

SILICON LABORATORIES INC  
Form DEF 14A  
March 09, 2017  
Table of Contents

**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):

Table of Contents

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
  
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Table of Contents

# Notice of Annual Meeting and Proxy Statement

Annual Meeting of Stockholders

**Thursday, April 20, 2017**

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**Table of Contents**

**LETTER TO STOCKHOLDERS**

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 20, 2017, at 9:30 a.m. Central Time at the Lady Bird Johnson Wildflower Center, 4801 La Crosse Avenue, Austin, Texas 78739, for the purposes described in the Proxy Statement.

The 2017 Annual Meeting will focus on the items of business listed in the Notice of Annual Meeting of Stockholders and Proxy Statement that follows. We are sending this Proxy Statement to our stockholders on or about March 9, 2017. During the Annual Meeting we will also present a report on Silicon Labs' performance and operations during 2016.

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 9, 2017

**G. Tyson Tuttle**

*President, Chief Executive Officer and Director*

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**Table of Contents**

**SILICON LABORATORIES INC.**  
**NOTICE OF ANNUAL MEETING OF STOCKHOLDERS**

<b>Time</b>	9:30 a.m., Central Time on Thursday, April 20, 2017
<b>Place</b>	Lady Bird Johnson Wildflower Center  4801 La Crosse Avenue  Austin, Texas 78739
<b>Items of Business</b>	<ol style="list-style-type: none"><li>1. To elect three Class I directors to serve on the Board of Directors until our 2020 annual meeting of stockholders, or until a successor is duly elected and qualified;</li> <li>2. To ratify the appointment of Ernst &amp; Young LLP as our independent registered public accounting firm for the fiscal year ending December 30, 2017;</li> <li>3. To vote on an advisory (non-binding) resolution regarding executive compensation;</li> <li>4. To vote on an advisory (non-binding) resolution regarding the frequency of holding future advisory votes regarding executive compensation;</li> <li>5. To approve amendments to the 2009 Stock Incentive Plan;</li> <li>6. To re-approve certain material terms of the 2009 Stock Incentive Plan for purposes of Section 162(m) of the Internal Revenue Code;</li> <li>7. To approve amendments to the 2009 Employee Stock Purchase Plan; and</li></ol>

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8. To transact such other business as may properly come before the meeting or any adjournment or adjournments thereof.

### **Voting**

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 9, 2017, we mailed to our stockholders a notice containing instructions on how to vote and how to access our 2017 Proxy Statement and 2016 annual report. 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.

### **Who Can Vote**

Only stockholders of record at the close of business on February 24, 2017 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.

**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.**

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**Table of Contents**

**Table of Contents**

<b><u>Proxy Statement</u></b>	1
<b><u>Matters To Be Considered at Annual Meeting</u></b>	3
<b><u>Proposal One: Election of Directors</u></b>	3
<u>General</u>	3
<u>Other Directors</u>	5
<u>Board Leadership/Independence</u>	7
<u>Committees and Meetings</u>	7
<u>Director Nomination</u>	8
<u>Attendance at Annual Meetings</u>	9
<u>Stockholder Communications with the Board of Directors</u>	9
<u>Code of Ethics</u>	9
<u>Risk Management</u>	9
<u>Director Compensation and Indemnification Arrangements</u>	9
<u>Recommendation of the Board of Directors</u>	10
<b><u>Proposal Two: Ratification of Appointment of Independent Registered Public Accounting Firm</u></b>	11
<u>Recommendation of the Board of Directors</u>	12
<b><u>Proposal Three: Advisory Vote on Executive Compensation</u></b>	13
<u>Recommendation of the Board of Directors</u>	13
<b><u>Proposal Four: Advisory vote on the Frequency of the Advisory Vote on Executive Compensation</u></b>	14
<u>Recommendation of the Board of Directors</u>	14
<b><u>Proposal Five: Proposal to Approve Amendments to the 2009 Stock Incentive Plan</u></b>	15
<u>Material Changes to the 2009 Plan</u>	15
<u>Key Terms of the Plan at a Glance</u>	16
<u>Request for Additional Shares, Dilution and Overhang</u>	17
<u>Summary of the 2009 Plan</u>	18
<u>Purpose of 2009 Plan</u>	18
<u>Shares Reserved for Issuance under 2009 Plan</u>	18
<u>Award Limits for Code Section 162(m) Awards</u>	18
<u>Awards</u>	19
<u>Eligibility</u>	19
<u>Non-Employee Director Award Limit</u>	19
<u>Minimum Vesting Requirements</u>	19
<u>Administration</u>	19
<u>Stock Options</u>	20
<u>Restricted Stock Awards</u>	20
<u>Stock Appreciation Rights</u>	20
<u>Other Awards</u>	21
<u>Performance-Based Awards to Covered Employees</u>	22
<u>Transferability of Awards</u>	22
<u>Changes in Control</u>	22
<u>Adjustments Upon Changes in Capitalization</u>	23
<u>Amendment and Termination of Plan</u>	23
<u>Clawback/Recovery</u>	23
<u>Plan Term</u>	23
<u>Federal Income Tax Consequences</u>	24
<u>Future Plan Benefits</u>	26



Past Grants under the 2009 Plan  
Required Vote

27  
27

**Table of Contents**

<u>Recommendation of the Board of Directors</u>	27
<b><u>Proposal Six: To Re-approve Certain Material Terms of the 2009 Stock Incentive Plan for Purposes of Section 162(m)</u></b>	28
<u>Background and Purpose of the Proposal</u>	28
<u>Maximum Amounts of Compensation</u>	28
<u>Eligibility</u>	28
<u>Performance Criteria and Performance Awards</u>	29
<u>Recommendation of the Board of Directors</u>	30
<b><u>Proposal Seven: Approve Amendments to the 2009 Employee Stock Purchase Plan</u></b>	31
<u>Background</u>	31
<u>Explanation</u>	31
<u>Material Changes to the 2009 Employee Stock Purchase Plan</u>	31
<u>Summary of the 2009 Employee Stock Purchase Plan</u>	31
<u>Purpose of 2009 Employee Stock Purchase Plan</u>	31
<u>Eligibility</u>	32
<u>Stock Subject to Plan and Adjustments upon Changes in Stock</u>	32
<u>Administration</u>	32
<u>Offering Periods</u>	33
<u>Payroll Deductions</u>	33
<u>Purchase Price</u>	33
<u>Purchase of Stock</u>	33
<u>Termination of Purchase Right</u>	34
<u>Transferability</u>	34
<u>Change of Control</u>	34
<u>Non-US Jurisdictions</u>	35
<u>Amendment and Termination of Plan</u>	35
<u>Federal Income Tax Information</u>	35
<u>Future Plan Benefits</u>	36
<u>Past Grants under the 2009 Employee Stock Purchase Plan</u>	36
<u>Required Vote</u>	37
<u>Recommendation of the Board of Directors</u>	37
<b><u>Other Matters</u></b>	38
<b><u>Ownership of Securities</u></b>	39
<b><u>Certain Relationships and Related Transactions, and Director Independence</u></b>	40
<u>Certain Relationships and Related Transactions</u>	40
<u>Policies and Procedures with Respect to Related Party Transactions</u>	40
<u>Director Independence</u>	40
<b><u>Audit Committee Report</u></b>	41
<b><u>Executive Officers</u></b>	42
<b><u>Compensation Discussion and Analysis</u></b>	43
<u>2016 Business Results</u>	43
<u>2016 Business Highlights</u>	43
<u>Significant Executive Compensation Actions</u>	44
<u>Significant Corporate Governance Standards</u>	44
<u>Compensation Philosophy</u>	45
<u>Compensation-Setting Process</u>	45
<u>Compensation Elements</u>	47
<u>Post-Employment Compensation</u>	51
<u>Welfare, Retirement, and Other Benefits</u>	51

**Table of Contents**

<u>Income Tax and Accounting Considerations</u>	52
<u>Compensation Committee Report on Executive Compensation</u>	53
<u>Summary Compensation</u>	54
<u>Grants of Plan-Based Awards</u>	55
<u>Outstanding Equity Awards at Fiscal Year-End</u>	56
<u>Options Exercises and Stock Vested Table</u>	57
<u>Potential Payments Upon Termination or Change in Control</u>	57
<u>Compensation Committee Interlocks and Insider Participation</u>	58
<u>Equity Compensation Plan Information</u>	59
<b><u>No Incorporation by Reference of Certain Portions of this Proxy Statement</u></b>	60
<b><u>Section 16(a) Beneficial Ownership Reporting Compliance</u></b>	60
<b><u>Annual Report</u></b>	60
<b><u>Form 10-K</u></b>	60
<b><u>Appendix I: Reconciliation of GAAP to Non-GAAP Executive Compensation Financial Measures</u></b>	61
<b><u>Appendix II: 2009 Stock Incentive Plan</u></b>	62
<b><u>Appendix III: 2009 Employee Stock Purchase Plan</u></b>	82
<b><u>Appendix IV: Silicon Laboratories Inc. Audit Committee Center</u></b>	94

**Table of Contents**

**PROXY STATEMENT**

**SILICON LABORATORIES INC.**

**PROXY STATEMENT**

**Annual Meeting of Stockholders to be held on April 20, 2017**

**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 20, 2017 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. On or about March 9, 2017 we mailed to our stockholders a notice containing instructions on how to vote and how to access our 2017 Proxy Statement and 2016 annual report.

**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 24, 2017, the record date for determination of stockholders entitled to notice of and to vote at the Annual Meeting, 42,288,039 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 24, 2017. 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 affirmative vote of a majority of the votes cast (in person or represented by proxy at the Annual Meeting) with respect to each director's election is necessary for the election of such director. 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 Proposals Two, Three, Five, Six and Seven. For Proposal Four, the option of one year, two years or three years that receives the greatest number of votes at the Annual Meeting will be the frequency recommended by stockholders for the advisory vote on the compensation of our Named Executive Officers. 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 otherwise specify how the shares represented thereby are to be voted, the Proxy will be voted (i) FOR the election of the directors proposed by the Board of Directors, (ii) FOR the approval of the selection of Ernst & Young LLP as our independent registered public accounting firm, (iii) FOR the approval of resolution regarding executive compensation, (iv) FOR an advisory vote regarding executive compensation to be held EVERY YEAR, (v) FOR the amendments to the 2009 Stock Incentive Plan, (vi) FOR the approval of the material terms of the amended 2009 Stock Incentive Plan and (vii) FOR 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.



**Table of Contents**

**PROXY STATEMENT**

**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 2018 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 9, 2017. 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 9, 2017 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 2018 annual meeting of stockholders.

Table of Contents

**PROPOSAL ONE: ELECTION OF DIRECTORS**

**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, William P. Wood and Nina Richardson will expire at this Annual Meeting. Messrs. Sooch and Wood and Ms. Richardson have been nominated to continue as Class I Directors. The directors elected as Class I Directors at the Annual Meeting will each serve for a term of three years expiring at the 2020 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 2020*

**Navdeep S. Sooch, 54**

Mr. Sooch co-founded Silicon Labs in August 1996 and has served as Chairman of the Board since our inception. Mr. Sooch served as our Chief Executive Officer from our inception through the end of fiscal 2003 and served as interim Chief Executive Officer from April 2005 to September 2005. From March 1985 until founding Silicon Labs, 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.

**William P. Wood, 61**

Mr. Wood has served as a Director of Silicon Labs since March 1997 and as Lead Director since December 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.





