

SILICON LABORATORIES INC  
Form DEF 14A  
March 06, 2014

**UNITED STATES**

**SECURITIES AND EXCHANGE COMMISSION**

**Washington, D.C. 20549**

SCHEDULE 14A INFORMATION

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

**Exchange Act of 1934 (Amendment No. \_\_\_\_)**

Filed by the Registrant  Filed by a Party other than the Registrant

Check the appropriate box:

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

**Silicon Laboratories Inc.**

(Name of Registrant as Specified In Its Charter)

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

Payment of Filing Fee (Check the appropriate box):

No fee required.

Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

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

(2) Aggregate number of securities to which transaction applies: N/A

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

(4) Proposed maximum aggregate value of transaction: N/A

(5) Total fee paid: N/A

Fee paid previously with preliminary materials.

Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing:

(1) Amount previously paid: N/A

(2) Form, Schedule or Registration Statement No.: N/A

(3) Filing party: N/A

(4) Date Filed: N/A

SILICON LABORATORIES INC.

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS  
TO BE HELD APRIL 15, 2014

TO THE STOCKHOLDERS OF SILICON LABORATORIES INC.:

You are cordially invited to attend the Annual Meeting of Stockholders of Silicon Laboratories Inc., a Delaware corporation, to be held on April 15, 2014, at 9:30 a.m. Central Time at the Lady Bird Johnson Wildflower Center, 4801 La Crosse Avenue, Austin, Texas 78739, for the following purposes, as more fully described in the Proxy Statement:

1. To elect three Class I directors to serve on the Board of Directors until our 2017 annual meeting of stockholders, or until a successor is duly elected and qualified;
2. To ratify the appointment of Ernst & Young LLP as our independent registered public accounting firm for the fiscal year ending January 3, 2015;
3. To vote on an advisory (non-binding) resolution regarding executive compensation;
4. To approve the amendments to the 2009 Stock Incentive Plan;
5. To re-approve the material terms of the 2009 Stock Incentive Plan pursuant to Section 162(m) of the Internal Revenue Code;
6. To approve the amendments to the 2009 Employee Stock Purchase Plan; and
7. To transact such other business as may properly come before the meeting or any adjournment or adjournments thereof.

We have furnished proxy materials over the internet where you may read, print and download our annual report and Proxy Statement at the investor relations section of our website address, <http://www.silabs.com>. On or about March 6, 2014, we mailed to our stockholders a notice containing instructions on how to access our 2014 Proxy Statement and annual report and to vote. The notice also provides instructions on how you can request a paper copy of these documents if you desire. If you received your annual materials via email, the email contains voting instructions and links to the annual report and Proxy Statement on the internet.

Only stockholders of record at the close of business on February 19, 2014 are entitled to notice of and to vote at the Annual Meeting. A list of stockholders entitled to vote at the Annual Meeting will be available for inspection at our executive offices.

Whether or not you plan to attend the meeting in person, your vote is important. Instructions regarding the various methods of voting are contained on the Proxy, including voting by toll-free telephone number or the internet. If you request and receive a paper copy of the Proxy by mail, you may still vote your shares by fully completing and returning the Proxy. You may revoke your Proxy at any time prior to the Annual Meeting. If you attend the Annual Meeting and vote by ballot, your Proxy will be revoked automatically and only your vote at the Annual Meeting will

be counted.

Sincerely,

Austin, Texas  
March 6, 2014

G. Tyson Tuttle  
Chief Executive Officer and Director

**YOUR VOTE IS VERY IMPORTANT, REGARDLESS OF THE NUMBER OF SHARES YOU OWN. PLEASE READ THE ATTACHED PROXY STATEMENT CAREFULLY AND VOTE YOUR SHARES BY TELEPHONE, BY INTERNET, OR BY COMPLETING, SIGNING, DATING, AND RETURNING A PROXY CARD AS PROMPTLY AS POSSIBLE.**

SILICON LABORATORIES INC.  
400 West Cesar Chavez  
Austin, Texas 78701

PROXY STATEMENT  
FOR THE ANNUAL MEETING OF STOCKHOLDERS  
TO BE HELD ON APRIL 15, 2014

General

The enclosed Proxy is solicited on behalf of the Board of Directors of Silicon Laboratories Inc., a Delaware corporation, for use at the Annual Meeting of Stockholders to be held on April 15, 2014 at 9:30 a.m. Central Time at the Lady Bird Johnson Wildflower Center, 4801 La Crosse Avenue, Austin, Texas 78739, or at any adjournment thereof. These proxy solicitation materials were mailed on or about March 6, 2014 to all stockholders entitled to vote at the Annual Meeting.

Voting

The specific proposals to be considered and acted upon at the Annual Meeting are summarized in the accompanying notice and are described in more detail in this Proxy Statement. On February 19, 2014, the record date for determination of stockholders entitled to notice of and to vote at the Annual Meeting, 43,213,599 shares of our common stock were outstanding and no shares of our preferred stock were outstanding. Each stockholder is entitled to one vote for each share of common stock held by such stockholder on February 19, 2014. The presence, in person or by proxy, of the holders of a majority of our shares entitled to vote is necessary to constitute a quorum at the Annual Meeting or at any adjournment thereof. Stockholders may not cumulate votes in the election of directors. The vote of a plurality of the shares of our common stock present in person or represented by proxy at the Annual Meeting and entitled to vote on the election of directors is necessary for the election of a director. The three nominees receiving the greatest number of votes at this meeting will be elected to our Board of Directors, even if less than a majority of such shares were voted for the nominees. The affirmative vote of a majority of our shares present in person or represented by proxy at the Annual Meeting and entitled to vote will be required to approve Proposal Two. The affirmative vote of a majority of our shares present in person or represented by proxy at the Annual Meeting and entitled to vote will be required to approve Proposal Three. The affirmative vote of a majority of our shares present in person or represented by proxy at the Annual Meeting and entitled to vote will be required to approve Proposal Four. The affirmative vote of a majority of our shares present in person or represented by proxy at the Annual Meeting and entitled to vote will be required to approve Proposal Five. The affirmative vote of a majority of our shares present in person or represented by proxy at the Annual Meeting and entitled to vote will be required to approve Proposal Six. All votes will be tabulated by the inspector of election appointed for the meeting, who will separately tabulate affirmative and negative votes, abstentions and broker non-votes (i.e., a Proxy submitted by a broker or nominee specifically indicating the lack of discretionary authority to vote on the matter). Abstentions and broker non-votes will be counted as present for purposes of determining a quorum for the transaction of business, but will not be counted for purposes of determining whether each proposal has been approved.

Proxies

If the enclosed form of Proxy is properly signed and returned or you properly follow the instructions for telephone or internet voting, the shares represented thereby will be voted at the Annual Meeting in accordance with the instructions specified thereon. If the Proxy does not specify how the shares represented thereby are to be voted, (i) the Proxy will

be voted FOR the election of the directors proposed by the Board of Directors unless the authority to vote for the election of such directors is withheld, (ii) if no contrary instructions are given, the Proxy will be voted FOR the approval of the selection of Ernst & Young LLP as our independent registered public accounting firm, (iii) if no contrary instructions are given, the Proxy will be voted FOR the approval of resolution regarding executive compensation, (iv) if no contrary instructions are given, the Proxy will be voted FOR the approval of the amendments to the 2009 Stock Incentive Plan, (v) if no contrary instructions are given, the Proxy will be voted FOR the re-approval of the material terms of the 2009 Stock Incentive Plan pursuant to Section 162(m) of the Internal Revenue Code, and (vi) if no contrary instructions are given, the Proxy will be voted FOR the approval of the amendments to the 2009 Employee Stock Purchase Plan. You may revoke or change your Proxy at any time before the Annual Meeting by filing either a notice of revocation or another signed Proxy with a later date with our Corporate Secretary at our principal executive offices at 400 West Cesar Chavez, Austin, Texas 78701. You may also revoke your Proxy by attending the Annual Meeting and voting in person.

### Solicitation

We will bear the entire cost of solicitation, including the preparation, assembly, printing and mailing of this Proxy Statement, the Proxy and any additional solicitation materials furnished to the stockholders. Copies of solicitation materials will be furnished to brokerage houses, fiduciaries and custodians holding in their names shares that are beneficially owned by others so that they may forward this solicitation material to such beneficial owners. In addition, we may reimburse such persons for their costs in forwarding the solicitation materials to such beneficial owners. The original solicitation of Proxies by mail and the internet may be supplemented by a solicitation by telephone or other means by directors, officers, or employees. No additional compensation will be paid to these individuals for any such services. Except as described above, we do not presently intend to solicit Proxies other than by mail and the internet.

### Deadline for Receipt of Future Stockholder Proposals

Pursuant to Rule 14a-8 under the Securities Exchange Act of 1934, stockholder proposals to be presented at our 2015 annual meeting of stockholders and in our proxy statement and form of proxy relating to that meeting must be received by us at our principal executive offices at 400 West Cesar Chavez, Austin, Texas 78701, addressed to our Corporate Secretary, not later than November 6, 2014, the date which is at least 120 days prior to March 6, 2015, the anniversary of the date of this Proxy Statement. These proposals must comply with applicable Delaware law, the rules and regulations promulgated by the Securities and Exchange Commission ("SEC") and the procedures set forth in our bylaws. Pursuant to our bylaws, stockholder proposals received after November 6, 2014 will be considered untimely. Unless we receive notice in the manner specified above, the proxy holders shall have discretionary authority to vote for or against any such proposal presented at our 2015 annual meeting of stockholders.

MATTERS TO BE CONSIDERED AT ANNUAL MEETING

PROPOSAL ONE: ELECTION OF DIRECTORS

General

The Board of Directors is divided into three classes, designated Class I, Class II and Class III, with staggered three-year terms. The term of office of the Class I Directors, Navdeep S. Sooch, Laurence G. Walker and William P. Wood, will expire at this Annual Meeting. Messrs. Sooch, Walker and Wood have been nominated to continue as Class I Directors. The three directors elected as Class I Directors at the Annual Meeting will each serve for a term of three years expiring at the 2017 annual meeting of stockholders, or until such director's successor has been duly elected and qualified or until such director's earlier death, resignation or removal.

The nominees for election have agreed to serve if elected, and management has no reason to believe that the nominees will be unavailable to serve. In the event the nominees are unable or decline to serve as directors at the time of the Annual Meeting, the Proxies will be voted for any nominees who may be designated by our present Board of Directors to fill the vacancies. Unless otherwise instructed, the Proxy holders will vote the Proxies received by them FOR the nominees named below.

Nominees for Class I Directors with a Term Expiring in 2017

Navdeep co-founded Silicon Laboratories in August 1996 and has served as Chairman of the Board since our S. Sooch, inception. Mr. Sooch served as our Chief Executive Officer from our inception through the end of fiscal 51 2003 and served as interim Chief Executive Officer from April 2005 to September 2005. From March 1985 until founding Silicon Laboratories, Mr. Sooch held various positions at Crystal Semiconductor/Cirrus Logic, a designer and manufacturer of integrated circuits, including Vice President of Engineering. From May 1982 to March 1985, Mr. Sooch was a Design Engineer with AT&T Bell Labs. Since October 2011, Mr. Sooch has served as the CEO of Ketra, Inc., a private company in the field of solid state lighting. Mr. Sooch holds a B.S. in Electrical Engineering from the University of Michigan, Dearborn and an M.S. in Electrical Engineering from Stanford University. Mr. Sooch's prior experience as our Chief Executive Officer as well as a semiconductor designer provides him with extensive insight into our industry and our operations and qualifies him to serve as Chairman of our Board of Directors.

