will be allowable to the Company in connection with the grant or exercise of an outstanding purchase right.

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.



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If the participant sells or otherwise disposes of the purchased shares within two (2) years after the start date of the offering period in which such shares were acquired or within one (1) year after the actual purchase date of those shares, then the participant will recognize ordinary income in the year of such 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 sale or disposition occurs, equal in amount to such excess.

If the participant sells or disposes of the purchased shares more than two (2) years after the start date of the offering period in which such shares were acquired and more than one (1) year after the actual purchase date of those shares, then the participant will recognize ordinary income in the year of such sale or disposition equal to the lesser of (i) the amount by which the fair market value of the shares on the sale or disposition date exceeds the purchase price paid for those shares or (ii) 15% of the fair market value of the shares on the start date of the offering period, and any additional gain upon the disposition will be taxed as long-term capital gain. The Company will not be entitled to any income tax deduction with respect to such sale or disposition.

If the participant still owns the purchased shares at the time of his or her 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 his or her entry date into the offering period in which those shares were acquired will constitute ordinary income in the year of death.

## **Required Vote**

Approval of the resolution regarding approval of the ESPP 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** approval of the resolution regarding approval of the ESPP.

## **Recommendation**

**The board of directors recommends a vote FOR Proposal Two.**

**Table of Contents****PROPOSAL THREE****RATIFICATION OF SELECTION OF INDEPENDENT REGISTERED****PUBLIC ACCOUNTING FIRM**

The audit committee of our board of directors has selected Deloitte & Touche LLP, or Deloitte & Touche, as our independent registered public accounting firm for the fiscal year ending March 30, 2014, 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.

Neither 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**

In connection with the audit of our 2014 financial statements, we expect to enter into an engagement agreement with Deloitte & Touche that will set forth the terms by which Deloitte & Touche would perform audit services for us, including responsibilities of Deloitte & Touche and management in the conduct of the audit and estimated fees. Our engagement agreements with Deloitte & Touche are typically subject to alternative dispute resolution procedures.

The following table represents aggregate fees billed or to be billed to us for services performed for the fiscal years ended March 31, 2013 and April 1, 2012 (fiscal years 2013 and 2012, respectively), by Deloitte & Touche, our independent registered public accounting firm.

	Fiscal Year (in thousands)	
	2013	2012
Audit Fees	\$ 885	\$ 1,004
Audit-Related Fees		
Tax Fees	4	
All Other Fees		
<b>Total Fees</b>	<b>\$ 889</b>	<b>\$ 1,004</b>

All services provided by Deloitte & Touche for the fiscal years ended March 31, 2013 and April 1, 2012 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 \$0.9 million for fiscal year 2013 and \$1.04 million for fiscal year 2012, 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-1 and Form S-8 related to our initial public offering and our Form S-1 related to our follow-on public offering and services that are normally provided by independent registered public

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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 other fees paid to Deloitte & Touche in fiscal years 2013 and 2012.

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

The audit committee's charter requires it to pre-approve all audit and non-audit services performed by the independent registered public accounting firm. As permitted by the charter, the audit committee has delegated to the chairman of the audit committee, Mr. R. Douglas Norby, 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 2013 and 2012 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 March 30, 2014 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**

**The board of directors recommends a vote FOR Proposal Three.**

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**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 March 31, 2013. 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.

Based 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 March 31, 2013 for filing with the Securities and Exchange Commission.

Audit Committee

R. Douglas Norby (Chairman)

Jon Olson

Tim Wilson

- (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.

**Table of Contents****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 InvenSense's common stock as of July 17, 2013 by: (i) each director; (ii) each of the named executive officers named in the Summary Compensation Table below; (iii) all current executive officers and directors of InvenSense 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 17, 2013. For purposes of calculating each person's or group's percentage ownership, stock options and warrants exercisable within 60 days after July 17, 2013 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 86,335,017 shares of common stock outstanding at July 17, 2013. 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, San Jose, California 95110.

Name and Address of Beneficial Owner	Shares Beneficially Owned	
	Shares	Percentage (%)
<b>5% Stockholders:</b>		
Entities affiliated with Artiman Ventures(1)	10,979,697	12.7
Sierra Ventures IX, L.P.(2)	5,104,604	5.9
<b>Directors and Named Executive Officers:</b>		
Behrooz Abdi(3)	455,855	*
R. Douglas Norby(4)	122,395	*
Jon Olson(5)	41,250	*
Amit Shah(6)	36,666	*
Tim Wilson(7)	122,855	*
Yunbei Ben Yu, Ph.D.(8)	36,666	*
Alan Krock(9)	154,807	*
Daniel Goehl(10)	227,249	*
Stephen Lloyd (11)	99,582	*
Steve Nasiri		*
All current directors and executive officers as a group (9 persons)(12)	1,297,325	1.5%

\* Represents beneficial ownership of less than 1%.

- (1) Includes 10,749,711 shares of common stock held by Artiman Ventures, L.P., 69,458 shares of common stock held by Artiman Ventures Side Fund, L.P., 140,528 shares of common stock held by Artiman Ventures Side Fund II, L.P (collectively, the Artiman Ventures LPs ), and 20,000 shares held by Artiman Management, LLC ( Artiman Management ). Amit Shah and Yatin Mundkur are the Managing Members of Artiman Management and Artiman, L.L.C., the General Partner of the Artiman Ventures LPs, and share voting control and investment power over the securities held by the Artiman Ventures LPs or Artiman Management. Messrs. Shah and Mundkur disclaim beneficial ownership of the securities held by the Artiman Ventures LPs or Artiman Management except to the extent of their pecuniary interests therein. The address for these entities is 2000 University Avenue, Suite 602, East Palo Alto, CA 94303. See also notes 6 and 7 to this section.