**Table of Contents**

**PROPOSAL ONE: ELECTION OF DIRECTORS**

**Nina Richardson, 58**

Ms. Richardson has served as a Director of Silicon Labs since January 2016. Ms. Richardson is currently a Managing Director of Three Rivers Energy, an energy services company she co-founded in 2004. From February 2013 through February 2015, Ms. Richardson served as the Chief Operating Officer at GoPro. Previously, Ms. Richardson was an operations and management consultant for a diverse group of companies including Tesla Motors, Solaria and TouchTunes Interactive Networks. Ms. Richardson also held a variety of executive positions at Flextronics, including vice president of strategic accounts. Ms. Richardson's early career included positions at Hughes Aircraft Ground Systems Group and Metcal. Ms. Richardson served on the board of SGI, a global leader in high-performance solutions for computing, data analytics and data management until its acquisition by Hewlett-Packard. Ms. Richardson is also a board member for Zayo Group Holdings, a global provider of communications infrastructure services and Callidus Cloud, a SaaS provider of sales, marketing and learning tools. Ms. Richardson is also currently acting as a part-time interim COO at Eargo, a hearing instrument company. She holds a B.S. in Industrial Engineering from Purdue University and an Executive MBA from Pepperdine University. Ms. Richardson's combination of independence and her experience, including past experience as an executive officer, qualifies her to serve as a member of our Board of Directors.

**Table of Contents****PROPOSAL ONE: ELECTION 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 2018*****G. Tyson Tuttle, 49**

Mr. Tuttle has served as a Director and our Chief Executive Officer since April 2012. Upon Mr. Bock's retirement in February 2016, he also became President. 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 Labs 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 mass storage 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 has been granted over 70 patents covering many fundamental semiconductor inventions including key aspects of wireless communications. 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.

**Sumit Sadana, 48**

Mr. Sadana has served as a Director of Silicon Labs since April 2015. Mr. Sadana is currently the President of Sunrise Capital Management LLC, which is a technology, M&A and financial consulting/advisory firm. Prior to May 2016, Mr. Sadana served as Executive Vice President and Chief Strategy Officer of SanDisk, a provider of flash-based storage solutions, since September 2012 and also as its General Manager of Enterprise Solutions since April 2015. Mr. Sadana previously served as SanDisk's Senior Vice President and Chief Strategy Officer from April 2010 to September 2012. Mr. Sadana was President of Sunrise Capital Management LLC from October 2008 to March 2010. Mr. Sadana was also Senior Vice President Strategy and Business Development from December 2004 to September 2008, as well as Chief Technology Officer from January 2006 to May 2007 at Freescale Semiconductor, Inc., a provider of embedded processors. Mr. Sadana started his career at International Business Machines Corporation where he held several hardware design, software development, operations, strategic planning, business development and general management roles. Mr. Sadana has a B.Tech. in Electrical Engineering from the Indian Institute of Technology (IIT), Kharagpur and an M.S. in Electrical Engineering from Stanford University. Mr. Sadana's combination of independence and his experience, including experience in the semiconductor industry, qualifies him to serve as a member of our Board of Directors.

**Table of Contents****PROPOSAL ONE: ELECTION OF DIRECTORS*****Continuing Class III Directors with a Term Expiring in 2019*****William G. Bock, 66**

Mr. Bock served as our President from June 2013 until his retirement in February 2016. He served Silicon Labs 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 Labs 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 Chief Financial Officer role. Mr. Bock rejoined Silicon Labs 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 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 Labs qualify him to serve as a member of our Board of Directors.

**Jack R. Lazar, 51**

Mr. Lazar has served on our Board of Directors since April 2013. Since March 2016, Mr. Lazar has been an independent business consultant. From January 2014 to March 2016, Mr. Lazar served as the Chief Financial Officer at GoPro, Inc., a provider of wearable and mountable capture devices. From January 2013 to January 2014, he was an independent business consultant. From May 2011 to January 2013, Mr. Lazar was employed by Qualcomm and served as Senior Vice President, Corporate Development and General Manager of Qualcomm Atheros, Inc., a developer of communications semiconductor solutions. From September 2003 until it was acquired by Qualcomm in May 2011, Mr. Lazar served in various positions at Atheros Communications, Inc., a provider of communications semiconductor solutions, most recently as Senior Vice President of Corporate Development, Chief Financial Officer and Secretary. Mr. Lazar has served on the board of directors of Quantenna Communications, a wireless semiconductor company, since July 2016 and from October 2013 until its sale to Adobe in December 2016 he served on the board of directors of TubeMogul, Inc., an enterprise software company for digital branding. Mr. Lazar is a certified public accountant (inactive) 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.

**Neil Kim, 58**

Mr. Kim served as Broadcom's Executive Vice President of Operations and Central Engineering until early 2016 and was responsible for the company's global manufacturing including foundry operations, supply chain management and corporate procurement. Mr. Kim joined Broadcom in 2000 and held a variety of senior management positions including Senior Vice President and Vice President of Central Engineering, as well as Senior Vice President of Operations and Engineering. Prior to Broadcom, from 1993 to 2000 Mr. Kim held a variety of senior technical and management positions, including Vice President of Engineering, where he managed critical product development and technical transitions at Western Digital Corporation, a global provider of products and services for storage devices. Mr. Kim served on the board of the Global Semiconductor Association from 2009 to 2015. Mr. Kim is named as an inventor on 33 patents. He received a B.S. in Electrical Engineering from the University of California, Berkeley. Mr. Kim'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.

Table of Contents

**PROPOSAL ONE: ELECTION 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 Chief Executive Officer 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. Kim, Lazar, Sadana, Sooch and Wood and Ms. Richardson 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 four occasions during fiscal 2016.

## **Committees and Meetings**

During fiscal 2016, our Board of Directors held seven meetings. Our Board of Directors has an Audit Committee, Compensation Committee, Nominating and Corporate Governance Committee and a Mergers and Acquisitions Committee. During fiscal 2016, 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. Lazar, Kim and Sadana. Mr. Lazar serves as Chairman of the Audit Committee. The Board of Directors has determined that Mr. Lazar is 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 IV 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 five meetings during fiscal 2016.

**Compensation Committee.** The Compensation Committee reviews and approves all compensation to be provided to our executive officers and makes recommendations to the Board of Directors regarding our compensation of directors. In addition, the Compensation Committee has authority to administer our stock incentive and stock purchase plans. The members of the Compensation Committee are Messrs. Sadana and Wood and Ms. Richardson. Mr. Sadana serves as Chairman of the Compensation Committee. 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. 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 reviews and assesses the adequacy of its charter on an annual basis. The Compensation Committee held six meetings during fiscal 2016.

**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



**Table of Contents**

**PROPOSAL ONE: ELECTION OF DIRECTORS**

stockholders and to determine the procedures with respect to such stockholder recommendations. The members of the Nominating and Corporate Governance Committee are Messrs. Kim and Wood and Ms. Richardson. Mr. Wood serves as Chairman of the Nominating and Corporate Governance Committee. The Board of Directors has determined that each member is independent as defined in the applicable Marketplace Rules of the NASDAQ Stock Market, Inc. 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 five meetings during fiscal 2016.

**Mergers and Acquisitions Committee.** The Mergers and Acquisitions Committee reviews and makes recommendations to the Board of Directors regarding potential material acquisitions and divestitures. The members of the Mergers and Acquisitions Committee are Messrs. Bock, Lazar and Sadana. Mr. Bock serves as Chairman of the Mergers and Acquisitions Committee.

## **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 9, 2017 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.

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



**Table of Contents**

**PROPOSAL ONE: ELECTION OF DIRECTORS**

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 21, 2016 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 the 2016 annual meeting of stockholders, the Board of Directors granted each 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. Accordingly, as Chairman of the Board, Mr. Sooch received a grant of 5,007 RSUs and Messrs. Kim, Lazar, Sadana, Wood and Ms. Richardson each received a grant of 3,338 RSUs on the date of the 2016 annual meeting of stockholders.



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During 2016, we paid our non-employee directors cash compensation consisting of (i) \$33,000 per person per year, (ii) an additional \$20,000 per year for the Chairman of the Audit Committee, (iii) an additional \$5,000 per year for each Audit Committee member (excluding the Chairman), (iv) an additional \$20,000 per year for the Chairman of the Compensation

**Table of Contents****PROPOSAL ONE: ELECTION OF DIRECTORS**

Committee, (v) an additional \$5,000 per year for each Compensation Committee member (excluding the Chairman), (vi) an additional \$10,000 per year for the Chairman of the Nominating and Corporate Governance Committee, (vii) an additional \$2,500 per year for each Nominating and Corporate Governance Committee member (excluding the Chairman), (viii) an additional \$10,000 per year for the Lead Director (ix) an additional \$5,000 per year for each Mergers and Acquisitions Committee member and (x) 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.

Cash compensation was pro-rated if the individual served less than the full year in a position.

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 2016.

**Director Compensation Table for Fiscal 2016**

Name	Fees Earned or Paid in Cash (\$)	Stock	Total (\$)
		Awards (\$) <sup>(1)</sup>	
William G. Bock <sup>(2)</sup>	29,989		29,989
Neil Kim	26,412	150,010	176,422
Jack R. Lazar	52,176	150,010	202,186
Nina Richardson	37,496	150,010	187,506
Sumit Sadana	56,613	150,010	206,623
Navdeep S. Sooch	53,000	225,015	278,015
William P. Wood	60,789	150,010	210,799

(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 12, *Stock-Based Compensation*, of the Company's Form 10-K for the fiscal year ended December 31, 2016.

(2) Mr. Bock was not eligible to receive the 2016 annual non-employee director grant due to his employment by the Company within six months prior to the date of the 2016 annual meeting.

**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.**

Table of Contents

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

## 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 December 30, 2017. 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 2016 and 2015:

	2016	2015
	(\$)	(\$)
Audit fees	1,186,000	1,174,050
Audit-related fees	1,400	3,800
Tax fees	108,000	25,900
All other fees	2,160	2,160
Total	1,297,560	1,205,910

**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 2016, all such services were pre-approved in accordance with the procedures described above.

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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

**Table of Contents**

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

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 December 30, 2017.**

**Table of Contents**

**PROPOSAL THREE: ADVISORY VOTE ON EXECUTIVE COMPENSATION**

## 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 "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 42 of this Proxy Statement for additional information about our executive compensation program, including information about the compensation of the Named Executive Officers in 2016.

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.**

**Table of Contents**

**PROPOSAL FOUR: ADVISORY VOTE ON THE FREQUENCY OF THE ADVISORY VOTE ON EXECUTIVE COMPENSATION**

## Proposal Four: Advisory vote on the Frequency of the Advisory Vote on Executive Compensation

The Dodd-Frank Wall Street Reform and Consumer Protection Act also enables our stockholders to indicate how frequently we should seek an advisory vote on the compensation of the Named Executive Officers, as disclosed in accordance with the rules of the Securities and Exchange Commission, such as Proposal Three above. By voting on this Proposal Four, stockholders may indicate whether they would prefer that we conduct future advisory votes on Named Executive Officer compensation once every one, two, or three years.

Our Board of Directors has determined that an advisory vote on executive compensation that occurs every year is the most appropriate alternative for the Company. Our Board of Directors considered that an annual advisory vote on executive compensation will allow our stockholders to provide us with their direct input on our compensation philosophy, policies, and practices as disclosed in the proxy statement every year. Additionally, an annual advisory vote on executive compensation is consistent with our policy of seeking input from, and engaging in discussions with, our stockholders on corporate governance matters and our executive compensation philosophy, policies and practices. We understand that our stockholders may have different views as to what is the best approach for the Company, and we look forward to hearing from our stockholders on this Proposal.

You may cast your vote on your preferred voting frequency by choosing the option of one year, two years, three years or abstain from voting in response to the resolution set forth below.