Laurence has served as a director of Silicon Laboratories since June 2003. Previously, Mr. Walker co-founded and G. served as Chief Executive Officer of C-Port Corporation, a pioneer in the network processor industry, which Walker, was acquired by Motorola in 2000. Following the acquisition, Mr. Walker served as Vice President of 65 Strategy for Motorola's Network and Computing Systems Group and then as Vice President and General Manager of the Network and Computing Systems Group until 2002. From August 1996 to May 1997, Mr. Walker served as Chief Executive Officer of CertCo, a digital certification supplier. Mr. Walker served as Vice President and General Manager, Network Products Business Unit, of Digital Equipment Corporation, a computer hardware company, from January 1994 to July 1996. From 1998 to 2007, he served on the Board of Directors of McData Corporation, a provider of storage networking solutions. From 1981 to 1994, he held a variety of other management positions at Digital Equipment Corporation. Mr. Walker holds a B.S. in Electrical Engineering from Princeton University and an M.S. and Ph.D. in Electrical Engineering from the Massachusetts Institute of Technology. Mr. Walker's combination of independence and his experience, including past experience as an executive officer, qualifies him to serve as a member of our Board of Directors.





William P. Wood, 2005. Since 1996, Mr. Wood has also served as general partner of various funds associated with Silverton Partners, a venture capital firm. From 1984 to 2003, Mr. Wood was a general partner, and for certain funds created since 1996, a special limited partner, of various funds associated with Austin Ventures, a venture capital firm. Mr. Wood holds a B.A. in History from Brown University and an M.B.A. from Harvard University. Mr. Wood's combination of independence and his experience, including past experience as an investor in numerous semiconductor and technology companies, qualifies him to serve as a member of our Board of Directors.

#### Other Directors

Set forth below is information concerning our other directors whose term of office continues after this Annual Meeting.

#### Continuing Class II Directors with a Term Expiring in 2015

Harvey B. Cash, 75 has served as a director of Silicon Laboratories since June 1997. Mr. Cash has served as general partner of InterWest Partners, a venture capital firm, since 1986. Mr. Cash currently serves on the Board of Directors of the following public companies: Ciena Corporation, a designer and manufacturer of dense wavelength division multiplexing systems for fiber optic networks; Argo Group International Holdings, Ltd., a specialty insurance company; and First Acceptance Corp, a provider of low-cost auto insurance. Mr. Cash holds a B.S. in Electrical Engineering from Texas A&M University and an M.B.A. from Western Michigan University. Mr. Cash's independence and experience as a director of various public companies, as well as his prior operational experience as an executive, qualifies him to serve as a member of our Board of Directors.

G. Tyson Tuttle, 46 has served as a director and our Chief Executive Officer since April 2012. Mr. Tuttle served as our Chief Executive Officer and President from April 2012 to May 2013. Mr. Tuttle served as our Chief Operating Officer and Senior Vice President from May 2011 to April 2012. From January 2010 to May 2011, Mr. Tuttle served as our Chief Technical Officer. From May 2005 to December 2009, he was our Vice President and General Manager of Broadcast products including the audio and video product families. Mr. Tuttle joined Silicon Laboratories in 1997 as a senior design engineer. From 1999 to 2005, Mr. Tuttle served in a variety of product management, marketing and business leadership positions. Previously, Mr. Tuttle held senior design engineering positions at Crystal Semiconductor/Cirrus Logic and Broadcom Corporation where he focused on high-speed mixed-signal circuit design for hard disk drive read channel and Ethernet applications. Mr. Tuttle holds an M.S. in Electrical Engineering from UCLA and a B.S. in Electrical Engineering from Johns Hopkins University. Mr. Tuttle's intimate knowledge of our company and the industry and his service as our Chief Executive Officer qualify him to serve as a member of our Board of Directors.

David R. Welland, 58 co-founded Silicon Laboratories in August 1996, has served as a Vice President and director since our inception and was appointed Fellow in March 2004. From November 1991 until founding Silicon Laboratories, Mr. Welland held various positions at Crystal Semiconductor/Cirrus Logic, a designer and manufacturer of integrated circuits, including Senior Design Engineer. Mr. Welland holds a B.S. in Electrical Engineering from the Massachusetts Institute of Technology. Mr. Welland's years of experience as a semiconductor designer provide him with extensive insight into our operations and qualifies him to serve as a member of our Board of Directors.

Alf-Egil Bogen has served as a director of Silicon Laboratories since October 2013. Mr. Bogen is a 20-year semiconductor veteran and one of the inventors of the highly successful AVR microcontroller. He is currently the chief executive officer and a member of the Board of Directors of Novelda AS, a privately held semiconductor company based in Norway specializing in nanoscale wireless low-power technology for ultra-high-resolution impulse radar. Prior to Novelda, he was chief marketing officer of Energy Micro AS until it was acquired by Silicon Laboratories in July 2013. Mr. Bogen also held various management positions during his 17 years at Atmel Corporation, including managing director of the AVR business unit as well as vice president of corporate marketing and chief marketing officer. He began his career at Nordic VLSI in Norway. Mr. Bogen holds an M.S. in Electrical Engineering and Computer Science from Norwegian University of Science and Technology and a B.S. in Electrical and Computing Engineering from Trondheim University College. Mr. Bogen's combination of independence and his experience, including past experience in the semiconductor industry, qualifies him to serve as a member of our Board of Directors.

#### Continuing Class III Directors with a Term Expiring in 2016

William G. Bock has served as our President since June 2013. He served Silicon Laboratories as Interim Chief Financial Officer and Senior Vice President from February 2013 until June 2013. He served as Chief Financial Officer from November 2006 to July 2011 and Senior Vice President of Finance and Administration from July 2011 through December 2011. He joined Silicon Laboratories as a director in March 2000, and served as Chairman of the audit committee until November 2006 when he stepped down from the Board of Directors to assume the CFO role. Mr. Bock rejoined Silicon Laboratories' Board of Directors in July of 2011. From 2001 to 2006, Mr. Bock participated in the venture capital industry, principally as a partner with CenterPoint Ventures. Before his venture career, Mr. Bock held senior executive positions with three venture-backed companies, Dazel Corporation, Tivoli Systems and Convex Computer Corporation. Mr. Bock began his career with Texas Instruments. Mr. Bock has served on the Board of Directors of Convio, Inc., from January 2008 until its sale to Blackbaud Inc. in April 2012. Mr. Bock currently serves on the Board of Directors of Entropic Communications and as a member of the Audit Committee. Mr. Bock holds a B.S. in Computer Science from Iowa State University and an M.S. in Industrial Administration from Carnegie Mellon University. Mr. Bock's extensive financial and executive experience and his in-depth knowledge of Silicon Laboratories qualify him to serve as a member of our Board of Directors.

R. Ted Enloe has served as a director of Silicon Laboratories since April 2003. Mr. Enloe is currently the Managing General Partner of Balquita Partners, Ltd., a family investment firm. Mr. Enloe formerly served as Vice Chairman and member of the office of chief executive of Compaq Computer Corporation. He also served as President of Lomas Financial Corporation and Liberté Investors for more than 15 years. Mr. Enloe co-founded a number of other publicly held firms, including Capstead Mortgage Corp., Tyler Cabot Mortgage Securities Corp., and Seaman's Corp. Mr. Enloe currently serves on the Board of Directors of Leggett & Platt, Inc. and Live Nation, Inc. Mr. Enloe holds a B.S. in Engineering from Louisiana Polytechnic University and a J.D. from Southern Methodist University. Mr. Enloe's combination of independence, qualification as an audit committee financial expert and his experience, including past experience as an executive officer and current and past experience as a director of various public companies, qualifies him to serve as a member of our Board of Directors.

Jack R. Lazar has served as a director of Silicon Laboratories since April 2013. Mr. Lazar is currently the Chief Financial Officer of GoPro, a leading provider of wearable and mountable camera products. From January 2013 to January 2014, he was an independent business and financial consultant. Mr. Lazar previously served as Senior Vice President, Corporate Development and General Manager of Qualcomm Atheros from May 2011 to January 2013. From September 2003 until the acquisition of Atheros by Qualcomm in May 2011, Mr. Lazar

served as Chief Financial Officer and Secretary of Atheros Communications, Inc., a publicly traded provider of communications semiconductor solutions. Mr. Lazar also served Atheros as Vice President of Corporate Development from February 2008 and Senior Vice President of Corporate Development from November 2010 until the acquisition by Qualcomm. From May 2002 to September 2003, Mr. Lazar was an independent business and financial consultant. From August 1999 to May 2002, Mr. Lazar served in a variety of positions at NetRatings, Inc., a publicly traded Internet audience measurement and analysis company, most recently as Executive Vice President of Corporate Development, Chief Financial Officer and Secretary. Previously, Mr. Lazar held a variety of executive and management positions at Apptitude, Electronics for Imaging and Price Waterhouse. Mr. Lazar currently serves on the Board of Directors of TubeMogul, a private brand focused video marketing company. Mr. Lazar is a Certified Public Accountant and holds a B.S. in Commerce with an emphasis in Accounting from Santa Clara University. Mr. Lazar's combination of independence and his experience, including past experience as an executive officer, qualifies him to serve as a member of our Board of Directors.

## Board Leadership/Independence

The Board of Directors separates the role of Chairman of the Board from the role of Chief Executive Officer. The Board of Directors has also designated Mr. Wood as the Lead Director. The Lead Director's duties include presiding over executive sessions of the Company's independent directors and serving as principal liaison between the non-employee directors, the Chief Executive Officer and the Chairman of the Board on sensitive issues. The Board believes that the appointment of the Lead Director and the separation of the Chairman and CEO roles currently provides the most efficient and effective leadership model for the Company as it encourages free and open dialogue regarding competing views and provides for strong checks and balances. Specifically, the balance of powers among our Chief Executive Officer, Chairman of the Board and Lead Director facilitates the active participation of our independent directors and enables our Board of Directors to provide more effective oversight of management. The Board of Directors has determined that Messrs. Cash, Enloe, Lazar, Sooch, Walker and Wood are each independent as defined in the applicable Marketplace Rules of The NASDAQ Stock Market, Inc. Independent directors met in executive session without the Chief Executive Officer and other non-independent directors present on five occasions during fiscal 2013.

## Committees and Meetings

During fiscal 2013, our Board of Directors held seven meetings. Our Board of Directors has an Audit Committee, Compensation Committee, Equity Award Committee and a Nominating and Corporate Governance Committee. During fiscal 2013, each incumbent director attended or participated in substantially all of the aggregate of (i) the meetings of the Board of Directors and (ii) the meetings held by all committees of the Board of Directors on which such director served.

**Audit Committee.** The Audit Committee is responsible for matters relating to the selection of our independent registered public accounting firm, the scope of the annual audits, the fees to be paid to the independent registered public accounting firm, the performance of our independent registered public accounting firm, compliance with our accounting and financial policies, and management's procedures and policies relative to the adequacy of our internal accounting controls. The members of the Audit Committee are Messrs. Enloe, Walker, Wood, and Lazar. Mr. Enloe serves as Chairman of the Audit Committee. The Board of Directors has determined that Mr. Enloe and Mr. Lazar are each qualified as an audit committee financial expert pursuant to Item 407 of Regulation S-K and as a financially sophisticated audit committee member under Rule 5605(c)(2)(A) of the Marketplace Rules of The NASDAQ Stock Market, Inc. The Board of Directors has also determined that each of the members of the Audit Committee is independent as defined in the applicable Marketplace Rules of The NASDAQ Stock Market, Inc. and Rule 10A-3 under the Securities Exchange Act of 1934. The Board of Directors has adopted a written charter for the Audit Committee, a current copy of which is located on our internet website under the "Investor Relations" page. Our internet website address is <http://www.silabs.com>. See Appendix II for a copy of the Audit Committee charter. The Audit Committee reviews and assesses the adequacy of its charter on an annual basis. The Audit Committee held six meetings during fiscal 2013.