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- (2) Peter Wendell, A. Tim Guleri, Dave Schwab, Steve Williams, Yunbei Ben Yu and Mark Fernandes are the Managing Directors of Sierra Ventures Associates IX, LLC ( Sierra Ventures Associates IX ), the sole General Partner of Sierra Ventures IX, L.P. ( Sierra Ventures IX ). As the sole General Partner of Sierra Ventures IX, Sierra Ventures Associates IX possesses power to direct the voting and disposition of the shares owned by Sierra Ventures IX and may be deemed to have indirect beneficial ownership of the shares held by Sierra Ventures IX. Sierra Ventures Associates IX owns no securities of the Company directly.
- (3) Includes 28,125 shares of common stock issuable upon the exercise of outstanding options exercisable within 60 days of July 17, 2013 and 12,960 shares of common stock issuable upon the exercise of outstanding options subject to both performance-based and time-based vesting conditions that may have vested within 60 days, assuming that performance-based vesting conditions set forth in the award agreement have been met within the applicable time period. Does not include 1,438,735 shares of common stock issuable upon the exercise of outstanding options not exercisable within 60 days of July 17, 2013.
- (4) Includes 122,395 shares of common stock issuable upon the exercise of outstanding options exercisable within 60 days of July 17, 2013. Does not include 42,605 shares of common stock issuable upon the exercise of outstanding options not exercisable within 60 days of July 17, 2013.
- (5) Includes 41,250 shares of common stock issuable upon the exercise of outstanding options exercisable within 60 days of July 17, 2013. Does not include 68,750 shares of common stock issuable upon the exercise of outstanding options not exercisable within 60 days of July 17, 2013.
- (6) Includes 3,333 shares of common stock issuable upon the exercise of outstanding options exercisable within 60 days of July 17, 2013. Does not include 23,334 shares of common stock issuable upon the exercise of outstanding options not exercisable within 60 days of July 17, 2013. 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.
- (7) Includes 16,666 shares of common stock issuable upon the exercise of outstanding options exercisable within 60 days of July 17, 2013 and 106,189 shares held by The Wilson 1999 Trust, of which Mr. Wilson is a trustee. Does not include 23,334 shares of common stock issuable upon the exercise of outstanding options not exercisable within 60 days of July 17, 2013. Mr. Wilson is employed as a Managing Director of Artiman Management, LLC. Mr. Wilson disclaims beneficial ownership of the securities held by Artiman Management except to the extent of his pecuniary interests therein.
- (8) Includes 36,666 shares of common stock issuable upon the exercise of outstanding options exercisable within 60 days of July 17, 2013. Does not include 23,334 shares of common stock issuable upon the exercise of outstanding options not exercisable within 60 days of July 17, 2013. Yunbei Ben Yu, Ph.D. is a Managing Director of Sierra Ventures Associates IX, the sole General Partner of Sierra Ventures IX, and shares voting control and investment power over the securities held by Sierra Ventures IX with its other Managing Directors; however, Dr. Yu disclaims beneficial ownership of the securities held by Sierra Ventures IX except to the extent of his pecuniary interest therein. See also note 2 to this section.
- (9) Includes 154,807 issuable upon the exercise of outstanding options exercisable within 60 days of July 17, 2013. Does not include 238,750 shares of common stock issuable upon the exercise of outstanding options not exercisable within 60 days of July 17, 2013. Does not include 17,500 shares of unvested restricted stock that will not vest within 60 days of July 17, 2013.
- (10) Includes 126,291 shares of common stock issuable upon the exercise of outstanding options exercisable within 60 days of July 17, 2013. Does not include 166,251 shares of common stock issuable upon the exercise of outstanding options not exercisable within 60 days of

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July 17, 2013. Does not include 15,000 shares of unvested restricted stock that will not vest within 60 days of July 17, 2013.



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- (11) Includes 99,592 shares of common stock issuable upon the exercise of outstanding options exercisable within 60 days of July 17, 2013. Does not include 174,443 shares of common stock issuable upon the exercise of outstanding options not exercisable within 60 days of July 17, 2013. Does not include 15,000 shares of unvested restricted stock that will not vest within 60 days of July 17, 2013.
- (12) Includes 629,115 shares of common stock issuable upon the exercise of outstanding options exercisable within 60 days of July 17, 2013. Does not include 477,606 shares of common stock issuable upon the exercise of outstanding options held by current directors and executive officers not exercisable within 60 days of July 17, 2013.

**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 March 31, 2013 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 Forms 4 listed below:

<b>Individual/Entity</b>	<b>Date of Transaction</b>
Artiman, L.L.C.	July 26, 2012 December 20, 2012
Daniel Goehl	June 18, 2012 January 3, 2012
Stephen Lloyd	October 8, 2012 November 8, 2012 December 10, 2012
Steven Nasiri	June 18, 2012 September 25, 2012 September 26, 2012 December 12, 2012 December 13, 2012 January 3, 2013 January 4, 2013 January 16, 2013 January 17, 2013

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**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, the amount involved exceeds \$120,000 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.

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**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.

This 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, 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.

**AVAILABLE INFORMATION**

We will provide to any stockholder entitled to vote at our 2013 annual meeting, at no charge, a copy of our Annual Report on Form 10-K for fiscal year 2013 filed with the SEC on June 14, 2013, 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

Alan Krock

*Vice President and Chief Financial Officer*

July 29, 2013

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