RESOLVED, that the stockholders determine, on an advisory basis, whether the preferred frequency of an advisory vote on the executive compensation of the Company's named executive officers should be every year, every two years or every three years.

The option of one year, two years or three years that receives the highest number of votes cast will be the frequency selected by stockholders for the advisory vote on executive compensation. However, because this vote is advisory and not binding on the Company or our Board of Directors, our Board of Directors may decide that it is in the best interests of our stockholders and the Company to hold an advisory vote on executive compensation more or less frequently than the option approved by our stockholders.

### Recommendation of the Board of Directors

**Our Board of Directors unanimously recommends that the stockholders vote for the option of every ONE YEAR as the frequency with which stockholders are provided an advisory vote on executive compensation.**



**Table of Contents**

**PROPOSAL FIVE: PROPOSAL TO APPROVE AMENDMENTS TO THE 2009 STOCK INCENTIVE PLAN**

## Proposal Five: Proposal to Approve Amendments to the 2009 Stock Incentive Plan

Our stockholders are being requested to approve the amendment and restatement of the 2009 Stock Incentive Plan (the "2009 Plan") to (a) authorize 1,470,000 additional shares of common stock for issuance under the 2009 Plan, (b) establish a limit on the value of awards that may be granted to our non-employee directors in any calendar year, (c) extend the term of the 2009 Plan during which any awards may be granted until the tenth anniversary of the date of the Annual meeting, (d) comply with changes in applicable law, improve the Company's corporate governance and implement best practices and (e) make other administrative and conforming changes. If the amendment and restatement is not approved by stockholders at the 2017 Annual Meeting, no new shares will be added and awards will continue to be granted under the 2009 Stock Incentive Plan as approved by stockholders at the 2014 Annual Meeting.

Our Board of Directors ("Board") believes the continued ability to grant equity awards is an essential 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 believes the Company will need to reserve under the 2009 Plan the additional shares for which stockholder approval is being sought.

### Material Changes to the 2009 Plan

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

The cumulative number of shares reserved for issuance pursuant to awards has been increased by 1,470,000 shares to 11,370,000 shares.

The share counting provision has been revised so that all awards, whether options or full value awards, granted after the date of the Annual Meeting will reduce the number of shares remaining available for grant by one share. Similarly, each share subject to a forfeited award will be returned to the available share reserve as one share. The prior counting of each share subject to a full value award as 1.55 shares for purposes of that portion of the shares that remained available for grant prior to the 2014 amendment and restatement of the 2009 Plan will no longer apply.

A limit of \$750,000 in grant date fair value has been introduced for awards that may be granted in any calendar year to each non-employee director, reduced by cash compensation for services paid to the non-employee director for that calendar year.

A term of ten years from the date of the Annual Meeting during which new awards may be granted under the 2009 Plan.

Future awards are now generally subject to a one-year minimum vesting requirement and the performance period applicable performance-based awards may not be less than 12 months.

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The 2009 Plan now expressly prohibits payment of dividends or dividend equivalents on unvested awards.

A provision has been added allowing an option to be exercised through a net exercise arrangement.

The change in control provisions have been clarified to provide that performance-based awards may vest on an accelerated basis in connection with a change in control at a rate no higher than the greater of the actual amount earned or the target value that would be earned if 100% of the target level of performance had been attained for the entire performance period.

**Table of Contents**

**PROPOSAL FIVE: PROPOSAL TO APPROVE AMENDMENTS TO THE 2009 STOCK INCENTIVE PLAN**

**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.
Eligible Participants:	Employees, non-employee directors, and consultants of the Company and its subsidiaries and affiliates 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 (the Code ) (ISOs), under the 2009 Plan.
Shares Available for Awards:	11,370,000 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. Each share subject to an award (whether an option or full value award) granted after the amendment and restatement of the 2009 Plan on April 20, 2017, will reduce the number of shares remaining available for grant by one share.
Plan Term:	The 2009 Plan, as amended, will have a fixed term of ten years from the date of the Annual Meeting for the grant of new awards.
Award Types	(1) Options  (2) Restricted stock  (3) Restricted stock units  (4) Stock appreciation rights  (5) Performance-based awards

(4) Other share-based awards

Award Terms

Options and Stock Appreciation Rights (SARs) have a term of no longer than 10 years

(Exercisability Period):

ISOs granted to 10% owners will have a term of no longer than five years.

All other awards have the terms set forth in the applicable award agreement and in the 2009 Plan.

ISO Limits:

No more than the maximum number of shares reserved for issuance may be issued upon the exercise of ISOs granted under the 2009 Plan.

162(m) Share Limits:

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 2009 Plan to be eligible for treatment as performance-based compensation that will not be subject to the \$1,000,000 limitation on tax deductibility for compensation paid to certain specified senior executives. Accordingly, the 2009 Plan limits awards granted to an individual participant in any calendar year to:

(1) No more than 1,000,000 shares subject to any award;

(2) No more than \$30,000,000 payable in cash with respect to any award.

(See Proposal Six: To Re-approve Certain Material Terms of the 2009 Stock Incentive Plan for Purposes of Section 162(m)).

Non-Employee Director Award Limit:

The sum of the grant date fair value of all awards payable in our common stock and the maximum amount that may become payable pursuant to all cash-based awards that may be granted under the 2009 Plan to an independent director, together with other cash compensation for services as a director, during any calendar year will not exceed \$750,000.

**Table of Contents**

**PROPOSAL FIVE: PROPOSAL TO APPROVE AMENDMENTS TO THE 2009 STOCK INCENTIVE PLAN**

Vesting:	The 2009 Plan mandates a minimum one-year vesting period for all future awards granted (other than cash-settled awards or substitute awards), except with respect to 5% of the number of shares available for grant as of the effective date of the amendment and restatement of the plan or in the event of the participant's death or disability or in connection with a change in control.
Performance-based Awards:	Performance-based awards granted to certain specified senior executives under the 2009 Plan require achievement during a performance period of not less than 12 months of pre-established performance goals based on performance criteria selected by the Committee from among those authorized by the 2009 Plan.
Change in Control:	The 2009 Plan does not contain a liberal definition of change in control and therefore a merger or other change in control must actually be consummated.
Not Permitted:	(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.  (2) Canceling, surrendering or substituting any outstanding option or SAR in exchange for the grant of a new award with a lower exercise price or for a cash payment without stockholder approval.  (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.
Dividends/Dividend Equivalents:	The 2009 Plan prohibits payment of dividends or dividend equivalents on any award that is not vested or that does not become vested in accordance with its terms.

**Request for Additional Shares, Dilution and Overhang**

The 2009 Plan is the Company's only active employee equity plan (other than its Employee Stock Purchase Plan), and as of February 17, 2017, we had approximately 1,360,358 shares remaining for issuance under the 2009 Plan. As of February 17, 2017, there were 172,940 options outstanding under the 2009 Plan with a weighted average exercise price of \$40.39 and a weighted average remaining term of 8.98 years, and 1,942,803 full value awards (i.e., awards other than options or stock appreciation rights) that were unvested and outstanding, including zero earned and 259,469 unearned shares subject to performance-based awards.

In determining the number of additional shares of common stock to allocate to the 2009 Plan, management analyzed various factors, including potential dilution, industry plan cost standards, historical grant practices and anticipated equity compensation needs, as well as information and guidelines from proxy advisory firms.

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The potential dilution to current stockholders (or overhang) that could result from the future issuance of shares available under the 2009 Plan, in addition to shares subject to awards outstanding under the 2009 Plan, would be approximately 10.48%. This percentage is calculated on a fully-diluted basis, by dividing the total shares underlying outstanding equity awards 2,115,743 plus the shares available for future awards under the 2009 Plan, including the new shares requested 2,830,358 (together, the numerator) by the total shares of Company common stock outstanding as of February 17, 2017, 42,257,689, plus the number of shares in the numerator.

In reviewing our historical grant practices (including application of our prior share counting rules), we determined that we have issued approximately 7.96 million shares, net of cancellations, under the 2009 Plan between its inception and December 31, 2016, including approximately 2.86 million in the last three fiscal years. Excluding the effect of our prior share

**Table of Contents**

**PROPOSAL FIVE: PROPOSAL TO APPROVE AMENDMENTS TO THE 2009 STOCK INCENTIVE PLAN**

counting rules (whereby every share subject to full value award was counted as 1.55 shares, as described below), we have issued 5.77 million shares and 2.47 million shares, respectively, during the aforementioned periods.

Based on these factors, the new shares requested for use under the 2009 Plan are expected to meet the Company's equity grant needs for approximately four years. The shares reserved may, however, last for more or less than four years depending on currently unknown factors, such as the number of grant recipients, future grant practices, and the Company's share price.

## **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 II.

## **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 and by providing such individuals with an incentive for outstanding performance to generate superior returns to our stockholders.

## **Shares Reserved for Issuance under 2009 Plan**

As proposed, the total number of shares of our common stock that will have been cumulatively authorized and made available for issuance pursuant to awards granted under the 2009 Plan since its inception if the amendment and restatement is approved by our stockholders, is 11,370,000 shares, subject to adjustment in the event of specified capitalization events of the Company.

Effective as of the amendment and restatement of the 2009 Plan on April 20, 2017, all awards (whether options or full value awards) granted will reduce the remaining share pool by one share for every share subject to the award. Similarly, to the extent that an award granted under the 2009 Plan terminates, expires, lapses for any reason, or is settled in cash, each share subject to the award will again become available for the grant of an award for one share pursuant to the 2009 Plan. The Company's previous practice of counting as 1.55 shares each one share subject to a full value award granted from the pool of shares remaining available for grant prior to the 2014 amendment and restatement of the 2009 Plan will be discontinued.

The following shares will be deducted from the gross number of shares available for future awards: (i) shares tendered by a participant or withheld by the Company to satisfy the grant or exercise price or tax withholding obligation under an award and (ii) shares not issued or delivered as a result of the net settlement of an award. Shares repurchased by the Company on the open market with the proceeds of the exercise price from options will not be added to the number of shares available for future awards.

To the extent permitted by applicable law and/or applicable stock exchange rule, shares issued pursuant to substitute awards or from share pools assumed by the Company in connection with an acquisition will not be counted against shares available for grant under the 2009 Plan.

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

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To the extent awards are intended to qualify for the exception to Code Section 162(m) s \$1,000,000 limit on the deductibility of compensation paid to our chief executive officer and the three other highest compensated executive officers of our company (other than the chief financial officer), the maximum number of shares with respect to one or more awards that may be granted to any one participant during any calendar 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 \$30,000,000.



**Table of Contents**

**PROPOSAL FIVE: PROPOSAL TO APPROVE AMENDMENTS TO THE 2009 STOCK INCENTIVE PLAN**

## **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 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 17, 2017, seven non-employee directors, and approximately 1,280 employees would be eligible to participate in the 2009 Plan.

## **Non-Employee Director Award Limit**

The sum of the grant date fair value (determined as of the grant date in accordance with applicable financial accounting standards) of all awards payable in our common stock and the maximum amount that may become payable pursuant to all cash-based awards that may be granted under the 2009 Plan to an individual as compensation for services as an independent director, together with cash compensation for services as a director paid to the individual, during any calendar year may not exceed \$750,000.

## **Minimum Vesting Requirements**

Except with respect to 5% of the number of available shares under the 2009 Plan as of April 20, 2017, the 2009 Plan mandates a minimum one-year vesting period for all future awards, other than substitute awards, awards that may be settled only in cash or awards subject to adjustment in the case of a capitalization event or change in control. The Committee continues to have discretion to accelerate the vesting of awards, provided that such acceleration does not cause an award subject to a one-year minimum vesting period to vest prior to one year from grant, other than upon a change in control or upon a participant's death or disability.