Compensation Committee. The Compensation Committee reviews and makes recommendations to the Board of Directors regarding our compensation policies and all forms of compensation to be provided to our executive officers and other employees. In addition, the Compensation Committee has authority to administer our stock incentive and stock purchase plans. The members of the Compensation Committee are Messrs. Cash, Walker, and Wood and the Board of Directors has determined that each of the members of the Compensation Committee is independent as defined in the applicable Marketplace Rules of The NASDAQ Stock Market, Inc. Mr. Walker serves as Chairman of the Compensation Committee. The Board of Directors has adopted a written charter for the Compensation Committee, a current copy of which is located on our internet website under the “Investor Relations” page. Our internet website address is <http://www.silabs.com>. The Compensation Committee held nine meetings during fiscal 2013.

Nominating and Corporate Governance Committee. The Nominating and Corporate Governance Committee focuses on issues related to the composition, practices and operations of the Board of Directors. In addition, the Nominating and Corporate Governance Committee has the authority to consider candidates for the Board of Directors recommended by stockholders and to determine the procedures with respect to such stockholder recommendations. The members of the Nominating and Corporate Governance Committee are Messrs. Cash, Enloe, and Walker and the Board of Directors has determined that each member is independent as defined in the applicable Marketplace Rules of The NASDAQ Stock Market, Inc. Mr. Enloe serves as Chairman of the Nominating and Corporate Governance Committee. The Board of Directors has adopted a written charter for the Nominating and Corporate Governance Committee, a current copy of which is available on our internet website under the “Investor Relations” page. The Nominating and Corporate Governance Committee recommended, and the Board of Directors approved, the Corporate Governance Policy, which is also located on our internet website under the “Investor Relations” page. Our internet website address is <http://www.silabs.com>. The Nominating and Corporate Governance Committee held three meetings during fiscal 2013.

#### Director Nomination

In evaluating potential director candidates, the Nominating and Corporate Governance Committee considers the appropriate balance of experience, skills and characteristics required of the Board of Directors and seeks to ensure that at least a majority of the directors are independent under the applicable Marketplace Rules of The NASDAQ Stock Market, Inc. The Nominating and Corporate Governance Committee selects director nominees based on their personal and professional integrity, depth and breadth of experience, ability to make independent analytical inquiries, understanding of our business, willingness to devote adequate attention and time to duties of the Board of Directors and such other criteria as is deemed relevant by the Nominating and Corporate Governance Committee. The Company’s Corporate Governance Policy (approved by the Board of Directors) provides that the backgrounds and qualifications of the directors, considered as a group, should provide a diverse mix of experience, knowledge and skills. The Company does not have any other formal policy with respect to the diversity of our directors. The Nominating and Corporate Governance Committee considers the effectiveness of this policy and the effectiveness of the Board of Directors generally in the course of nominating directors for election.

In identifying potential director candidates, the Nominating and Corporate Governance Committee relies on recommendations made by current directors and officers. In addition, the Nominating and Corporate Governance Committee may engage a third party search firm to identify and recommend potential candidates. Finally, the Nominating and Corporate Governance Committee will consider candidates recommended by stockholders.

Any stockholder wishing to recommend a director candidate for consideration by the Nominating and Corporate Governance Committee must provide written notice not later than November 6, 2014 to the Corporate Secretary at our principal executive offices located at 400 West Cesar Chavez, Austin, Texas 78701. Any such notice should clearly

indicate that it is a recommendation of a director candidate by a stockholder and must set forth (i) the name, age, business address and residence address of the recommended candidate, (ii) the principal occupation or employment of such recommended candidate, (iii) the class and number of shares of the corporation which are beneficially owned by such recommended candidate, (iv) a description of all understandings or arrangements between the stockholder and the recommended candidate and any other person or persons pursuant to which the recommendations are to be made by the stockholder and (v) any other information relating to such recommended candidate that is required to be disclosed in solicitations of proxies for the election of directors.

8

In addition, such notice must contain (i) a representation that the stockholder is a holder of record of stock of the corporation entitled to vote at such meeting, (ii) the name and address, as they appear on the corporation's books, of the stockholder proposing such nomination, (iii) the class and number of shares of the corporation that are beneficially owned by such stockholder, (iv) any material interest of the stockholder in such recommendation and (v) any other information that is required to be provided by the stockholder pursuant to Regulation 14A under the Securities Exchange Act of 1934, as amended, in such stockholder's capacity as proponent of a stockholder proposal. Assuming that a stockholder recommendation contains the information required above, the Nominating and Corporate Governance Committee will evaluate a candidate recommended by a stockholder by following substantially the same process, and applying substantially the same criteria, as for candidates identified through other sources.

#### Attendance at Annual Meetings

The Board of Directors encourages all directors to attend our annual meetings of stockholders if practicable. All of the directors in office at the time of the annual meeting of stockholders held on April 16, 2013 attended such meeting.

#### Stockholder Communications with the Board of Directors

The Board of Directors maintains a process for stockholders to communicate with the Board of Directors or with individual directors. Stockholders who wish to communicate with the Board of Directors or with individual directors should direct written correspondence to our Corporate Secretary at our principal executive offices located at 400 West Cesar Chavez, Austin, Texas 78701. Any such communication must contain (i) a representation that the stockholder is a holder of record of stock of the corporation, (ii) the name and address, as they appear on the corporation's books, of the stockholder sending such communication and (iii) the class and number of shares of the corporation that are beneficially owned by such stockholder. The Corporate Secretary will forward such communications to the Board of Directors or the specified individual director to whom the communication is directed unless such communication is deemed unduly hostile, threatening, illegal or similarly inappropriate, in which case the Corporate Secretary has the authority to discard the communication or to take appropriate legal action regarding such communication.

#### Code of Ethics

We have adopted a Code of Business Conduct and Ethics that applies to all officers, directors, employees and consultants. Our Code of Business Conduct and Ethics is located on our website under the "Investor Relations" page. Our website address is <http://www.silabs.com>.

#### Risk Management

Our Board of Directors oversees our management, which is responsible for the day-to-day issues of risk management. Such oversight is facilitated in large part by the Audit Committee, which receives reports from management, the internal audit team, and the Company's independent registered public accounting firm. In addition, members of management (including the Chief Executive Officer, Chief Financial Officer, and General Counsel) may also report directly to the Board of Directors on significant risk management issues.

#### Director Compensation and Indemnification Arrangements

Under the 2009 Stock Incentive Plan, on the date of each annual meeting of stockholders, the Board of Directors grants each continuing non-employee director an RSU award that shall vest on approximately the first anniversary of the date of grant at no cost covering a number of shares of the Company's common stock equal to \$150,000 (or



\$225,000 for the Chairperson of the Board) divided by the fair market value of the Company's common stock as of the date of grant; provided that any former employee of the Company must have served as a non-employee director for at least six months in order to receive such award. As Chairman of the Board, Mr. Sooch received a grant of 5,319 RSUs on the date of the 2013 annual meeting of stockholders. Messrs. Cash, Enloe, Lazar, Walker and Wood each received a grant of 3,546 RSUs on the date of the 2013 annual meeting of stockholders.

We pay our non-employee directors cash compensation consisting of (i) \$25,000 per person per year, (ii) an additional \$2,000 per regular meeting of the Board of Directors, (iii) an additional \$20,000 per year for the Chairman of the Audit Committee, (iv) an additional \$5,000 per year for each Audit Committee member (excluding the Chairman), (v) an additional \$20,000 per year for the Chairman of the Compensation Committee, (vi) an additional \$5,000 per year for the Chairman of the Nominating and Corporate Governance Committee, (vii) an additional \$10,000 per year for the Lead Director and (viii) an additional \$20,000 per year for the Chairman of the Board. Payments under the cash compensation plan are generally paid in equal quarterly installments on the last day of each fiscal quarter.

During fiscal 2013 directors were each paid the annual fee of \$25,000 and a per meeting fee of \$2,000 for each regular board meeting attended, pursuant to the cash compensation plan. Mr. Enloe was paid \$20,000 for his service as Chairman of the Audit Committee. Members of the Audit Committee were each paid \$5,000 for their services on such committee. Further, Mr. Enloe received \$5,000 for his service as Chairman of the Nominating and Corporate Governance Committee, Mr. Walker received \$20,000 for his service as Chairman of the Compensation Committee, Mr. Wood received \$10,000 for his service as Lead Director and Mr. Sooch received \$20,000 for his service as Chairman of the Board. Fees were pro-rated if the individual served less than the full year.

Our certificate of incorporation limits the personal liability of our directors for breaches by them of their fiduciary duties. Our bylaws require us to indemnify our directors to the fullest extent permitted by Delaware law. We have also entered into indemnification agreements with all of our directors and have purchased directors' and officers' liability insurance.

In addition to the above compensation, we also reimburse non-employee directors for all reasonable out-of-pocket expenses incurred for attending board and committee meetings.

The following table provides summary information on compensation earned by each non-employee member of our Board of Directors in fiscal 2013.

#### DIRECTOR COMPENSATION TABLE FOR FISCAL 2013

Name	Fees Earned or Paid	Stock	Total
	in Cash	Awards	
	(\$)	(\$)(1)	(\$)
William G. Bock	5,611	-	5,611
Alf-Egil Bogen	9,095	-	9,095
Harvey B. Cash	33,000	149,996	182,996
R. Ted Enloe III	60,000	149,996	209,996
Jack R. Lazar	29,401	149,996	179,397
Kristen M. Onken	7,500	-	7,500
Navdeep S. Sooch	55,000	224,994	279,994
Laurence G. Walker	60,000	149,996	209,996
William P. Wood	50,000	149,996	199,996

(1) Amounts shown do not reflect compensation actually received by the director, but represent the grant date fair value as determined pursuant to Financial Accounting Standards Board Accounting Standards Codification Topic 718, Stock Compensation ("ASC Topic 718"). The assumptions underlying the calculation are discussed under Note 13, Stock-Based Compensation, of the Company's Form 10-K for the fiscal year ended December 28, 2013.

Recommendation of the Board of Directors

Our Board of Directors unanimously recommends that the stockholders vote FOR the election of the Nominees for Class I Directors as listed above.

10

**PROPOSAL TWO: RATIFICATION OF APPOINTMENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

Our Audit Committee has appointed the firm of Ernst & Young LLP to serve as our independent registered public accounting firm for the fiscal year ending January 3, 2015. Ernst & Young LLP has audited our financial statements since our inception in 1996. A representative of Ernst & Young LLP is expected to be present at the Annual Meeting, and will have an opportunity to make a statement if he or she so desires and will be available to respond to appropriate questions.

The following table presents fees for professional services rendered by Ernst & Young LLP for fiscal 2013 and 2012:

	2013	2012
	(\$)	(\$)
Audit fees	1,237,500	1,121,000
Audit-related fees	5,400	4,000
Tax fees	55,000	-
All other fees	2,160	2,160
Total	1,300,060	1,127,160

**Audit Fees.** Audit fees relate to services rendered in connection with the audits of the annual consolidated financial statements and attestation of management's report on internal controls over financial reporting included in our Form 10-K, the quarterly reviews of financial statements included in our Form 10-Q filings, fees associated with SEC registration statements, assistance in responding to SEC comment letters, accounting consultations related to audit services and statutory audits required internationally.

**Audit-Related Fees.** Audit-related fees include services for assurance and other related services, such as consultations concerning financial accounting and reporting matters and due diligence related to mergers and acquisitions.

**Tax Fees.** Tax fees include services for tax compliance, research and technical tax advice.

**All Other Fees.** All other fees include the aggregate fees for products and services provided by Ernst & Young LLP that are not reported under "Audit Fees," "Audit-Related Fees" or "Tax Fees."

The Audit Committee is authorized by its charter to pre-approve all auditing and permitted non-audit services to be performed by our independent registered public accounting firm. The Audit Committee reviews and approves the independent registered public accounting firm's retention to perform attest services, including the associated fees. The Audit Committee also evaluates other known potential engagements of the independent registered public accounting firm, including the scope of the proposed work and the proposed fees, and approves or rejects each service, taking into account whether the services are permissible under applicable law and the possible impact of each non-audit service on the independent registered public accounting firm's independence from management. At subsequent meetings, the Committee will receive updates on the services actually provided by the independent registered public accounting firm, and management may present additional services for approval. The Committee has delegated to the Chairman of the Audit Committee the authority to evaluate and approve engagements on behalf of the Committee in the event that a need arises for pre-approval between Committee meetings. If the Chairman so approves any such engagements, he will report that approval to the full Audit Committee at its next meeting. During fiscal 2013, all such services were pre-approved in accordance with the procedures described above.

Our Audit Committee has reviewed the fees described above and believes that such fees are compatible with maintaining the independence of Ernst & Young LLP.

Stockholder ratification of the appointment of Ernst & Young LLP as our independent registered public accounting firm is not required by our bylaws or other applicable legal requirement. However, the appointment of Ernst & Young LLP is being submitted to the stockholders for ratification. If the stockholders fail to ratify the appointment, the Audit Committee will reconsider whether or not to retain the firm. Even if the appointment is ratified, the Audit Committee at its discretion may direct the appointment of a different independent registered public accounting firm at any time during the year if it determines that such a change would be appropriate.

#### Recommendation of the Board of Directors

Upon the recommendation of our Audit Committee, our Board of Directors unanimously recommends that the stockholders vote FOR the ratification of the appointment of Ernst & Young LLP to serve as our independent registered public accounting firm for the fiscal year ending January 3, 2015.

### PROPOSAL THREE: ADVISORY VOTE ON EXECUTIVE COMPENSATION

The Dodd-Frank Wall Street Reform and Consumer Protection Act, enacted in July 2010, enables our stockholders to vote to approve, on an advisory (non-binding) basis, the compensation of our Named Executive Officers as disclosed in this Proxy Statement in accordance with the rules of the Securities and Exchange Commission.

This vote is advisory, and, therefore, not binding on the Company, the Compensation Committee, or our Board of Directors. However, our Board of Directors and our Compensation Committee value the opinions of our stockholders and to the extent there is any significant vote against the compensation of the Named Executive Officers as disclosed in this Proxy Statement, we will consider our stockholders' concerns and the Compensation Committee will evaluate whether any actions are necessary to address those concerns.

As described in detail under the heading "Executive Compensation – Compensation Discussion and Analysis," our executive compensation program is designed to attract, motivate, and retain the Named Executive Officers, who are critical to our success. Under this program, the Named Executive Officers are rewarded for the achievement of strategic and operational objectives and the realization of increased stockholder value. Please read the Compensation Discussion and Analysis and the accompanying compensation tables beginning on page 45 of this Proxy Statement for additional information about our executive compensation program, including information about the compensation of the Named Executive Officers in 2013.

The Compensation Committee regularly reviews our executive compensation program to ensure that it achieves the desired goal of aligning our executive compensation structure with the interests of our stockholders and current market practices.

We are asking our stockholders to indicate their support for the compensation of the Named Executive Officers as described in this Proxy Statement. This proposal, commonly known as a "Say-on-Pay" proposal, gives our stockholders the opportunity to express their views on the compensation of the Named Executive Officers. Please note that this vote is not intended to address any specific item of compensation, but rather the overall compensation of the Named Executive Officers and the philosophy, policies and practices described in this Proxy Statement.

We will ask our stockholders to vote "FOR" the following resolution at the Annual Meeting:

"RESOLVED, that the compensation paid to the Company's Named Executive Officers as disclosed in this Proxy Statement is hereby approved."

Recommendation of the Board of Directors

Our Board of Directors unanimously recommends that the stockholders vote FOR approval of the above resolution.

## PROPOSAL FOUR: PROPOSAL TO APPROVE AMENDMENTS TO THE 2009 STOCK INCENTIVE PLAN

### Proposal

Our stockholders are being requested to approve amendments to the 2009 Stock Incentive Plan (the “2009 Plan”) to authorize three million, one hundred thousand (3,100,000) additional shares of common stock for issuance under the 2009 Plan, to comply with changes in applicable law, improve the Company’s corporate governance and to implement other best practices.

Our Board of Directors believes the continued ability to grant equity awards is a necessary and essential recruiting and retention tool for the Company to attract and retain the high-caliber employees, officers and directors critical to the Company’s success. In order to have an appropriate supply of shares available for equity awards under the 2009 Plan to recruit, hire, and retain the talent necessary to achieve strong performance in the future, our Board of Directors believes the Company will need to reserve under the 2009 Plan the additional shares for which stockholder approval is being sought.

The 2009 Plan is the Company’s only active employee equity plan (other than its Employee Stock Purchase Plan), and as of February 19, 2014, we had approximately 940,631 shares remaining for issuance under the 2009 Plan.

As of February 19, 2014, there were 897,869 options outstanding in aggregate under the 2009 Plan with a weighted average exercise price of \$34.14 and a weighted average remaining term of 1.99 years, and 2,121,192 full value awards that were unvested and outstanding. Shares under the Company’s 2009 Employee Stock Purchase Plan have been excluded from the above share totals.

### Material Changes to the 2009 Plan

The following summary highlights the proposed material changes to the 2009 Plan.

The number of shares reserved for issuance pursuant to awards granted under 2009 Plan has been increased by three million, one hundred thousand (3,100,000) additional shares to nine million, nine hundred thousand (9,900,000) shares.

For share counting reasons, the aggregate share reserve under the 2009 Plan set forth in the preceding bullet has been divided into two separate share pools- the Prior Pool and the New Pool (as further described below under “Shares Reserved for Issuance under 2009 Plan”), and the number of shares available for grant under each of the share pools will be counted separately. Awards granted under the 2009 Plan will reduce the share pool under which the Award was granted by a specified number of shares depending on the type of award that is granted, as further described below under “Shares Reserved for Issuance under 2009 Plan.”

The share counting provision in the 2009 Plan has been amended to clarify that certain shares will be counted against the maximum number of shares reserved for issuance and will not be returned to the 2009 Plan for future awards.

The automatic expiration date of the 2009 Plan has been eliminated.

The definition of change in control has been clarified to exclude certain types of transactions.



A “clawback” provision has been added permitting the Company to recover from participants awards or payments made under the 2009 Plan as may be required under the Dodd-Frank Act or pursuant to such other policy as may be imposed by the Company.

## Key Terms of the Plan at a Glance

The following is a summary of the key provisions of the 2009 Plan, as set forth and stated herein.

**Plan Term:** The 2009 Plan, as amended, will become effective on the date the stockholders approve the 2009 Plan and will continue in effect until terminated by the Board of Directors.

**Eligible Participants:** Employees, non-employee directors, and consultants of the Company and subsidiary or affiliate generally are eligible to receive each type of award offered under the 2009 Plan.

Only employees of the Company or a subsidiary are eligible to receive “incentive stock options,” within the meaning of Section 422 of the Internal Revenue Code of 1986, as amended (ISOs), under the 2009 Plan.

**Shares Available for Awards:** 9,900,000 shares of common stock over the term of the 2009 Plan, subject to adjustment in the event of certain changes in the capitalization of the Company, shall be comprised of the following two pools of shares:

(1) 6,800,000 shares in the Prior Pool – the number of shares that were reserved for issuance prior to the proposed amendments, of which 940,631 shares remained available as of February 19, 2014, and

(2) 3,100,000 shares in the New Pool – the number of shares by which the share pool is proposed to be increased in connection with the proposed amendments to the 2009 Plan.

Please see the discussion under “Shares Reserved for Issuance under 2009 Plan” on the counting of the shares reserved for issuance under each of the share pools. If the amendments are approved by our stockholders, approximately 4,040,631 shares of common stock would be available for the grant of new awards under the 2009 Plan as of February 19, 2014.

940,631 of the available shares (which represent the number of shares remaining available for new awards under the Prior Pool) for the grant of new awards will be reduced by 1.55 shares for each share subject to the any full value award granted under the Prior Pool and by 1 share for each share subject to any option or SAR granted under the Prior Pool, and

3,100,000 of the available shares (which represent the number of shares reserved for grants under the New Pool) for the grant of new awards will be reduced by one (1) share for each share subject to the full value each type of award granted under the New Pool.

**Award Types** (1) Options

- (2) Restricted stock
- (3) Restricted stock units
- (4) Stock appreciation rights
- (5) Performance-based awards
- (6) Other share-based awards

Award Terms (Exercisability Period):	<p>Options and Stock Appreciation Rights (SARs) have a term of no longer than 10 years.</p> <p>ISOs granted to ten percent owners will have a term of no longer than five years.</p> <p>All other awards have the terms set forth in the applicable award agreement and in the 2009 Plan.</p>
ISO Limits:	<p>No more than the maximum number of shares reserved for issuance may be issued upon the exercise of ISOs granted under the 2009 Plan.</p>
162(m) Share Limits:	<p>Section 162(m) of the Code requires, among other things, that the maximum number of shares awarded to an individual during a specified period must be approved by the stockholders in order for the awards granted under the plan to be eligible for treatment as performance-based compensation that will not be subject to the \$1 million limitation on tax deductibility for compensation paid to certain specified senior executives.</p> <p>Accordingly, the 2009 Plan limits awards granted to an individual participant in any fiscal year to:</p> <ol style="list-style-type: none"><li>(1) No more than 1,000,000 shares subject to any award;</li><li>(2) No more than \$30,000,000 payable in cash with respect to any award.</li></ol>
Vesting:	<p>Determined by the Compensation Committee within limits set forth in the 2009 Plan.</p>
Not Permitted:	<ol style="list-style-type: none"><li>(1) Repricing or reducing the exercise price of a share option or SAR below the per share exercise price as of the date of grant without stockholder approval.</li><li>(2) Canceling, surrendering or substituting any outstanding option or SAR in exchange for (i) the grant of a new award option or SAR with a lower exercise price, or (ii) other awards or a cash payment at a time when the exercise price of the option or SAR is greater than the fair market value of the shares.</li><li>(3) Adding shares back to the number of shares available for issuance when (i) shares covered by an award are tendered or withheld in payment of the purchase price or tax withholding for the exercise or settlement of an award, (ii) shares are not issued or delivered as a result of net settlement of an outstanding award, and (iii) shares are repurchased on the open market with the proceeds of the exercise of an option.</li></ol>

#### Summary of the 2009 Plan

The following summary of certain material features of the 2009 Plan is qualified in its entirety by reference to the 2009 Plan, which is attached to this proxy statement as Appendix III.



#### Purpose of 2009 Plan

The purposes of the 2009 Plan are to attract and retain the best available personnel, to provide additional incentives to our employees, non-employee directors and consultants, and to promote the success of our business by linking the personal interests of the employees, non-employee directors and consultants to those of our stockholders by providing such individuals with an incentive for outstanding performance to generate superior returns to our stockholders.

#### Shares Reserved for Issuance under 2009 Plan

Share Pools. As proposed, the total number of shares of our common stock that will be authorized and available for issuance pursuant to awards granted under the 2009 Plan if the amendments are approved by our stockholders, is 9,900,000 shares, subject to adjustment in the event of specified capitalization events of the Company. The share reserve consists of (1) 6,800,000 shares, Awards granted with respect to shares that the number of shares that were reserved for issuance prior to the proposed amendments, of which 940,631 shares remained available as of February 19, 2014 (the "Prior Pool") and (2) 3,100,000 shares, the number of shares by which the aggregate share reserve is proposed to be increased in connection with the proposed amendments to the 2009 Plan (the "New Pool").