## **Administration**

The 2009 Plan provides that it will be administered by our Board, unless the Board elects to delegate administration responsibilities to a committee. (In this Proxy Statement, we will refer to the Board or the committee to which administration of the 2009 Plan has been delegated as the Committee). Unless otherwise determined by our Board, the 2009 Plan requires that any committee to which administration responsibilities are delegated must consist solely of two or more members of our Board 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 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 also may delegate to a committee of one or more members of our Board 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 Code, or officers or directors of our company to whom authority to grant or amend

awards has been delegated.

**Table of Contents**

**PROPOSAL FIVE: PROPOSAL TO APPROVE AMENDMENTS TO THE 2009 STOCK INCENTIVE PLAN**

## **Stock Options**

The 2009 Plan authorizes the grant of incentive stock options, which are intended to satisfy the requirements of Section 422 of the 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 17, 2017, the fair market value of a share of our common stock was \$72.05. 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, subject to compliance with the minimum vesting requirements described above. No stock option will be exercisable more than 10 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. The Committee may also provide that an option may be exercised by a net exercise arrangement, under which the number of shares issuable upon exercise will be reduced by the largest whole number of shares having an aggregate fair market value that does not exceed the aggregate exercise price (plus withholding, if applicable).

## **Restricted Stock Awards**

An award of restricted stock is a direct grant or sale 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). 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, subject to compliance with the minimum vesting requirements described above. 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, if any, 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. No dividends will be paid on any restricted stock that has not vested, provided that the Committee may authorize the accrual of dividend equivalents on restricted stock payable upon vesting of the underlying shares.

## **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 10 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.

**Table of Contents**

**PROPOSAL FIVE: PROPOSAL TO APPROVE AMENDMENTS TO THE 2009 STOCK INCENTIVE PLAN**

## **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 (of not less than 12 months) 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 (or its value in cash) 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 accrued on outstanding performance stock units. Dividend equivalents are rights to accrue 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 accrued, they may be paid in either cash or shares or a combination of both cash and shares by such formula and at such time and subject to such limitations as determined by the Committee, provided that no dividend equivalents will be paid on any performance stock unit that is not vested or that does not become vested in accordance with its terms.

*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, subject to compliance with the minimum vesting requirements described above. 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 have no voting rights until the vesting conditions are satisfied and shares are issued. 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 accrued on outstanding restricted stock units. If dividend equivalents are authorized to be accrued, they may be paid in either cash or shares or a combination of both cash and shares by such formula and at such time and subject to such limitations as determined by the Committee, provided that no dividend equivalents will be paid on any restricted stock unit that is not vested or that does not become vested in accordance with its terms.

*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.



**Table of Contents**

**PROPOSAL FIVE: PROPOSAL TO APPROVE AMENDMENTS TO THE 2009 STOCK INCENTIVE PLAN**

## **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 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 only if the award is not converted, assumed or replaced by the successor corporation. In the case of performance-based awards, the extent of any such vesting acceleration in connection with a change in control may not exceed the greater of the amount that would be earned based on actual performance during the applicable performance period to the date of the change in control or based on the applicable target number or value that would be earned if 100% of the target level of performance had been attained for the entire performance period without regard to the change in control.

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 together with any new directors whose election was approved by a vote of at least a majority of the



**Table of Contents**

**PROPOSAL FIVE: PROPOSAL TO APPROVE AMENDMENTS TO THE 2009 STOCK INCENTIVE PLAN**

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 or the ultimate parent entity 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 will make adjustments it determines appropriate 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, 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 10 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 Code or as may be required or 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 cash or granted in connection with the cancellation, surrender or substitution of an option or SAR having a higher per share exercise price.

## **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 in view of applicable laws, governance requirements or best practices.

## **Plan Term**

The 2009 Plan will continue in effect until terminated by our Board, but no awards may be granted under the 2009 Plan after the 10th anniversary of the effective date of the amendment and restatement of the 2009 Plan upon approval by our

Table of Contents

**PROPOSAL FIVE: PROPOSAL TO APPROVE AMENDMENTS TO THE 2009 STOCK INCENTIVE PLAN**

stockholders at the Annual Meeting. 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 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 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 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.

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*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

**Table of Contents**

**PROPOSAL FIVE: PROPOSAL TO APPROVE AMENDMENTS TO THE 2009 STOCK INCENTIVE PLAN**

time as the participant recognizes ordinary compensation income (subject to the limits of Section 162(m) of the 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.

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 over the amount paid for the stock (if any) 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 tax withholding requirements by having a reduced number of shares actually transferred to the participant under the 2009 Plan.

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*Section 162(m) Limitation.* In general, under Section 162(m) of the 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 \$1,000,000 (less the amount of any excess

**Table of Contents**

**PROPOSAL FIVE: PROPOSAL TO APPROVE AMENDMENTS TO THE 2009 STOCK INCENTIVE PLAN**

parachute payments (as defined in Section 280G of the 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 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 \$1,000,000 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. (See Proposal Six: To Re-approve Certain Material Terms of the 2009 Stock Incentive Plan for Purposes of Section 162(m). )

*Section 409A.* Section 409A of the Code imposes 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.

**Table of Contents****PROPOSAL FIVE: PROPOSAL TO APPROVE AMENDMENTS TO THE 2009 STOCK INCENTIVE PLAN****Past Grants under the 2009 Plan<sup>(1)</sup>**

As of February 17, 2017, awards covering 7,518,584 shares of the common stock had been granted under the 2009 Plan. The following table shows information regarding the grants of those awards since the inception of the 2009 Plan among the persons and groups identified below.

Named Executive Officers:	PSU/ MSU Grants <sup>(2)</sup>	RSU Grants	Option Grants	Total
G. Tyson Tuttle				
<i>Chief Executive Officer, President and Director</i> John C. Hollister	263,405	458,002	100,000	821,407
<i>Chief Financial Officer and Senior Vice President</i> Brandon Tolany	65,067	99,552		164,619
<i>Senior Vice President of Worldwide Sales</i> Sandeep P. Kumar	10,580	56,222	72,940	139,742
<i>Senior Vice President of Worldwide Operations</i> William G. Bock	44,395	76,603		120,998
<i>Former President and Director</i>	40,889	128,879		169,768
Current Executive Officers as a Group	383,447	690,379	172,940	1,246,766
Current Non-Executive Directors as a Group	40,889	225,330		266,219
All current employees who are not executive officers, as a group	105,682	3,873,479		3,979,161

(1) Information on the number of awards granted is presented without considering shares subject to forfeited awards and without application of the Company's prior share counting rules, whereby grants of full value awards reduced the Prior Pool by 1.55 shares for every share subject to the award.

(2) Reflects the target number of shares of common stock subject to the performance-based restricted stock unit agreement. The actual number of restricted stock units and shares that become issuable upon vesting will depend on the extent to which the performance goals are attained.

**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 the stockholders**



**vote FOR approval of the amendments**

**Table of Contents**

**PROPOSAL SIX: TO RE-APPROVE MATERIAL TERMS OF THE 2009 STOCK INCENTIVE PLAN**

## Proposal Six: To Re-approve Certain Material Terms of the 2009 Stock Incentive Plan for Purposes of Section 162(m)

### Background and Purpose of the Proposal

Our Board, 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 one million, four hundred and seventy thousand (1,470,000) shares. The proposed amended 2009 Plan is attached as Appendix II.

In addition to approving the amendments to the 2009 Plan as set forth in Proposal Five, 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.

Code Section 162(m) generally denies a corporate tax deduction for annual compensation exceeding \$1,000,000 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 Six 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 \$30,000,000.

## Eligibility

Our employees, consultants, the employees and consultants of our subsidiaries and affiliates, 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.

**Table of Contents**

**PROPOSAL SIX: TO RE-APPROVE MATERIAL TERMS OF THE 2009 STOCK INCENTIVE PLAN**

**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 (but not increase) 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 any incremental increase 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



**Table of Contents**

**PROPOSAL SIX: TO RE-APPROVE MATERIAL TERMS OF THE 2009 STOCK INCENTIVE PLAN**

performance criteria, over one or more periods of time (not less than twelve months), 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 Five.

**Recommendation of the Board of Directors**

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

**Table of Contents**

**PROPOSAL SEVEN: APPROVE AMENDMENTS TO THE 2009 EMPLOYEE STOCK PURCHASE PLAN**

## Proposal Seven: 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 1,000,000 additional shares of common stock for issuance under the ESPP, to implement best practices, and to make other administrative and conforming changes.

### Explanation

The ESPP encourages stock ownership by employees and aligns the interests of employees and stockholders. Our Board 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 February 17, 2017, we have approximately 0.4 million shares remaining for purchase under the ESPP of the 1,700,000 million shares authorized by stockholders. The Board is seeking stockholder approval to increase the number of shares available under the ESPP at the 2017 Annual General Meeting. The increase of 1,000,000 shares should provide sufficient shares to meet expected sales under the ESPP over the next four years, depending on the Company's share price and enrollment in the ESPP.

### 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 the ESPP has been increased by 1,000,000 additional shares to 2,700,000 shares.

The definition of an eligible employee has been revised to provide the plan administrator with increased discretion to establish eligibility requirements to the extent permitted by Section 423(b) of the Internal Revenue Code.

### 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 III 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.

## Table of Contents

### **PROPOSAL SEVEN: APPROVE AMENDMENTS TO THE 2009 EMPLOYEE STOCK PURCHASE 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 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 5 months per calendar year. For rights to purchase common stock granted under the Non-423(b) Plan or under a separate offering under the 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 17, 2017, 1,086 employees would be eligible to participate in the ESPP.

The plan administrator (as defined below) may, prior to a Master Offering (as defined below), determine on a uniform and nondiscriminatory basis that the following employees will not be eligible to participate in the ESPP: (i) employees who have not completed at least two years of service since their hire date (or lesser period as determined by the plan administrator); (ii) employees who are highly compensated employees within the meaning of Section 414(q) of the Internal Revenue Code; or (iii) employees who are highly compensated employees within the meaning of Section 414(q) of the Internal Revenue Code with compensation above a certain level or are officers or subject to the disclosure requirements of Section 16(a) of the Securities Exchange Act of 1934. The plan administrator may also exclude employees from participation in the Non-423(b) Plan if participation of such employee(s) is not advisable or practicable. Additionally, the plan administrator may exclude employees who are residents of citizens of a jurisdiction other than the U.S., if participation of such employees is prohibited under local law or if complying with local law would cause the ESPP or an offering to violate Section 423 of Internal Revenue Code.

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 2,700,000 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 and consisting of two or more members of the Board (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.



**Table of Contents**

**PROPOSAL SEVEN: APPROVE AMENDMENTS TO THE 2009 EMPLOYEE STOCK PURCHASE PLAN**

## **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 (*i.e.*, Master Offerings), each of a duration that will not exceed 27 months. Unless the plan administrator determines before the commencement of an offering that a Master Offering will have a different duration, each Master Offering will be 24 months. The plan administrator also has the authority to establish additional or alternative sequential or overlapping Master Offerings, a different duration for one or more Master Offerings or different commencement dates for such Master Offerings with respect to future Master Offerings without stockholder approval if such change is announced prior to the scheduled beginning of the first Master Offerings that is affected. Each Master Offering will be comprised of a series of one or more successive and/or overlapping purchase intervals (*i.e.*, Sub-Offerings). Generally, unless otherwise provided by the plan administrator, Sub-Offerings 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 Sub-Offering within a Master Offering, 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 Sub-Offering, 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 Sub-Offering within a Master Offering, in each case by completing an amended enrollment form (either through the Company's online ESPP 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 a Master Offering 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 Master Offering, or (ii) the fair market value per share on the purchase date (*i.e.*, the last business date of the Sub-Offering). 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 17, 2017, the fair market value of a share was \$72.05.

## **Purchase of Stock**

Each purchase right will be automatically exercised on the applicable purchase date within the Master Offering, and shares of common stock will be purchased on behalf of each participant by applying the participant's payroll deductions for the Sub-Offering 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 a Master Offering, 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 a Master Offering.

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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

**Table of Contents**

**PROPOSAL SEVEN: APPROVE AMENDMENTS TO THE 2009 EMPLOYEE STOCK PURCHASE PLAN**

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 prior to the third business day preceding the next scheduled purchase date (or such other period as may be determined by the plan administrator) (*i.e.*, the withdrawal cut-off date), a participant may withdraw from participation in the ESPP by completing the appropriate form (either through the Company's online ESPP enrollment process or in paper form), and by following any other procedures for withdrawing from the ESPP 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 purchase right. In connection with such withdrawal, the participant may elect whether payroll deductions collected during the Sub-Offering in which the withdrawal occurred will be refunded or held for the purchase of shares on the next purchase date, and in the absence of such an election, the purchase right will be terminated and the payroll deductions collected with respect to such purchase right will be refunded. The termination of the purchase right will be irrevocable for the respective Master Offering. If the participant's withdrawal occurs after a withdrawal cut-off date and prior to the next scheduled purchase date, his or her payroll deductions will be held for the purchase of shares on such purchase date. A participant's reduction of his or her rate of payroll deductions to zero percent will be treated as a withdrawal from the ESPP.

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 Sub-Offering 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 Sub-Offering, or have such funds held for the purchase of shares of common stock on the next scheduled purchase date. Generally, a participant on an approved paid leave of absence may continue participating in the ESPP to the extent permitted by Section 423 of the Internal Revenue Code.

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 Sub-Offering in which such change of control occurs to the purchase of whole shares of common stock at the purchase price per share in effect for the participant on such purchase date.

A change of control is generally defined as:

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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 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;

## Table of Contents

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

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 or the ultimate parent entity 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 and procedures.

## Amendment and Termination of Plan

Our Board may amend, suspend or terminate the ESPP at any time, with such action generally to become effective immediately following the close of any Sub-Offering. To the extent stockholder approval is required to amend the ESPP, whether to comply with Section 423 of the Internal Revenue Code or any applicable law or stock exchange rule, the Company will obtain such stockholder approval accordingly.

## Federal Income Tax Information

The following summary briefly describes U.S. federal income tax consequences of rights under the ESPP, but is not a detailed or complete description of all U.S. federal tax laws or regulations that may apply, and does not address any local, state or other country laws. **Therefore, no one should rely on this summary for individual tax compliance, planning or decisions. Participants in the ESPP should consult with their own professional tax advisors concerning tax aspects of rights under the ESPP. The discussion below concerning tax deductions that may become available to us under U.S. federal tax law is not intended to imply that we will necessarily obtain a tax benefit or asset from those deductions. Taxation of equity-based payments in other countries is complex, does not generally correspond to federal tax laws, and is not covered by the summary below.**

*423(b) Plan.* Rights to purchase shares granted under the 423(b) Plan are intended to qualify for favorable federal income tax treatment associated with rights granted under an employee stock purchase plan which qualifies under the provisions of Section 423(b) of the Internal Revenue Code. Under these provisions, no income will be taxable to a participant until the shares purchased under the ESPP are sold or otherwise disposed of. If the shares are disposed of within two years from the stock purchase right grant date (*i.e.*, the beginning of the Master Offering or, if later, the date the participant entered the Master Offering) or within one year from the purchase date of the shares, a transaction referred to as a disqualifying disposition, the participant will realize ordinary income in the year of such disposition equal to the difference between the fair market value of the stock on the purchase date and the purchase price. The amount of such ordinary income will be added to the participant's basis in the shares, and any additional gain or resulting loss recognized on the disposition of the shares after such basis adjustment



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will be a capital gain or loss. A capital gain or loss will be long-term if the participant holds the shares for more than one year after the purchase date.

If the stock purchased under the ESPP is sold (or otherwise disposed of) more than two years after the stock purchase right grant date and more than one year after the stock is transferred to the participant, then the lesser of (i) the excess of the sale price of the stock at the time of disposition over the purchase price, and (ii) the excess of the fair market value of the stock as of the date the participant entered the Master Offering over the purchase price (determined as of the date the participant

**Table of Contents****PROPOSAL SEVEN: APPROVE AMENDMENTS TO THE 2009 EMPLOYEE STOCK PURCHASE PLAN**

entered the Master Offering) will be treated as ordinary income. If the sale price is less than the purchase price, no ordinary income will be reported. The amount of such ordinary income will be added to the participant's basis in the shares, and any additional gain or resulting loss recognized on the disposition of the shares after such basis adjustment will be long-term capital gain or loss.

The Company generally will be entitled to a deduction in the year of a disqualifying disposition equal to the amount of ordinary income realized by the participant as a result of such disposition, subject to the satisfaction of any tax-reporting obligations. In all other cases, no deduction is allowed.

*Non-423(b) Plan.* If the purchase right is granted under the Non-423(b) Plan, then the amount equal to the difference between the fair market value of the stock on the purchase date and the purchase price will be treated as ordinary income at the time of such purchase. In such instances, the amount of such ordinary income will be added to the participant's basis in the shares, and any additional gain or resulting loss recognized on the disposition of the shares after such basis adjustment will be a capital gain or loss. A capital gain or loss will be long-term if the participant holds the shares for more than one year after the purchase date.

The Company generally will be entitled to a deduction in the year of purchase equal to the amount of ordinary income realized by the participant as a result of such disposition, subject to the satisfaction of any tax-reporting obligations. For U.S. participants, FICA/FUTA taxes will be due in relation to ordinary income earned as a result of participation in the Non-423(b) Plan.

**Future Plan Benefits**

Future benefits under the ESPP are not currently determinable, as they will depend on the actual purchase price of our shares of common stock in future Master Offering, the market value of our common stock on various future dates, the amount of contributions eligible employees elect to make under the ESPP and similar factors. However, our named executive officers shall be subject to the same purchase restrictions as all other participants.

**Past Grants under the 2009 Employee Stock Purchase Plan**

As of February 17, 2017, 1,252,774 shares of our common stock had been purchased under the ESPP since its inception. The following table shows information regarding the number of shares that have been purchased by the persons and groups identified below.

	Aggregate Number
Named Executive Officers:	of Shares Purchased
G. Tyson Tuttle	
<i>Chief Executive Officer, President and Director</i> John C. Hollister	
<i>Chief Financial Officer and Senior Vice President</i> Brandon Tolany	1,800
<i>Senior Vice President of Worldwide Sales</i>	94

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Sandeep P. Kumar

*Senior Vice President of Worldwide Operations* 1,800

William G. Bock

*Former President and Director*

Current Executive Officers as a group 3,694

Non-Executive Director Group

All current employees who are not executive officers, as a group 975,487

36

**A more connected world is here.**

**Table of Contents**

**PROPOSAL SEVEN: APPROVE AMENDMENTS TO THE 2009 EMPLOYEE STOCK PURCHASE PLAN**

**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 the stockholders  
vote FOR approval of the amendment to the 2009 Employee Stock Purchase Plan.**

**Table of Contents**

**OTHER MATTERS**

## Other Matters

We know of no other matters that will be presented for consideration at the Annual Meeting. If any other matters properly come before the Annual Meeting, it is the intention of the persons named in the enclosed form of Proxy to vote the shares they represent as the Board of Directors may recommend. Discretionary authority with respect to such other matters is granted by the execution of the enclosed Proxy.

**Table of Contents****OWNERSHIP OF SECURITIES****Ownership of Securities**

The following table sets forth certain information known to us with respect to the beneficial ownership of our common stock as of January 31, 2017 by (i) all persons who were beneficial owners of five percent or more of our common stock, (ii) each director and nominee for director, (iii) the executive officers named in the Summary Compensation Table of the Executive Compensation section of this Proxy Statement and (iv) all then current directors and executive officers as a group. Unless otherwise indicated, each of the stockholders has sole voting and investment power with respect to the shares beneficially owned, subject to community property laws, where applicable.

<b>Beneficial Owner<sup>(1)</sup></b>	<b>Shares Beneficially Owned</b>	<b>Percentage of Shares Beneficially Owned<sup>(2)</sup></b>
G. Tyson Tuttle <sup>(3)</sup>	234,135	*
John C. Hollister <sup>(4)</sup>	37,602	*
Brandon Tolany <sup>(5)</sup>	29,845	*
Sandeep P. Kumar <sup>(6)</sup>	28,149	*
Navdeep S. Sooch <sup>(7)</sup>	484,749	1.16%
William G. Bock	51,224	*
Neil Kim		*
Jack R. Lazar	9,986	*
Nina Richardson		*
Sumit Sadana	2,948	*
William P. Wood <sup>(8)</sup>	84,928	*
Entities deemed to be affiliated with BlackRock, Inc. <sup>(9)</sup>	4,282,646	10.22%
Entities deemed to be affiliated with The Vanguard Group <sup>(10)</sup>	3,131,026	7.47%
Entities deemed to be affiliated with FMR LLC <sup>(11)</sup>	6,262,167	14.95%
All directors and executive officers as a group (11 persons) <sup>(12)</sup>	963,566	2.29%
<b>Total Beneficial Ownership</b>	<b>14,639,405</b>	<b>34.82%</b>

\* Represents beneficial ownership of less than one percent.

(1) Unless otherwise indicated in the footnotes, the address for the beneficial owners named above is 400 West Cesar Chavez, Austin, Texas 78701.

(2) Percentage of ownership is based on 41,890,791 shares of common stock outstanding on January 31, 2017. Shares of common stock subject to stock options which are currently exercisable or will become exercisable within 60 days after January 31, 2017 and shares of common stock subject to restricted stock units which will become vested within 60 days after January 31, 2017 are deemed outstanding for computing the percentage for the person or group holding such awards but are not deemed outstanding for computing the percentage for any other person or group.

(3) Includes 25,000 shares issuable upon exercise of stock options vesting February 15, 2017 and 41,164 shares issuable upon the release of vested restricted stock units.

(4) Includes 12,090 shares issuable upon the release of vested restricted stock units.

(5) Includes 18,235 shares issuable upon exercise of stock options and 11,410 shares issuable upon the release of vested restricted stock units.

(6) Includes 9,892 shares issuable upon the release of vested restricted stock units.

(7) Includes 15,000 shares issuable upon exercise of stock options.

(8) Includes 40,442 shares held in a limited partnership of which Mr. Wood is the sole general partner and 20,000 shares issuable upon exercise of stock options.

(9) Pursuant to a Schedule 13G/A dated January 17, 2017 filed with the SEC, BlackRock, Inc. reported that as of December 31, 2016 it and certain related entities had sole voting power over 4,188,301 shares and dispositive power over 4,282,646 shares and that its address is 55 East 52<sup>nd</sup> Street, New York, New York 10055.

(10) Pursuant to a Schedule 13G/A dated February 13, 2017 filed with the SEC, The Vanguard Group reported that as of December 31, 2016 it and certain related entities had sole voting power over 81,839 shares, sole dispositive power over 3,046,741 shares and shared dispositive power over 84,285 shares and that its

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address is 100 Vanguard Boulevard, Malvern, Pennsylvania 19355.