Share Pool Counting. The number of shares available for grant pursuant to the 2009 Plan under each of the share pools is counted separately. In order to track the separate share pool reserves, we are adopting granting and documentation practices that will identify the share pool under which the Award was granted and implementing administrative counting procedures that will allow the Company to maintain a record of the number of shares reserved under each of the share pools.

Prior Plan Share Counting. Awards granted with respect to shares reserved under the Prior Pool will reduce the total share pool as follow: (1) Options and SARs will reduce the share pool by one share for every share subject to the award, and (2) "Full value" awards will reduce the share pool by 1.55 shares for every share subject to the award. (A full value award is an award other than an award for which the participant is required to pay (or the value of the amount payable under the award is reduced by) an amount equal to or exceeding the fair market value of the underlying shares determined on the date of grant, such as a restricted stock award or restricted stock unit.)

New Pool Share Counting. Each type of award that is granted with respect to shares reserved under the New Pool will reduce the share pool by one (1) share for every share subject to the award.

Shares Reissuable Under 2009 Plan. To the extent that an award granted under the 2009 Plan terminates, expires, lapses for any reason, or is settled in cash, any shares subject to the award will again be available for the grant of an award pursuant to the 2009 Plan.

If the awards were granted with respect to shares reserved under the Prior Pool, any shares that become available for the grant of new awards, for the above reasons, will be added back to the Prior Pool as one (1) share if the shares subject to the original awards were options or stock appreciation rights, and as 1.55 shares if the shares were subject to the original awards were full value awards.

If the awards were granted with respect to shares reserved under the New Pool, any shares that become available for the grant of all types of new awards for the above reasons, will be added back to the New Pool as one (1) share.

Shares Not Reissuable Under 2009 Plan. The following shares will be deducted from the aggregate number of shares available for future awards: (i) shares tendered by a participant or withheld by the Company to satisfy the grant or

exercise pre or tax withholding obligation under an award; (ii) shares not issued or deliver as a result of the net settlement of an award and (iii) shares repurchased by the Company on the open market with the proceeds of the exercise price from options.

17

#### Award Limits for Code Section 162(m) Awards

Under Section 162(m) of the Internal Revenue Code, no deduction is allowed in any taxable year of our company for compensation in excess of \$1,000,000 paid to our chief executive officer and the three other highest compensated executive officers of our company (other than the chief financial officer). An exception to this rule applies to compensation that is paid pursuant to a plan approved by stockholders and that specifies, among other items, the maximum number of shares with respect to which options and stock appreciation rights may be granted to eligible participants under the plan during a specified period, and such options are granted with an exercise or strike price equal to at least fair market value as of the date of grant, and in the case of full value awards, the plan specifies the maximum amount of compensation that may be paid to an employee during a specified period, and the payment of such award is subject to satisfaction of specified performance objectives. For additional information regarding performance-based awards intended to comply with Section 162(m) of the Internal Revenue Code and the applicable performance goals and criteria that may be established for such awards, please refer to the discussion under the heading “Performance-Based Awards to Covered Employees,” below.

In any calendar year, the maximum number of shares with respect to one or more awards that may be granted to any one participant during the year under the 2009 Plan is 1,000,000 shares, subject to adjustment in the event of specified capitalization events of our company, and the maximum amount that may be paid in cash during any calendar year with respect to any award is \$30 million. To the extent required by Section 162(m) of the Internal Revenue Code, if any award is canceled, the shares subject to the cancelled award will continue to count against the maximum number of shares with respect to which an award may be granted to a participant.

#### Awards

Under the 2009 Plan, the following awards may be granted: stock options (including “incentive stock options” within the meaning of Section 422 of the Internal Revenue Code), stock appreciation rights, and awards of performance shares, performance stock units, restricted stock units, performance-based awards, and other awards (collectively, all such grants are referred to as “awards”).

#### Eligibility

Incentive stock options may be granted only to our employees and to employees of any of our subsidiaries. Awards other than incentive stock options may be granted to our non-employee directors and to employees of, and consultants to, the Company and any of its affiliates. As of February 19, 2014, seven non-employee directors, and approximately 1,034 employees would be eligible to participate in the 2009 Plan.

#### Administration

The 2009 Plan provides that it will be administered by our Board of Directors, unless the Board of Directors elects to delegate administration responsibilities to a committee. (In this Proxy Statement, we will refer to the Board of Directors or the committee to which administration of the 2009 Plan has been delegated as the “Committee”). Unless otherwise determined by our Board of Directors, the 2009 Plan requires that any committee to which administration responsibilities are delegated must consist solely of two or more members of our Board of Directors each of whom is an “outside director,” within the meaning of Section 162(m) of the Code, a “non-employee director” satisfying the requirements of Section 16 of the Securities Exchange Act of 1934, as amended and an “independent director” under the NASDAQ rules (or other principal securities market on which our common stock is traded). The Committee has the sole authority to grant awards and sole and exclusive discretion to interpret and administer the 2009 Plan. The



Committee determines the eligible individuals who will receive grants and the precise terms of the grants (including accelerations or waivers of any restrictions, and the conditions under which such accelerated vesting or waivers occur, such as in connection with a participant's death, subject to certain limitations in the case of performance-based awards that are intended to qualify as qualified performance-based compensation under Section 162(m) of the Internal Revenue Code). The decisions of the Committee will be final and binding on all holders of awards. To the extent permitted by applicable law, our Board of Directors also may delegate to a committee of one or more members of our Board of Directors or one or more officers of our company the authority to grant or amend awards to participants other than employees who are subject to Section 16 of the Securities Exchange Act of 1934, as amended, employees subject to Section 162(m) of the Internal Revenue Code, or officers or directors of our company to whom authority to grant or amend awards has been delegated.

## Stock Options

The 2009 Plan authorizes the grant of incentive stock options, which are intended to satisfy the requirements of Section 422 of the Internal Revenue Code, and non-qualified stock options, which do not satisfy the requirements of Section 422 of the Code. The exercise price of stock options granted under the 2009 Plan may not be less than 100% (or higher in the case of certain incentive stock options) of the fair market value of a share of our common stock on the date of grant. While the shares are traded on an established stock exchange, “fair market value” means, as of any given date, the closing price of a share as quoted on the principal exchange on which the shares are listed for such date, or if no sale occurred on such date, the first trading date immediately prior to such date during which a sale occurred. As of February 19, 2014, the fair market value of a share of our common stock was \$48.13. However, for purposes other than for determining the exercise or grant price of an award, the Committee has the authority to use a different definition of fair market value. The Committee may not, absent the approval of the stockholders, reduce the exercise price of any outstanding options. Options granted under the 2009 Plan will vest at the rate specified by the Committee. No stock option will be exercisable more than ten years after the date it is granted. Generally, upon termination of employment (other than by reason of death or disability), a participant will have a period of three months in which to exercise any incentive stock options that were vested as of the date of employment termination and any unvested options will be forfeited. Upon a termination of a participant’s employment due to death or disability, incentive stock options will generally expire one year after the date employment terminates.

The Committee determines the methods by which the exercise price of options is paid, including the following: in cash, in shares, or in other property that is acceptable to the Committee. An option may also be exercised through a broker-dealer sale and remittance procedure pursuant to which the participant effects a same-day exercise of the option and sale of the purchased shares in order to cover the exercise price for the purchased shares and the applicable withholding taxes. In addition, the Committee may provide financial assistance to a participant who wishes to exercise his or her outstanding options, provided that the participant is not an executive officer or member of the Board, by allowing the participant to deliver an interest-bearing promissory note in the amount of the exercise price and any associated withholding taxes.

## Restricted Stock Awards

An award of restricted stock is a direct grant of common stock, subject to such restrictions on transferability and other restrictions as the Committee may impose (including, without limitation, limitations on the right to vote the underlying shares or the right to receive dividends with respect to the underlying shares). These restrictions may lapse separately or in combination at such times, pursuant to such circumstances, in such installments, or otherwise, as the Committee determines at the time of the grant of the award or thereafter. Generally, any shares subject to restrictions are forfeited upon termination of employment, though such restrictions may be waived in whole or part by the Committee. The price that participants will pay for each share of restricted stock will be set by the Committee and will be paid in a form approved by the Committee, which may be cash, services rendered or to be rendered to our company or an affiliate of our company, or in another form of payment.

## Stock Appreciation Rights

Stock appreciation rights or “SARs,” typically provide for payments to the holder based upon increases in the price of our shares from the date the SAR was granted to the date that the right is exercised. The Committee may elect to settle exercised SARs in cash, in shares, or in a combination of cash and shares. The grant price of a SAR may not be less than the fair market value of a share on the date of grant of the SAR. No SAR will be exercisable more than ten years after the date it is granted. Upon termination of a participant’s employment (other than by reason of death or

retirement), a SAR will generally be subject to the same conditions as apply to stock options.

## Other Awards

**Performance Share Awards.** Performance share awards are awards of shares that may be linked to any one or more of the performance criteria determined appropriate by the Committee, and that may be measured on a specified date or dates or over any period or periods determined by the Committee. If and when the performance shares vest (or such later date determined by the Committee and as set forth in the agreement evidencing the award), the participant will be issued one unrestricted, fully transferable share for each performance share that vests on such date and not previously forfeited.

**Performance Stock Unit.** Performance stock unit awards are awards denominated in unit equivalent of shares and/or units of value including dollar value of shares that may be linked to any one or more of the performance criteria determined appropriate by the Committee, and that may be measured on a specified date or dates or over any period or periods determined by the Committee. On the vesting date (or such later date determined by the Committee and set forth in the agreement evidencing the award), the participant will be issued one unrestricted, fully transferable share for each performance stock unit scheduled to be paid out on such date and not previously forfeited. Alternatively, settlement of a performance stock unit may be made in cash (in an amount reflecting the fair market value of the shares that would have been issued) or any combination of cash and shares, as determined by the Committee, in its sole discretion. The Committee may authorize dividend equivalents to be paid on outstanding performance stock units. Dividend equivalents are rights to receive the equivalent value, in cash or shares, or a combination of both cash and shares, of dividends paid on shares that are subject to an award. If dividend equivalents are authorized to be paid, they may be paid in either cash or shares or a combination of both cash and shares at the time dividends are declared on the shares or at the time the awards vest, in the discretion of the Committee.

**Restricted Stock Unit.** Restricted stock units are denominated in unit equivalent of shares and are typically awarded to participants without payment of consideration. They are subject to vesting conditions based upon a schedule or performance criteria established by the Committee. Unlike restricted stock, the stock underlying restricted stock units will not be issued until the restricted stock units have vested. In addition, recipients of restricted stock units generally have no voting or dividend rights until the vesting conditions are satisfied. Restricted stock units may be settled in shares, cash or a combination of both. On the vesting date (or such later date as determined by the Committee and set forth in the agreement evidencing the award), the participant will be issued one unrestricted, fully transferable share for each restricted stock unit scheduled to be paid out on such date and not previously forfeited. Alternatively, settlement of a restricted stock unit may be made in cash (in an amount reflecting the fair market value of shares that would have been issued) or any combination of cash and shares, as determined by the Committee, in its sole discretion. The Committee may authorize dividend equivalents to be paid on outstanding restricted stock units. If dividend equivalents are authorized to be paid, they may be paid in cash or shares at the time dividends are declared on the shares or at the time the awards vest, in the discretion of the Committee.