- (11) Pursuant to a Schedule 13G/A dated February 14, 2017 filed with the SEC, FMR LLC reported that as of December 31, 2016 it and certain related entities had sole voting power over 1,427,500 shares and dispositive power over 6,262,167 shares and that its address is 245 Summer Street, Boston, Massachusetts 02210.
- (12) Includes an aggregate of 78,235 shares issuable upon exercise of stock options and an aggregate of 74,556 shares issuable upon the release of vested restricted stock units.

**Table of Contents**

**CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE**

## Certain Relationships and Related Transactions, and Director Independence

### Certain Relationships and Related Transactions

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

On October 17, 2013, the Company appointed Alf-Egil Bogen to its Board of Directors. Mr. Bogen was chief marketing officer of Energy Micro, until it was acquired by the Company on July 1, 2013. Mr. Bogen was the beneficial owner of approximately 2% of the Energy Micro equity and accordingly (a) of the initial consideration of \$107.4 million at closing, he received approximately \$0.9 million, (b) received an additional approximately \$0.4 million out of the \$20.0 million holdback related to potential indemnification claims, (c) received approximately \$0.1 million of the \$6.3 million paid for the fiscal 2014 earn-out and (d) received approximately \$0.3 million of the \$16 million paid for the remaining earn-out which was settled in fiscal 2016. Mr. Bogen had invested approximately \$0.8 million in Energy Micro prior to the acquisition. Mr. Bogen resigned from our Board of Directors on April 21, 2016.

### Policies and Procedures with Respect to Related Party Transactions

Our Audit Committee Charter requires that the members of our Audit Committee, all of whom are independent directors, review and approve all related party transactions as described in Item 404 of Regulation S-K promulgated by the SEC. We have also adopted a written policy regarding the approval of all related party transactions. Under such policy, each of our directors and executive officers must notify the Corporate Secretary (who, in turn, will provide such information to the Audit Committee) of any proposed related party transactions. To assist with the identification of potential related party transactions, we solicit information through questionnaires in connection with the appointment of new directors and executive officers and on an annual basis with respect to existing directors and executive officers. The Chairman of the Audit Committee is delegated the authority to approve or ratify any related party transactions in which the aggregate amount involved is expected to be less than \$1 million per year. All other proposed related party transactions are subject to approval or ratification by the Audit Committee except for certain categories of transactions that are deemed to be pre-approved by the Audit Committee. In determining whether to approve or ratify a related party transaction, the Audit Committee and the Chairman, if applicable, will take into account, among other factors deemed appropriate, whether the related party transaction is on terms no more favorable to the counterparty than terms generally available to an unaffiliated third-party under the same or similar circumstances and the extent of the related party's interest in the transaction.

Our Code of Business Conduct and Ethics requires our executive officers and directors to disclose any conflicts of interest, including any material transaction or relationship involving a potential conflict of interest. No executive officer may work, including as a consultant or a board member, simultaneously for us and any competitor, customer, supplier or business partner without the prior written approval of our Chief Financial Officer or legal department. Furthermore, executive officers are encouraged to avoid any direct or indirect business connections with our competitors, customers, suppliers or business partners.

Pursuant to our Corporate Governance Policy, we expect each of our directors to ensure that other existing and future commitments do not conflict with or materially interfere with their service as a director. Directors are expected to avoid any action, position or interest that conflicts with our interests, or gives the appearance of a conflict. In addition, directors should inform the Chairman of our Nominating and Corporate Governance Committee prior to joining the board of another public company to ensure that any potential conflicts, excessive time demands or other issues are carefully considered.



## Director Independence

See the subsection entitled "Committees and Meetings" in the section of this Proxy Statement entitled "Proposal One: Election of Directors."

**Table of Contents**

**AUDIT COMMITTEE REPORT**

## Audit Committee Report

The following is the report of the Audit Committee with respect to the audit of the fiscal 2016 audited consolidated financial statements of Silicon Laboratories Inc. (the Company):

Management is responsible for the Company's internal controls and the financial reporting process. The independent registered public accounting firm is responsible for performing an independent audit of the Company's consolidated financial statements in accordance with the standards of the Public Company Accounting Oversight Board (United States) and for issuing a report thereon. Additionally, the independent registered public accounting firm is responsible for performing an independent audit of the Company's internal controls over financial reporting and for issuing a report thereon. The Committee's responsibility is to monitor and oversee these processes.

In this context, the Committee has met and held discussions with management and the independent registered public accounting firm. Management represented to the Committee that the Company's consolidated financial statements in the Annual Report were prepared in accordance with accounting principles generally accepted in the United States, and the Committee has reviewed and discussed the consolidated financial statements in the Annual Report with management and the independent registered public accounting firm. The Committee has discussed with the independent registered public accounting firm, Ernst & Young LLP, the required communications specified by auditing standards together with guidelines established by the SEC and the Sarbanes-Oxley Act.

The Company's independent registered public accounting firm also provided to the Committee the written disclosures required by applicable requirements for the Public Company Accounting Oversight Board regarding the independent accountant's communications with the Audit Committee concerning independence. The Audit Committee reviewed non-audit services provided by its independent registered public accounting firm for the last fiscal year, and determined that those services are not incompatible with maintaining the independent registered public accounting firm's independence.

Based upon the Committee's discussion with management and the independent registered public accounting firm and the Committee's review of the representation of management and the reports of the independent registered public accounting firm to the Committee, the Committee recommended that the Board of Directors include the audited consolidated financial statements in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2016 filed with the Securities and Exchange Commission.

Submitted by the Audit Committee of the Board of Directors:

Jack R. Lazar (Chairman)

Neil Kim

Sumit Sadana

Table of Contents

## EXECUTIVE OFFICERS

## Executive Officers

Set forth below is information regarding the executive officers of Silicon Labs as of January 31, 2017.

Name	Age	Position
G. Tyson Tuttle	49	President, Chief Executive Officer and Director
John C. Hollister	47	Senior Vice President and Chief Financial Officer
Sandeep P. Kumar	52	Senior Vice President of Worldwide Operations
Brandon Tolany	43	Senior Vice President of Worldwide Sales

**G. Tyson Tuttle** has served as a Director and our Chief Executive Officer since April 2012. Upon Mr. Bock's retirement in February 2016, he also became President. 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 Labs 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 mass storage 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 has been granted over 70 patents covering many fundamental semiconductor inventions including key aspects of wireless communications.

**John C. Hollister** has served Silicon Labs as our Chief Financial Officer and Senior Vice President since June 2013. Prior to this role, Mr. Hollister was our Vice President, Business Development since April 2012, and also served as our Chief Information Officer from November 2012 to June 2013. Mr. Hollister served as our Vice President, Manufacturing and Asia Operations from November 2009 to April 2012. From April 2007 to October 2009, he was Managing Director, Asia Operations. Mr. Hollister joined Silicon Labs in 2004 and held financial management positions until April 2007. Prior to joining Silicon Labs, Mr. Hollister's experience included Vice President of Finance at Cicada Semiconductor as well as various finance positions at Cirrus Logic, Veritas DGC, 3-D Geophysical and PricewaterhouseCoopers LLP. Mr. Hollister is a Certified Public Accountant and has a master's degree in Accounting and a bachelor's degree in Business Administration from the University of Texas at Austin.

**Sandeep P. Kumar** has served as our Senior Vice President of Worldwide Operations since July 2013. He previously served as Vice President of Operations Engineering from September 2009 to July 2013. He joined Silicon Labs in July 2006 and is responsible for worldwide operations. His team includes the manufacturing teams, CAD organization, process engineering and package engineering, product and test engineering, quality assurance, failure analysis, as well as the prototype production and reliability test labs. Dr. Kumar's group drives the company technology strategy and supplier choices. Prior to joining Silicon Labs, Dr. Kumar managed global test engineering teams and was responsible for worldwide product and test engineering for the storage business at Agere Systems, Lucent technologies and AT&T Bell Labs. Dr. Kumar has a bachelor's degree in Electrical Engineering from the Indian Institute of Technology in Bombay, a M.S. in Electrical Engineering from the University of Evansville in Indiana and a Ph.D. in Electrical Engineering from Lehigh University. He serves on the Electrical and Computer Engineering Department's Industry Advisory Council for Southern Illinois University in Carbondale, IL.

**Brandon Tolany** has served as our Senior Vice President of Worldwide Sales since January 2016. Prior to joining Silicon Labs, Mr. Tolany served as Senior Vice President, Chief Sales and Marketing Officer at Freescale Semiconductor where he led global sales and marketing activities from 2013 to 2015. During his tenure at Freescale, Brandon progressed in a range of leadership positions including Vice President of Global Marketing for Microcontrollers and Director of Sales and Field Application Engineering for Freescale's Americas West Region. Mr. Tolany started his career at Freescale in 2004 as a marketing manager for the i.MX applications processor product line. Prior to joining Freescale, Mr. Tolany was Director of Sales and Business Development for Luminant where he led global marketing efforts. He also served as a

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product manager at Mitsubishi Electric. Mr. Tolany holds a bachelor's degree in Communications from the University of Texas at Austin.

**Table of Contents**

**COMPENSATION DISCUSSION AND ANALYSIS**

## Compensation Discussion and Analysis

This Compensation Discussion and Analysis provides information regarding the 2016 compensation program for our principal executive officer, principal financial officer, and three other most highly compensated executive officers of the Company. For 2016, these individuals were:

G. Tyson Tuttle, our Chief Executive Officer (our CEO).

John C. Hollister, our Senior Vice President and Chief Financial Officer (CFO).

Brandon Tolany, our Senior Vice President of Worldwide Sales<sup>(1)</sup>

Sandeep P. Kumar, our Senior Vice President of Worldwide Operations

William G. Bock, our former President<sup>(2)</sup>

(1) Mr. Tolany joined Silicon Labs on January 4, 2016 as our Senior Vice President of Worldwide Sales.

(2) Mr. Bock resigned as our President on February 16, 2016.

We refer to these executive officers collectively in this Proxy Statement as the Named Executive Officers.

Here, we describe the material elements of our compensation program for the Named Executive Officers during 2016 as administered by the Compensation Committee of our Board of Directors (the Compensation Committee). This analysis also provides an overview of our executive compensation philosophy, including our principal compensation policies and practices, with respect to Named Executive Officers. Finally, it explains how and why the Compensation Committee arrived at the specific compensation decisions for our Named Executive Officers in 2016, and discusses the key factors that the Compensation Committee considered in determining their compensation.

## 2016 Business Results

Fiscal 2016 revenue of \$698 million grew eight percent from fiscal 2015, well above the industry trend. This was fueled by strong performance in the company's Internet of Things (IoT) and Infrastructure products. The company continued to deliver strong gross margins, greater than 60% in 2016, which is reflective of the quality of the company's products and served markets, as well as the benefit realized from the sale of certain patents in the second quarter. Overall, gross margins improved relative to 2015 on product mix. Revenue growth outpaced incremental R&D investments, primarily related to products, software and solutions to address the IoT market. Earnings per share grew faster than revenue, reflecting disciplined financial management and operating model leverage. Headcount increased by approximately 4% from 2015 due to organic hiring and an acquisition.

Silicon Labs' cash flow from operations has been positive nearly every quarter since it went public in 2000. In fiscal 2016, the company delivered operating cash flows of \$129 million. Strong cash generation enabled the company to repurchase approximately \$41 million of its stock during the year and also acquire Micrium, the leading supplier of real-time-operating-system (RTOS) software for embedded computing. The company ended the year with \$300 million in cash, cash equivalents and investments.

## 2016 Business Highlights

IoT products grew 20% year-on-year, representing 45% of total 2016 revenue, up from 41% in 2015. Leveraging its industry-leading portfolio of wireless protocols, Silicon Labs' connected device products delivered the highest growth rates within IoT products in 2016.

Infrastructure grew 17%, exceeding expectations with solid performance from both timing and isolation products. During 2016, the company's infrastructure products benefited from stronger demand for its clock and oscillator products in core networking and data center applications, as well as widespread adoption of its isolation products in industrial and automotive markets.

**Table of Contents**

**COMPENSATION DISCUSSION AND ANALYSIS**

Broadcast product revenues also exceeded expectations in 2016, declining only 2% for the year. Reductions in TV tuner ASPs drove a decline in Broadcast consumer product revenue, with some offset by market penetration with automotive radio products.

Access declined 21%, coming off an exceptionally strong 2015.

Worldwide distribution revenue was 68% of total revenue.

The company's customer count increased approximately 10%, to more than 30,000.

## **Significant Executive Compensation Actions**

Our Compensation Committee, which consists entirely of independent directors, sets the compensation of our Named Executive Officers. For 2016, the Compensation Committee took the following actions with respect to the compensation of our Named Executive Officers:

Increased base salaries to bring them to the approximate median level of the market data (as adjusted to reflect the factors described under "Compensation-Setting Process" below).

Approved cash incentive award targets tied to our 2016 financial performance (such awards to our continuing Named Executive Officers ultimately paid out at 120.3% of target for Msrs. Tuttle, Hollister and Kumar and at 113.4% of target for Mr. Tolany).

Approved long-term incentive compensation, in the form of a combination of Restricted Stock Units (RSU), Performance Shares (PSU), Market Stock Unit (MSU) and Non-Qualified Stock Options (NSO) awards to further align the incentives of the executives and stockholders, retain key employees, and reward performance.

Approved Change in Control Agreements for our Named Executive Officers to provide severance benefits in the case of an involuntary termination related to a change in control event.

## **Significant Corporate Governance Standards**

We have endeavored to maintain high standards in our executive compensation and governance practices. The following policies remained in effect in 2016:

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We do not provide excise tax gross-ups in the event of a change in control.

All change in control agreements contain double trigger (rather than single trigger) change in control provisions.

We have stock ownership guidelines for our CEO that require the holding of our equity with a value equal to a multiple of three times his base salary (following a phase-in period).

We have stock ownership requirements for our Board of Directors to require the holding of our equity with a value equal to three times their annual cash retainer (following a phase-in period).

We do not provide significant perquisites or other personal benefits to our executive officers. Other than an annual physical examination paid for by the Company, our executive officers participate in broad-based company-sponsored health and welfare benefits programs on the same basis as our other full-time employees.

We have operated with the roles of Chairman of the Board and Chief Executive Officer separated for several years. We also have a Lead Independent Director on our Board.

We do not offer retirement plans or nonqualified deferred compensation plans or arrangements to our executive officers, other than the 401(k) plan offered to our other salaried full-time employees.

The compensation consultant engaged by the Compensation Committee does not provide any other services to the Company.

We conduct an annual review of our compensation programs for executive officers and other employees to assess the level of risk associated with those programs and the effectiveness of our policies and practices for monitoring and managing these risks.



**Table of Contents**

**COMPENSATION DISCUSSION AND ANALYSIS**

We have a recoupment (or clawback) policy to provide for recovery of incentive compensation from any executive officer whose fraud or willful misconduct results in a restatement of our financial results.

## **Compensation Philosophy**

Our executive compensation program supports our long-term strategic and operational goals. It is intended to attract, motivate, and retain talented individuals to serve as our executive officers. The Compensation Committee designs the various components of our executive compensation program to be market competitive and support growth and profitability objectives while remaining aligned with our culture.

We hold our executives to high performance standards and our compensation plans for our CEO and other Named Executive Officers are designed to deliver competitive base pay and attractive incentive opportunities if performance is outstanding while delivering significantly lower actual compensation when performance is below our rigorous standards. To this end, a significant portion of target compensation for our executives is designed to be at-risk

In the case of our Market Share Unit ( MSU ) awards granted through 2016, we require significant levels of outperformance in terms of total shareholder return (or TSR ) relative to the Philadelphia Semiconductor Index ( XSOX or Index ) for the MSUs to be earned at target levels. Our use of MSU began in 2012 and has consistently been part of our long-term incentive strategy. All MSU awards granted from 2014 through 2016 require that our TSR exceed the TSR of the XSOX by 25 points (i.e., if the XSOX delivers TSR of 20%, our TSR must be 45%) for the targeted number of shares to be earned. Furthermore, if we deliver TSR that matches that of the XSOX, MSU participants earn 61.5% of their target number of MSUs.

In 2016, we introduced Performance Share Units ( PSU ) to incentivize and reward operational focus on revenue growth. With a target at 10% revenue growth year over year, PSUs provide zero reward for 5% or less revenue growth and, conversely, pays 200% of target upon achieving 15% revenue growth. The revenue growth factor is prorated for revenue growth between 5% and 15% (i.e. if revenue growth is 9%, the revenue growth factor of 80% is applied to determine the PSU result). We believe these performance awards appropriately focus our executives on operational activities that drive sustained performance and growth.

The Compensation Committee opted to deliver Non-Qualified Stock Options ( NSO ) to Mssrs. Tuttle and Tolany in 2016. Mr. Tolany s NSOs were an important component of his new hire offer when we selected him to lead our Worldwide Sales team. The Compensation Committee delivered a grant of NSOs to Mr. Tuttle to ensure retention after several years of exceptionally high MSU targets at Index +25 points yielded low returns.

This blended equity approach provides a strong alignment between pay-for-performance, operational results and retention of key executive talent. The design appropriately establishes a clear focus on total shareholder return (TSR) and year-over-year revenue growth. As such, our compensation program provides modest compensation when longer-term performance is below expectations. We believe that this approach optimally aligns the interests of management and our stockholders and results in the greatest emphasis on long-term stockholder value creation. For more information on the design of our equity programs and for awards granted in 2016, see Long-term Incentives Equity Awards below.

## **Compensation-Setting Process**

**Role of Compensation Committee.** The Compensation Committee is responsible for administering our executive compensation program, as well as determining and approving the compensation for our Named Executive Officers. The Compensation Committee regularly reports to our Board of Directors on its deliberations and actions.

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The Compensation Committee uses a balanced approach to set the compensation of our executive officers, with each primary direct component of compensation (base salary, annual cash incentive awards, and long-term incentive compensation) designed to play a specific role in achieving this objective. The Compensation Committee determines the compensation of each executive officer with respect to each compensation component based, in part, on its own analysis of competitive market data and the recommendations of our CEO, both as described below.

Table of Contents

COMPENSATION DISCUSSION AND ANALYSIS

The Compensation Committee exercises its own judgment in making its compensation decisions and may accept or reject our CEO's recommendations. In addition, the Compensation Committee receives input from its compensation consultant and meets in executive session (without our CEO present) prior to making its final determinations regarding compensation.

Differences in compensation among our executive officers are the result of the Compensation Committee's exercise of its judgment, following its review of our CEO's recommendations, its analysis of competitive market data and its consideration of overall Company performance, competitive pressures, business conditions, the value of current equity holdings and the potential financial impact of its compensation decisions. The key factors in the variance in compensation levels among our executive officers are differences in the competitive market data for each position and differences in each executive officer's individual performance.

In determining the compensation of our CEO, the Compensation Committee consults with the other independent members of our Board of Directors, assesses our CEO's individual performance, and considers competitive market data and the other factors described above.

For our Named Executive Officers, the Committee targets a market competitive range for base salaries and targets a range between 65<sup>th</sup> and 75<sup>th</sup> percentile in total direct compensation when our stringent performance targets are achieved. The factors described above provide the framework for compensation decision-making and final decisions regarding the compensation opportunity for each Named Executive Officer. No single factor was determinative in setting pay levels, nor was the impact of any factor on the determination of pay levels quantifiable.

The Committee also noted that our stockholders approved our executive compensation practices pursuant to the advisory vote at our 2016 annual stockholders meeting, and the Committee believes that our compensation practices are at least as favorable to the Company as those that were previously approved.

**Role of Management.** In carrying out its responsibilities, the Compensation Committee works with members of our management, including our CEO. Typically, our management assists the Compensation Committee by providing information on Company performance and its perspective on compensation matters. Our CEO generally attends Compensation Committee meetings (except with respect to discussions involving his own compensation).

Typically, our CEO formulates recommendations regarding our executive officers' compensation (except for his own compensation) for the Compensation Committee. These recommendations are based on a review of the competitive market data developed by the Compensation Consultant, his performance evaluation of each executive officer and other considerations, including competitive pressures, business conditions, the value of current equity holdings, each individual's tenure, compensation history, prior experience, distinctive value to the Company, variances in job responsibilities relative to similarly titled executives at other companies, the appropriate mix of compensation components, the Company's overall performance and the potential financial impact (including dilution and compensation cost) associated with their compensation. Our CEO does not use a specific formula to weight these various factors.

Our CEO conducts this assessment with the assistance of our Chief People Officer. Our CEO then makes formal recommendations to the Compensation Committee regarding adjustments to base salary, annual cash incentive award opportunities and equity awards for our executives (except with respect to his own compensation). Our CEO also recommends performance measures and related target levels for annual cash incentive awards and equity awards (except with respect to his own compensation).

While the Compensation Committee solicits and reviews our CEO's recommendations and proposals with respect to compensation-related matters, the Compensation Committee only uses these recommendations and proposals as one factor in making its own compensation decisions for our executive officers.

**Role of Compensation Consultant.** The Compensation Committee is authorized to retain the services of compensation consultants and other advisors from time to time, as it sees fit, in connection with the administration of our executive compensation programs.

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The Compensation Committee retained Compensia, Inc., a national compensation consulting firm providing executive compensation advisory services ( Compensia ), to provide competitive market data and analysis regarding material elements

**Table of Contents****COMPENSATION DISCUSSION AND ANALYSIS**

of compensation, including base salary, cash incentives and equity incentives. Compensia served at the discretion of the Compensation Committee. Compensia did not provide any other services to the Company in 2015.

With the approval of the Compensation Committee, Compensia also provides our CEO and our Chief People Officer with market data regarding compensation for our executive officers so that our CEO's compensation recommendations to the Compensation Committee are consistent with our compensation philosophy.

**Competitive Positioning.** The Compensation Committee believes it is in the best interests of our stockholders to ensure that our executive compensation is competitive with that of other companies of similar size and complexity. At the end of 2015, the Compensation Committee directed Compensia to use data gathered from the 2015 Radford Executive Compensation Survey and publicly-available information from the following companies to identify and analyze the competitive market for executive compensation:

Atmel Corporation	InvenSense
Cavium Inc.	Lattice Semiconductor Corp.
Cirrus Logic	Microsemi Corporation
Cree	Monolithic Power Systems Inc.
Cypress Semiconductor Corporation	PMC-Sierra Inc.
Diodes Incorporated	Power Integrations Inc.
Integrated Device Technology, Inc.	Semtech Corporation
Intersil Corporation	Synaptics Incorporated

**Compensation Elements**

The primary direct components of our executive compensation program are base salary, annual cash incentive awards and equity awards. The Compensation Committee does not use a prescribed formula for allocating compensation between annual and long-term compensation, between cash and non-cash compensation, or among different forms of non-cash compensation.

**Base Salary.** The 2016 base salaries are set forth in the following table:

	2015		2016
	Base Salary	Percentage	Base Salary
Named Executive Officer	(\$) <sup>(1)</sup>	Increase	(\$)
G. Tyson Tuttle	575,000	4.35%	600,000
John C. Hollister	340,000	5.88%	360,000
Brandon Tolany		N/A	375,000
Sandeep P. Kumar	330,000	3.03%	340,000
William G. Bock <sup>(2)</sup>	390,000	0.0%	390,000

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(1) The actual base salaries paid to the Named Executive Officers during 2016 are set forth in the Summary Compensation Table below.