**Other Awards.** The Committee is authorized under the 2009 Plan to make any other award that is not inconsistent with the provisions of the 2009 Plan and that by its terms involves or might involve the issuance of shares, or of a right vesting based on the passage of time, the occurrence of one or more events, or the satisfaction of performance criteria or other conditions, or the issuance of any other security with the value derived from the value of the shares.

**Termination of Employment.** An award of performance shares, performance stock units, restricted stock units or any other award may generally only be exercisable or payable while the participant is an employee, consultant or director, as applicable. However, the Committee may also provide that these awards may be exercised or paid subsequent to a termination of employment or service, as applicable, or following a change in control of our company, or because of the participant's retirement, death or disability.



### Performance-Based Awards to Covered Employees

Performance-based awards include awards other than options or SARs which comply with IRS requirements under Section 162(m) of the Internal Revenue Code for performance-based compensation. The Committee may designate employees as “covered employees” (our chief executive officer and our three other highest compensated executive officers other than our chief financial officer) whose compensation for a given fiscal year may be subject to the limit on deductible compensation imposed by Section 162(m) of the Code. The Committee may grant to such covered employees awards that are paid, vest or become exercisable upon the attainment of company performance goals which are related to one or more of the following performance criteria as applicable to us or any of our subsidiaries, divisions or operating units, or the performance of an individual, any of which performance criteria may be measured either in absolute terms or as compared to any incremental increase or as compared to results of a peer group or securities or stock market index: earnings or net earnings (either before or after interest, taxes, depreciation and amortization); economic value-added; sales or revenue; income; net income (either before or after taxes); operating earnings; cash flow (including, but not limited to, operating cash flow and free cash flow); cash flow return on capital; return on assets or net assets; return on stockholders’ equity; return on capital; stockholder returns; return on sales; gross or net profit margin; productivity; expense; margins; operating efficiency; customer satisfaction; working capital; earnings per share; price per share; market share; new products; customer penetration; technology and risk management.

At the time of grant, the Committee may specify one or more objectively determinable adjustments permitted under the 2009 Plan that may be made to one or more of the performance goals.

### Transferability of Awards

Except as otherwise provided by the Committee, no award may be assigned, transferred, or otherwise disposed of by a participant other than by will or the laws of descent and distribution or pursuant to beneficiary designation procedures approved from time to time by the Committee. The Committee by express provision in the award agreement may permit an award (other than an incentive stock option) to be transferred to certain persons or entities related to the participant, including, but not limited to, members of the participant’s family, charitable institutions, or trusts or other entities whose beneficiaries or beneficial owners are members of the participant’s family and/or charitable institutions, or to such other persons or entities as may be expressly approved by the Committee, pursuant to such conditions and procedures as the Committee may establish.

### Changes in Control

The 2009 Plan contains a change in control provision, which may result in the accelerated vesting of outstanding awards. Except as may otherwise be provided in an agreement evidencing an award, in the event of a change in control of our company, each award outstanding under the 2009 Plan will immediately vest, unless the award is converted, assumed or replaced by the successor corporation, and following the change in control, the awards shall immediately terminate. The Committee may also provide at any time that an award will automatically accelerate in connection with a change in control, regardless of whether it is assumed or not. In addition, where awards are assumed in connection with a change in control, the Committee may provide that they will automatically be accelerated upon an “involuntary termination” of the participant’s employment within a designated period not to exceed 18 months following the change in control.

A change in control is generally defined as:

the direct or indirect acquisition of more than 50% of the voting stock of our company;

if, during any period of two consecutive years, individuals who, at the beginning of such period, constitute our Board of Directors together with any new directors whose election was approved by a vote of at least a majority of the directors then still in office who either were directors at the beginning of the two-year period or whose election or nomination for election was previously so approved, cease for any reason to constitute a majority of such body;

the consummation of (i) a merger, consolidation, reorganization or business combination in which our company is a party, (ii) a sale or other disposition of all or substantially all of our assets, or (iii) the acquisition of assets or stock of another entity (other than a transaction which results in our outstanding voting securities immediately before the transaction continuing to represent a majority of the voting power of the acquiring company's outstanding voting securities and after which no person owns 50% or more of the voting stock of the successor entity); or

a liquidation or dissolution of our company.

A transaction will not constitute a change in control if its purpose is to change the place of incorporation or form of organization of the ultimate parent entity where the persons that beneficially own the combined voting power of the Company immediately prior to the transaction beneficially own the combined voting power of the Company in the same proportions of their ownership after the transaction.

#### Adjustments Upon Changes in Capitalization

In the event of any stock dividend, stock split, combination or exchange of shares, merger, consolidation, or other distribution (other than normal cash dividends) of assets to our stockholders or any other change in capitalization affecting our shares other than certain equity restructurings identified in the 2009 Plan, the Committee has discretion to make appropriate adjustments in the number and type of shares subject to the 2009 Plan, the terms and conditions of any award outstanding under the 2009 Plan, and the grant or exercise price of any such award. In the case of certain equity restructurings as specified in the 2009 Plan, the number and type of securities subject to each outstanding award and the grant or exercise price will be adjusted without any discretion on the part of the Committee.

#### Amendment and Termination of Plan

With the approval of our Board of Directors, at any time and from time to time, the Committee may terminate, amend or modify the 2009 Plan, except that the Committee may not, without prior stockholder approval, amend the 2009 Plan in any manner that would require stockholder approval to comply with any applicable laws, rules or regulations, including increasing the number of shares available under the 2009 Plan (other than any adjustment), or permitting the Committee to extend the exercise period for an option beyond ten years from the date of grant. Except as may be required in the event the Committee determines an award may be subject to Section 409A of the Internal Revenue Code or as may be required to be desirable to comply with applicable law, no termination, amendment or modification of the 2009 Plan may adversely affect in any material way any award granted under the 2009 Plan without the consent of the participant.

Furthermore, absent approval of our stockholders, no option or SAR may be amended to reduce the exercise price or grant price of the shares subject to such option or SAR and (except as permitted under Article 11 of the 2009 Plan dealing with certain capitalization adjustments and change in control), no option or SAR may be cancelled in exchange for an option or SAR having a higher per share exercise price, and no option or SAR may be cancelled in exchange for a cash payment or another award at a time when the option or SAR has a per share exercise price that is higher than the fair market value of the shares.

#### Clawback/Recovery

Awards are subject to recoupment under any "clawback" policy that the Company is required to adopt under stock exchange rules or as otherwise required by the Dodd-Frank Act or other applicable law. The Company may also impose other recoupment provisions as the Committee may determine are necessary or appropriate.



Plan Term

The 2009 Plan will continue in effect until terminated by our Board of Directors, but no incentive stock options may be granted under the 2009 Plan after the tenth anniversary of the date the amendments to the 2009 Plan were approved by our Board of Directors. Any awards that are outstanding at the time the 2009 Plan terminates will remain in force according to the terms of the 2009 Plan and the applicable agreement evidencing the award.

## Federal Income Tax Consequences

The following is a summary of the U.S. federal income tax consequences of transactions under the 2009 Plan based on current federal income tax laws. The 2009 Plan is not qualified under Section 401(a) of the Internal Revenue Code. The summary is general in nature and is not intended to cover all tax consequences that may apply to a particular employee, director or to our company. The provisions of the Internal Revenue Code and regulations thereunder relating to these matters are complicated, may change and their impact in any one case may depend upon the particular circumstances. Further, this summary does not discuss the tax consequences of a participant's death or the provisions of any income tax laws of any municipality, state or foreign country in which a participant may reside.

**Nonqualified Stock Options.** With respect to nonqualified stock options: (i) no income is recognized by the participant at the time the nonqualified stock option is granted; (ii) generally, at exercise, ordinary income is recognized by the participant in an amount equal to the difference between the option exercise price paid for the shares and the fair market value of the shares on the date of exercise and we are entitled to a tax deduction in the same amount (subject to the restrictions on deductibility described under "Section 162(m) Limitation" below); and (iii) upon disposition of the shares, any gain or loss is treated as capital gain or loss. If the options are exercised and the shares acquired are sold on the same date, generally, the difference between the option exercise price paid for the shares and the sale price is recognized as ordinary income and no capital gain or loss is reported. If required, income tax must be withheld from the participant on the income recognized by the participant upon exercise of a nonqualified stock option.

**Incentive Stock Options.** The grant of an incentive stock option under the 2009 Plan will not result in any federal income tax consequences to the participant or to our company. A participant recognizes no federal taxable income upon exercising an incentive stock option (subject to the alternative minimum tax rules discussed below), and we receive no deduction at the time of exercise. In the event of a disposition of common stock acquired upon exercise of an incentive stock option, the tax consequences depend upon how long the participant has held the shares of common stock. If the participant does not dispose of the shares within two years after the incentive stock option was granted, nor within one year after the incentive stock option was exercised, the participant will recognize a long-term capital gain (or loss) equal to the difference between the sale price of the shares and the exercise price. We are not entitled to any deduction under these circumstances.

If the participant fails to satisfy either of these holding periods, he or she must recognize ordinary income in the year of the disposition (referred to as a "disqualifying disposition"). The amount of such ordinary income generally is the lesser of (A) the difference between the amount realized on the disposition and the exercise price or (B) the difference between the fair market value of the common stock on the exercise date and the exercise price. Any gain in excess of the amount taxed as ordinary income will be treated as a long or short-term capital gain, depending on whether the common stock was held for more than one year. In the year of the disqualifying disposition, we are entitled to a deduction equal to the amount of ordinary income recognized by the participant, subject to possible limitations imposed by Section 162(m) of the Internal Revenue Code and so long as we withhold the appropriate taxes with respect to such income (if required) and the participant's total compensation is deemed reasonable in amount.

The "spread" under an incentive stock option — i.e., the difference between the fair market value of the shares at exercise and the exercise price — is classified as an item of adjustment in the year of exercise for purposes of the alternative minimum tax. If a participant's alternative minimum tax liability exceeds such participant's regular income tax liability, the participant will owe the larger amount of taxes. In order to avoid the application of alternative minimum tax with respect to incentive stock options, the participant must sell the shares within the same calendar year in which the incentive stock options are exercised. However, such a sale of shares within the same year of exercise will constitute a disqualifying disposition, as described above.

Stock Appreciation Rights. Upon exercise of a SAR, the participant will recognize ordinary income (treated as compensation) in an amount equal to the cash received, and if the SAR is paid in common stock, the fair market value of any shares as of the date of exercise. We generally will be entitled to a business expense deduction in the same amount and at the same time as the participant recognizes ordinary compensation income (subject to the limits of Section 162(m) of the Internal Revenue Code). If required, income tax must be withheld from the participant on the income recognized by the participant upon exercise of a SAR.

**Restricted Stock.** In the absence of a Section 83(b) election (as described below), a participant who receives restricted stock will recognize no income at the time of grant. When the restrictions expire, a participant will recognize ordinary income (treated as compensation) equal to the fair market value of the stock when the restrictions expire over the amount paid for the stock (if any). As the restrictions applicable to a grant of restricted stock expire (for example, if the restrictions on 20% of a grant expire on each anniversary of the grant date), the participant will include the applicable portion of the shares that vests as ordinary income (treated as compensation). The participant's basis in the common stock is equal to the amount included in income on the expiration of the restrictions and the amount paid (if any), and the holding period will begin when the restrictions end. Any disposition of the restricted stock will result in a long- or short-term capital gain or loss (depending on the time the common stock is held after the restrictions end). We generally will be entitled to a deduction equal to the fair market value of the common stock when it is included in the participant's income, and will also be entitled to a business expense deduction for dividends paid to the participant (if any) on common stock that remains subject to restrictions (in each case subject to the limits of Section 162(m) of the Internal Revenue Code).

If a Section 83(b) election is made within 30 days of the initial grant, the participant must recognize the fair market value of the restricted stock on the date of grant as ordinary income (treated as compensation) as of the date of grant, and the holding period would begin at the time the restricted stock is granted. We generally would be entitled to a corresponding business expense deduction for the grant, but dividends on the stock would not be deductible. Any subsequent disposition of the stock by the participant, other than by forfeiture, would result in capital gain or loss, which would be long- or short-term, depending on the holding period. Upon a subsequent forfeiture of restricted stock with respect to which a Section 83(b) election has been made, no deduction will be allowed in respect of the amount included as income at the time the Section 83(b) election was made; however, the participant will generally be allowed a loss deduction equal to the amount (if any) the participant paid for the restricted stock over the amount (if any) we paid the participant for the restricted stock at the time it is forfeited.

If required, income tax must be withheld from the participant on the income recognized by the participant at the time of vesting of the restricted stock (or grant of the restricted stock, in the event the participant makes a Section 83(b) election).

**Restricted Stock Units.** A participant will not recognize any income at the time a restricted stock unit is granted, nor will we be entitled to a deduction at that time. When payment on a restricted stock unit is made, the participant will recognize ordinary income in an amount equal to the fair market value of the common stock received (or if the restricted stock unit is settled in cash, the cash amount). If required, income tax must be withheld on the income recognized by the participant. We will receive a deduction for federal income tax purposes equal to the ordinary income recognized by the participant, subject to the limits of Section 162(m) of the Code.

**Performance Awards.** A participant will generally not recognize income at the time an award based on achievement of performance objectives is granted, nor will we be entitled to a deduction at that time. When payment on the performance award is made, the participant generally will recognize ordinary income in an amount equal to the fair market value of the common stock received (or if the award is settled in cash, the cash amount). If required, income tax must be withheld on the income recognized by the participant. We will receive a deduction for federal income tax purposes equal to the ordinary income recognized by the participant, subject to the limits of Section 162(m) of the Code.

**Dividend Equivalents.** A recipient of dividend equivalents generally will recognize ordinary income at the time the dividend equivalent is paid. If required, income tax must be withheld on the income recognized by the participant. We will receive a deduction for federal income tax purposes equal to the ordinary income recognized by the participant,

subject to the limits of Section 162(m) of the Code.

**Tax Withholding.** For any award, the Committee may elect to satisfy minimum tax withholding requirements by having a reduced number of shares actually transferred to the participant under the 2009 Plan.

24

**Section 162(m) Limitation.** In general, under Section 162(m) of the Internal Revenue Code, income tax deductions of publicly-held corporations may be limited to the extent total compensation (including base salary, annual bonus, stock option exercises and non-qualified benefits paid) for specified executive officers exceeds \$1 million (less the amount of any “excess parachute payments” as defined in Section 280G of the Internal Revenue Code) in any one year. However, under Section 162(m), the deduction limit does not apply to certain “performance-based compensation” as provided for by the Internal Revenue Code and established by an independent compensation committee which is adequately disclosed to, and approved by, stockholders. In particular, stock options and SARs will satisfy the “performance-based compensation” exception if the awards are made by a qualifying compensation committee, the underlying plan sets the maximum number of shares that can be granted to any person within a specified period and the compensation is based solely on an increase in the stock price after the grant date (i.e., the option exercise price is equal to or greater than the fair market value of the stock subject to the award on the grant date). Performance or incentive awards granted under the 2009 Plan may qualify as “qualified performance-based compensation” for purposes of Section 162(m) if such awards are granted or vest upon the pre-established objective performance goals described above.

We have attempted to structure the 2009 Plan in such a manner that the Committee can determine the terms and conditions of stock options, SARs and performance and incentive awards granted under the 2009 Plan such that remuneration attributable to such awards will not be subject to the \$1 million limitation. We have not, however, requested a ruling from the Internal Revenue Service or an opinion of counsel regarding this issue. This discussion will neither bind the Internal Revenue Service nor preclude the Internal Revenue Service from adopting a contrary position.

**Section 409A.** Section 409A of the Code provides certain requirements on non-qualified deferred compensation arrangements. These include requirements on an individual’s election to defer compensation and the individual’s selection of the timing and form of distribution of the deferred compensation. Section 409A also generally provides that distributions must be made on or following the occurrence of certain events (i.e., the individual’s separation from service, a predetermined date, or the individual’s death). Section 409A imposes restrictions on an individual’s ability to change his or her distribution timing or form after the compensation has been deferred. For certain individuals who are officers, Section 409A requires that such individual’s distribution commence no earlier than six months after such officer’s separation from service.

Certain awards under the 2009 Plan may be designed to be subject to the requirements of Section 409A in form and in operation. For example, restricted stock units that provide for a settlement date following the vesting date may be subject to Section 409A. If an award under the 2009 Plan is subject to and fails to satisfy the requirements of Section 409A, the recipient of that award may recognize ordinary income on the amounts deferred under the award, to the extent vested, which may be prior to when the compensation is actually or constructively received. Also, if an award that is subject to Section 409A fails to comply with the requirements of Section 409A, Section 409A imposes an additional 20% federal income tax on compensation recognized as ordinary income, as well as interest on such deferred compensation.

#### Future Plan Benefits

All awards to employees, officer, directors and consultants under the 2009 Plan are made at the discretion of the Committee. Therefore, the benefits and amounts that will be received or allocated under the 2009 Plan in the future are not determinable at this time.

## Past Grants under the 2009 Plan

As of February 19, 2014, awards covering 4,200,802 shares of the common stock had been granted under the 2009 Plan. The following table shows information regarding the grants of those awards among the persons and groups identified below.

	MSU Grants(1)	RSU Grants	Total
Named Executive Officers:			
G. Tyson Tuttle Chief Executive Officer and Director	109,794	338,615	448,409
William G. Bock President	25,000	110,877	135,877
John C. Hollister Chief Financial Officer and Senior Vice President	20,000	48,935	68,935
Kurt W. Hoff Senior Vice President of Worldwide Sales	18,125	61,615	79,740
Jonathan D. Ivester Senior Vice President of Strategic Operations	16,025	46,383	62,408
David P. Bresemann Senior Vice President and Chief Product Officer	18,625	43,603	62,228
Geir Førre Senior Vice President and General Manager, Microcontroller Products	--	64,074	64,074
Paul V. Walsh Jr. Former Chief Financial Officer and Senior Vice President	11,400	51,163	62,563
Current Executive Officers as a group	188,944	606,425	795,369
Non-Employee Director Group:			
Alf-Egil Bogen	--	--	--
Harvey B. Cash	--	18,988	18,988
R. Ted Enloe III	--	18,988	18,988
Jack R. Lazar	--	3,546	3,546
Navdeep S. Sooch	--	28,483	28,483
Laurence G. Walker	--	18,988	18,988
William P. Wood	--	18,988	18,988
Total for Non-Executive Director as a group	--	107,981	107,981
All current employees who are not executive officers, as a group	14,500	2,435,883	2,450,383

(1) Reflects the target number of performance shares granted.

26



#### Required Vote

Approval of this Proposal requires the affirmative vote of at least a majority of the shares of our common stock present in person or by proxy at the Annual Meeting and entitled to vote on this Proposal, provided a quorum is present.

#### Recommendation of the Board of Directors

Our Board of Directors unanimously recommends that stockholders vote FOR approval of the amendments to the 2009 Stock Incentive Plan.

27

## PROPOSAL FIVE: APPROVE MATERIAL TERMS OF THE AMENDED 2009 STOCK INCENTIVE PLAN

### Background and Purpose of the Proposal

Our Board of Directors, subject to the approval of our stockholders, adopted amendments to the 2009 Plan, which would primarily increase the number of shares that may be issued under the 2009 Plan by three million, one hundred thousand (3,100,000) shares. The proposed amended 2009 Plan is attached as Appendix III.

In addition to approving the amendments to the 2009 Plan as set forth in Proposal Four, to preserve the Company's ability to deduct for U.S. federal income tax purposes compensation that certain of our executive officers may recognize in connection with performance-based awards that may be granted in the future under the 2009 Plan, our stockholders are being asked to approve certain material terms of the 2009 Plan related to such awards. Under Section 162(m) of the Code, the material terms of the performance awards under which compensation may be paid must be disclosed to and approved by the Company's stockholders every five years. The material terms of the 2009 Plan was last approved by stockholders at the Company's 2009 Annual General Meeting.

Code Section 162(m) generally denies a corporate tax deduction for annual compensation exceeding \$1 million paid to the chief executive officer or to any of the three other most highly compensated officers of a publicly-held company other than the chief financial officer (our "covered employees"). Code Section 162(m), which applies to public companies, provides an exemption from this limit for "qualified performance-based compensation" payable under a plan satisfying certain requirements that has been approved by the public company's stockholders. The 2009 Plan allows the Company to pay incentive compensation that is qualified performance-based compensation and therefore tax deductible on the Company's U.S. federal income tax return.

The material terms of the performance awards under which compensation may be paid under the 2009 Plan include:

the eligibility requirements for participation in the 2009 Plan;

the performance criteria upon which performance goals may be based; and

the maximum amount of compensation that can be paid to any employee under the 2009 Plan.

Each of these items is discussed below, and stockholder approval of this proposal constitutes approval of each of these items for purposes of the Section 162(m) stockholder approval requirements. If this Proposal Five is not approved, certain awards granted to our covered employees in future years may not be deductible to the extent they exceed \$1,000,000. Therefore, we may be limited in our ability to grant awards that are both deductible and that meet our compensation objectives.

### Maximum Amounts of Compensation

In any calendar year, the maximum number of shares with respect to one or more awards that may be granted to any one participant during the year under the 2009 Plan is 1,000,000 shares, subject to adjustment in the event of specified capitalization events of the Company, and the maximum amount that may be paid in cash during any calendar year with respect to any award is \$30 million.

### Eligibility

Our employees, consultants, the employees and consultants of our subsidiaries, and our non-employee directors are eligible to receive awards under the 2009 Plan. Although Section 162(m) only limits the deductibility for compensation paid to a covered employee who is employed as of the end of the year, we may apply the performance goals described below to other senior officers in the event that any of them could be deemed to be a covered employee under the Section 162(m) regulations during the time they are paid the compensation related to the performance award.

## Performance Criteria and Performance Awards

The Committee may use any measures of performance described below it deems appropriate in establishing performance goals and may exercise its discretion, to the extent such discretion does not violate applicable law, to decrease the amounts payable under any award based on such conditions. If an eligible person is or may be a covered employee, and the Committee determines that the contemplated award should be designated as “performance-based compensation” under Section 162(m), then the grant and/or settlement of such award will be contingent upon achievement of one or more pre-established performance goals based on business criteria set forth below (a “performance award”).

Performance goals set by the Committee may relate to one or more of the following objective performance criteria that the Committee determines is appropriate:

Earnings or net earnings (either before or after interest, taxes, depreciation and amortization)

Economic value-added

Sales or revenue

Income

Net income (either before or after taxes)

Operating earnings

Cash flow (including, but not limited to, operating cash flow and free cash flow)

Cash flow return on capital

Return on assets or net assets

Return on stockholders' equity

Return on capital

Stockholder returns

Return on sales

Gross or net profit margin

Productivity

Expense

Margins

Operating efficiency

Customer satisfaction

Working capital

Earnings per share

Price per share

Market share

New products

Customer penetration

Technology and risk management

The Committee may grant to covered employees awards that are paid, vest or become exercisable upon the attainment of company performance goals which are related to one or more of the performance criteria set forth above as applicable to us or any of our subsidiaries, divisions or operating units, or the performance of an individual, any of which performance criteria may be measured either in absolute terms or as compared to results of a peer group or securities index. Performance goals may be based on attainment of such target levels of one or more of the performance criteria, over one or more periods of time, which may be of varying and overlapping durations, as determined by the Committee. In addition, at the time of grant, the Committee may specify one or more objectively determinable adjustments permitted under the 2009 Plan that may be made to one or more of the performance goals. For a detailed description of the remaining terms of the 2009 Plan, please see Proposal Four.

Our Board of Directors unanimously recommends that the stockholders vote FOR the approval of the material terms of the 2009 Stock Incentive Plan.

## PROPOSAL SIX: APPROVE AMENDMENTS TO THE 2009 EMPLOYEE STOCK PURCHASE PLAN

### Background

Our stockholders are being requested to approve amendments to the 2009 Employee Stock Purchase Plan (the “ESPP”) to authorize 450,000 additional shares of common stock for issuance under the ESPP, to comply with changes in applicable law, and to implement other best practices.

### Explanation

The ESPP encourages stock ownership by employees and aligns the interests of employees and stockholders. Our Board of Directors believes that the continued ability to offer this program is an important recruiting and retention tool for the Company to attract, motivate and retain the high-caliber employees and officers needed for our success.

The ESPP offers eligible employees the opportunity to acquire shares of our common stock through periodic payroll deductions that are applied toward the purchase of shares, at a discount from the current market price. The primary purpose of the ESPP is to provide employees with the opportunity to acquire an ownership stake in the Company.

As of April 15, 2014, we will have approximately .6 million shares remaining for purchase under the ESPP of the 1.25 million shares authorized by stockholders. The Board of Directors is seeking stockholder approval to increase the number of shares available under the ESPP at the 2014 Annual General Meeting. The increase of 450,000 shares should provide sufficient shares to meet expected sales under the ESPP over the next three years, depending on the Company’s share price and enrollment in the ESPPs.

### Material Changes to the 2009 Employee Stock Purchase Plan

The following summary highlights the proposed material changes to the ESPP.

The number of shares reserved for purchase under ESPP has been increased by 450,000 additional shares to 1,700,000 shares.

The definition of change in control has been clarified to exclude certain types of transactions.

### Summary of the 2009 Employee Stock Purchase Plan

The principal features of the ESPP are summarized below, but the summary is qualified in its entirety by reference to the full text of the ESPP. A copy of the ESPP is attached to this proxy statement as Appendix IV and is incorporated herein by reference.

### Purpose of 2009 Employee Stock Purchase Plan

The ESPP is intended to promote the interests of the Company by providing eligible employees with the opportunity to acquire a proprietary interest in the company through participation in an employee stock purchase plan.

The rights to purchase common stock granted under the ESPP are intended to be treated as either (i) purchase rights granted under an “employee stock purchase plan,” as that term is defined in Section 423(b) of the Internal Revenue Code (i.e., the 423(b) Plan), or (ii) purchase rights granted under an employee stock purchase plan that is not subject

to the terms and conditions of Section 423(b) of the Internal Revenue Code (i.e., the Non-423(b) Plan). The Company will retain the discretion to grant purchase rights under either the 423(b) Plan or the Non-423(b) Plan.



## Eligibility

Generally, any person who is employed by the Company or by a subsidiary of the Company that has been designated by the Board of Directors to participate in the ESPP is eligible to participate in the ESPP, provided that he or she is regularly expected to provide services for more than 20 hours per week and for more than five months per calendar year. For rights to purchase common stock granted under the Non-423(b) Plan, employees working less than these prescribed amounts may also be eligible to participate in the ESPP, to the extent that eligibility is required under applicable local law. As of February 19, 2014, 883 employees would be eligible to participate in the ESPP.

Notwithstanding the foregoing, no employee is eligible for the grant of any rights under the ESPP if, immediately after such grant, the employee would own stock possessing 5% or more of the total combined voting power or value of all classes of stock of the Company or of any subsidiary (including any stock which such employee may purchase under all outstanding rights and options), nor will any employee be granted purchase rights to buy more than \$25,000 worth of common stock (such limit to be determined based on the fair market value of the common stock on the date the purchase rights are granted) under all of our employee stock purchase plans in any calendar year such rights are outstanding.

## Stock Subject to Plan and Adjustments upon Changes in Stock

Upon approval by the stockholders of the amendments, an aggregate of 1,700,000 shares of common stock will be authorized and reserved for issuance under the ESPP.

Should any change be made to our common stock by reason of any stock split, stock dividend, recapitalization, combination of shares, exchange of shares or other change affecting the outstanding common stock as a class without our receipt of consideration, appropriate adjustments will be made to the maximum number and class of securities issuable under the ESPP and purchasable on any one purchase date (both per participant and in the aggregate) and to the number and class of securities and the price per share in effect under each outstanding purchase right in order to prevent the dilution or enlargement of benefits under the ESPP.

## Administration

The ESPP will be administered by a committee appointed by our Board of Directors and consisting of two or more members of the Board of Directors (which will be referred to in this summary as “plan administrator”). The plan administrator may delegate its authority to one or more officers of the company to the extent permitted by applicable law. The plan administrator so appointed will have authority to interpret the ESPP and, for purchase rights granted under the 423(b) Plan, to adopt such rules and regulations for administering the ESPP as it may deem necessary to comply with the requirements of Section 423 of the Internal Revenue Code. Under the Non-423(b) Plan, the plan administrator may also grant rights to purchase common stock that do not comply with the requirements set forth under Section 423 of the Internal Revenue Code, in which case, the grants will be designated as being under the Non-423(b) Plan at the time of grant.

## Offering Periods

The ESPP will be implemented by offering shares of common stock to eligible employees of the Company and its designated subsidiaries through a series of successive offering periods, each of a duration that will not exceed 27 months. Unless the plan administrator determines before the commencement of an offering that an offering period will have a different duration, each offering period will be 24 months. The plan administrator also has the authority to

establish additional or alternative sequential or overlapping offering period, a different duration for one or more offerings or offering periods or different commencement dates for such offering periods with respect to future offering periods without stockholder approval if such change is announced prior to the scheduled beginning of the first offering period that is affected. Generally, unless otherwise provided by the plan administrator, purchase intervals will run from the last business day in April each year to the last business day in October of the same year and from the last business day in October each year to the last business day in April of the following year. Unless otherwise determined by the plan administrator, each offering will be treated as a separate offering for purposes of tax rules.

### Payroll Deductions

Except as otherwise provided by the plan administrator, up to a maximum of 25% of a participant's base salary, including overtime payments and shift premiums, may be contributed by payroll deductions toward the purchase price of the shares during each purchase interval within an offering period, or if payroll deductions are not permitted under applicable local law, such other method of contribution as specified by the plan administrator under the Non-423(b) Plan. A participant may reduce his or her rate of contribution one time during a purchase interval, and may increase the rate of contribution three business days (or such other period as is determined by the plan administrator) prior to the start of any new purchase interval within an offering period, in each case by completing an amended enrollment form (either through the Company's online Plan enrollment process or in paper form). All payroll deductions collected from a participant are credited to his or her account under the ESPP and deposited with our general funds, unless otherwise required under applicable local law.

### Purchase Price

The purchase price per share at which shares of common stock are sold in an offering period under the ESPP cannot be less than 85% of the lower of (i) the fair market value of a share of common stock on the participant's entry date into that offering period, or (ii) the fair market value per share on the purchase date (i.e., the last business date of the purchase interval). While the shares are traded on an established stock exchange, "fair market value" means, as of any given date, the closing selling price of a share as quoted on the exchange determined by the plan administrator as the primary market for the shares, or if no sale occurred on such date, the first trading date immediately prior to such date during which a sale occurred. As of February 19, 2014, the fair market value of a share was \$48.13.

### Purchase of Stock

Each purchase right will be automatically exercised on the applicable purchase date within the offering period, and shares of common stock will be purchased on behalf of each participant by applying the participant's payroll deductions for the purchase interval ending on such purchase date to the purchase of whole shares at the purchase price in effect for that purchase date.

Except as otherwise provided by the plan administrator prior to the start of an offering period, the maximum number of shares purchasable per participant on any one purchase date will not exceed 400 shares, subject to periodic adjustments in the event of certain changes in our capitalization. The total shares purchased under the ESPP on any single purchase date shall not exceed 300,000 shares, except as otherwise provided by the plan administrator prior to the start of an offering period.

Any payroll deductions not applied to the purchase of shares of common stock on any purchase date because they are not sufficient to purchase a whole share may be held for the purchase of shares on the next purchase date or promptly refunded, while payroll deductions not applied to the purchase of shares by reason of the limitation on the maximum number of shares purchasable on the purchase date or for any reason other than as described in the foregoing sentence will be promptly refunded.

### Termination of Purchase Right

At any time three days prior to the next scheduled purchase date (or such other period as may be determined by the plan administrator), a participant may withdraw from participation in the ESPP by completing the appropriate form (either through the Company's online Plan enrollment process or in paper form) and by following any other procedures

for withdrawing from the Plan as may be established by the Company from time to time, and no further payroll deductions will be collected from the participant with respect to his or her terminated purchase right. The termination of the purchase right will be irrevocable for the respective offering period.

If the participant ceases to remain an eligible employee for any reason while his or her purchase right is outstanding, the participant's purchase right will immediately terminate and the participant's accumulated payroll deductions will be refunded. However, a participant on an approved unpaid leave of absence will have the right, until the date that is three business days prior to the end of the purchase interval in which such leave commenced (or such other period as may be established by the plan administrator), to either withdraw all the payroll deductions collected to date on his or her behalf for that purchase interval, or have such funds held for the purchase of shares of common stock on the next scheduled purchase date.

A participant's employment relationship will be treated as continuing intact upon a transfer between locations of the Company or a subsidiary or upon a transfer of employment from the Company or a subsidiary participating in the 423(b) Plan to another subsidiary participating in the 423(b) Plan. The Company may establish rules to govern the transfers of employment between the Company or a subsidiary participating in the 423(b) Plan to a subsidiary in the Non-423(b) Plan.

#### Transferability

Rights granted under the ESPP are not transferable by a participant other than by will or by the laws of descent and distribution.

#### Change of Control

Each outstanding purchase right will automatically be exercised, prior to the effective date of any change of control, by applying the payroll deductions of each participant for the purchase interval in which such change of control occurs to the purchase of whole shares of common stock at the purchase price per share established by the plan administrator for the applicable offering period.

A change of control is generally defined as:

the direct or indirect acquisition of more than 50% of the voting stock of our company;

if, during any period of two consecutive years, individuals who, at the beginning of such period, constitute our Board of Directors together with any new directors whose election was approved by a vote of at least a majority of the directors then still in office who either were directors at the beginning of the two-year period or whose election or nomination for election was previously so approved, cease for any reason to constitute a majority of such body;

the consummation of (i) a merger, consolidation, reorganization or business combination in which our company is a party, (ii) a sale or other disposition of all or substantially all of our assets, or (iii) the acquisition of assets or stock of another entity (other than a transaction which results in our outstanding voting securities immediately before the transaction continuing to represent a majority of the voting power of the acquiring company's outstanding voting securities and after which no person owns 50% or more of the voting stock of the successor entity); or

a liquidation or dissolution of our company.

A transaction will not constitute a change of control if its purpose is to change the place of incorporation or form of organization of the ultimate parent entity where the persons that beneficially own the combined voting power of the Company immediately prior to the transaction beneficially own the combined voting power of the Company in the same proportions of their ownership after the transaction.



Non-US Jurisdictions

The plan administrator may adopt rules, procedures or sub-plans relating to the operation and administration of the Non-423(b) component of the ESPP to accommodate the specific requirements of local laws