(2) Mr. Bock's employment with Silicon Labs ended on February 16, 2016.

**Annual Cash Incentive Awards.** Each year, the Compensation Committee adopts a bonus plan (the Bonus Plan) to reward exceptional performance and align the financial incentives of our Named Executive Officers with our short-term operating plan and long-term strategic objectives and the interests of our stockholders. The Compensation Committee approves the design, structure, and performance objectives, as well as each objective's relative weighting, under the Bonus Plan. The Compensation Committee designs the Bonus Plan to pay each Named Executive Officer up to 150% of his target annual cash incentive award opportunity for outstanding performance. Consistent with our pay-for-performance philosophy, however, no payment is guaranteed if an executive officer fails to meet the minimum established performance objectives for his award opportunity under the Bonus Plan.

Table of Contents

## COMPENSATION DISCUSSION AND ANALYSIS

Typically, the Compensation Committee establishes one or more corporate financial metrics tied to our annual operating plan as the principal measures for determining each executive officer's annual cash incentive award. For 2016, consistent with our business strategy, the Compensation Committee established adjusted revenue and adjusted operating income as a percentage of adjusted revenue as the principal corporate financial metrics. For this purpose, adjusted revenue and adjusted operating income mean revenue and operating income (as a percentage of adjusted revenue) as determined under generally accepted accounting principles modified for intangible asset amortization, acquisition-related items, termination costs and impairments. These adjusted measures more clearly highlight the results of core ongoing operations. For purposes of cash incentive awards, the Compensation Committee reserves the authority to determine whether to exclude any item when making adjustments from the corresponding GAAP metric. To reflect their functional roles and responsibilities, the Compensation Committee established corporate financial metrics as set forth in the table below for the purpose of determining the annual cash incentive awards for the Named Executive Officers. With respect to each of these corporate financial metrics, the percentage payout was determined using a sliding scale based on actual performance, with no minimum payout and a maximum payout of 150% of the executive's target annual cash incentive award opportunity for above-target performance. The plan scale allowed for 120% payout at 100% of plan target. For the adjusted revenue component, there was a decreasing scale to 10% at 90% of plan target, no payment below 90% of target and a maximum payout of 150% at 104% of target. For the adjusted operating income component, there was a decreasing scale to 10% at 80% of plan target, no payment below 80% of target and a maximum payout of 150% at 108% of target.

For 2016, the target annual cash incentive award opportunities and the relative weighting of the corporate financial metrics in their capacities as Named Executive Officers were as follows:

Named Executive Officer	Target Annual Cash Incentive Award Opportunity (as a Percentage of Base Salary) (%)	Performance Metrics	Weighting %
G. Tyson Tuttle	125	Adjusted Revenue	50
		Adjusted Operating Income %	50
John C. Hollister	85	Adjusted Revenue	50
		Adjusted Operating Income %	50
Brandon Tolany	100	Adjusted Revenue	100
Sandeep P. Kumar	75	Adjusted Revenue	50
		Adjusted Operating Income %	50
William G. Bock	N/A	N/A	N/A

**Award Decisions and Analysis.** To ensure a direct correlation between our short-term performance and our actual business results, the Compensation Committee makes quarterly payments to our Named Executive Officers under the Bonus Plan. Each fiscal quarter, bonus payments are made to the extent we have achieved our pre-established corporate financial metrics.

Our Board of Directors and the Compensation Committee may exercise discretion either to make payments absent attainment of the relevant performance metric target levels or to reduce or increase the size of any award payment. Neither the Board of Directors nor the Compensation Committee exercised such discretion in 2016.

For each of the Named Executive Officers, the portion of his target annual cash incentive award opportunity that was attributable to these corporate financial metrics was allocated over the four fiscal quarters of 2016 in proportion to the amount of revenue that we estimated we would generate in each such quarter as reflected in our 2016 annual operating plan approved by our Board of Directors. Our Board of Directors established quarterly target levels with respect to the annual operating plan for each of the corporate financial metrics. We set these target levels

to be very challenging this year and, as a result, set a higher incentive for achieving the plan.

Appendix I provides a reconciliation of GAAP and non-GAAP executive compensation financial measures and shows the corporate financial metric targets and actual performance against those targets for 2016.



Table of Contents

## COMPENSATION DISCUSSION AND ANALYSIS

The resulting payments to the continuing Named Executive Officers were as follows:

Named Executive Officer	Target Bonus as a	Actual Bonus as a
	Percent of Base Salary (%)	Percent of Base Salary (%)
G. Tyson Tuttle	125%	150%
John C. Hollister	85%	102%
Brandon Tolany	100%	113%
Sandeep P. Kumar	75%	90%
William G. Bock	N/A	N/A

The cash incentive awards paid to the Named Executive Officers during 2016 are set forth in the Summary Compensation Table below.

**Long-Term Incentive Equity Awards.** The Compensation Committee uses long-term incentive compensation, typically in the form of equity awards, for our Named Executive Officers, to retain talent, to align their interests with the interests of our stockholders and to provide incentives that we believe encourage behaviors that will maximize stockholder value. For 2016, the Compensation Committee approved the use of a mix of RSUs, MSUs, PSUs and NSOs.

**MSU Awards.** Since 2011 we have awarded MSUs that compare our TSR against the XSOX. For MSU awards granted from 2014 through 2016, a payment equal to the target number of units can only be earned if our TSR exceeds the TSR results of the Index by 25 points. Where our TSR is either greater or lower than the Index results, payment is scaled 1.54 to 1, as shown below:

SLAB TSR%	Payout	
<u>minus</u>	% of Target	
Index TSR%	MSUs	Comment
90+	200.0%	To earn the maximum award, SLAB TSR must exceed Index TSR by 90 points
70	169.3%	
50	138.5%	
30	107.7%	
25	100.0%	To earn the <b>target</b> MSU award, SLAB TSR must <b>exceed index TSR by 25 points</b>
20	92.3%	
10	76.9%	
0	61.5%	If SLAB TSR <b>matches</b> the Index TSR, MSUs are earned at <b>61.5%</b> of Target
-20	30.8%	
-30	15.4%	
-40 or worse	0.0%	If SLAB TSR is more than <b>40 points</b> below the Index TSR <b>no MSUs are earned</b>

Our MSUs granted in 2014 through 2016 included the following features:

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*Cap on MSU payouts if TSR is negative.* Our Compensation Committee included a cap on MSU payouts such that in the event our TSR is negative, the maximum payout under the MSUs would be 100% of the target award (regardless of the amount of TSR outperformance relative to the XSOX). This feature was added to reflect leading best practices in program design and to further strengthen the program from a pay-for-performance and shareholder alignment perspective.

*One-and two-year measurement points.* In order to further promote sustained performance and to support multi-year retention, our awards provide an opportunity for our executives to bank up to one-third of their target award based on relative TSR performance after one- and two-years. The remaining one-third of the target award opportunity and all potential upside opportunity remains reserved for the three-year measurement period. All shares earned or banked are

**Table of Contents****COMPENSATION DISCUSSION AND ANALYSIS**

settled at the end of the three-year period to maximize the retentive value of the awards. Pursuant to the payment scale above, in order for the target number of shares to be banked for one- or two- year performance, our TSR must exceed that of the XSOX by 25 points or more in the applicable performance period.

**PSU Awards.** The Compensation Committee began granting PSUs in 2016 to align our executive s incentives with our revenue growth expectations. The PSUs measure revenue during a single fiscal year relative to revenue for the preceding fiscal year. The number of eligible PSUs is a product of the (a) target number of units and (b) the revenue growth factor. The revenue growth factor is scaled on a performance matrix where 5% or less revenue growth results in zero units, 15% or greater revenue growth results in 200% of the target units, and with straight line scaling between 5% and 15% revenue growth. Accordingly, less than 10% revenue growth results in below target units. The eligible PSUs vest after three years of service following the date of grant.

**RSU Awards.** The RSUs awarded in 2016 provide a retention incentive and align the interests of our executive officers with those of our stockholders. These RSUs generally vest as to the underlying shares of common stock in three annual installments on each anniversary of the date of grant.

**NSO Awards.** 2016 stock option awards were a key to attracting and retaining our senior-most executives and align interests with not only growth of the company, but also delivery of market performance. These stock options vest in four annual installments on the anniversary date of the grant.

The Named Executive Officers were granted the following MSU, PSU, RSU and NSO awards during 2016:

	Performance Awards		RSU Awards		Stock Option Awards (NSO)	
	Nominal Number of Shares	Grant Date Fair Value	Number of Shares	Grant Date Fair Value	Nominal Number of Shares	Grant Date Fair Value
Named Executive Officer	(#)	(\$)	(#)	(\$)	(#)	(\$)
G. Tyson Tuttle	47,520 <sup>(1)</sup>	1,531,570	47,519	1,800,020	100,000	1,178,000
John C. Hollister	15,840 <sup>(2)</sup>	510,523	29,040	1,100,035		
Brandon Tolany			45,642	2,000,032	72,940	1,000,007
Sandeep P. Kumar	11,220 <sup>(3)</sup>	361,621	15,180	575,018		
William G. Bock						

<sup>(1)</sup> Includes 23,760 shares of MSUs and 23,760 shares of PSUs.

<sup>(2)</sup> Includes 7,920 shares of MSUs and 7,920 shares of PSUs.

<sup>(3)</sup> Includes 5,610 shares of MSUs and 5,610 shares of PSUs.

**Additional Equity Grants.** On January 4, 2016, Mr. Brandon Tolany joined the Company as our Senior Vice President of Worldwide Sales. Mr. Tolany was the only Named Executive Officer hired in 2016. Mr. Tolany s compensation package was reviewed and approved by the Compensation Committee. It included his base salary of \$375,000, a bonus target of 100%, a RSU grant of 45,642 units and a grant of 72,940 NSO awards.

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We entered into a transition agreement with Mr. William Bock in February 2016 as he retired from full time employment and transitioned onto the Board of Directors. As part of this transition agreement, the company accelerated 24,725 RSUs for Mr. Bock and issued 7,851 shares of common stock to compensate Mr. Bock for MSU awards forfeited during his transition to the Board of Directors.

**Actual Performance of Plan-Based Awards.** The following table contains information concerning PSU and MSU award performance in fiscal year 2016. For shares earned and unearned, see table Outstanding Equity Awards at Fiscal 2016 Year-End.

**Table of Contents****COMPENSATION DISCUSSION AND ANALYSIS****Performance MSU Grants awarded to NEOs\* from FY14 to FY16**

\*NEOs with outstanding MSU grants include G. Tyson Tuttle, John Hollister and Sandeep Kumar.

Year of Grant	Performance Period	Status	Target TSR	SLAB	TSR During Performance Period	
					XSOX	Payment %
FY 14	1-Year	Complete	Index + 25 Points	8.50%	30.30%	28.00%
FY 14	2-Year	Complete	Index + 25 Points	21.60%	35.70%	39.90%
FY 14	3-Year	Complete	Index + 25 Points	53.90%	78.90%	23.00%
FY 15	1-Year	Complete	Index + 25 Points	11.80%	4.00%	73.50%
FY 15	2-Year	Complete	Index + 25 Points	41.60%	37.20%	68.20%
FY 15	3-Year	In Progress	Index + 25 Points	41.60%	37.20%	68.20%
FY 16	1-Year	Complete	Index + 25 Points	26.30%	31.80%	53.10%
FY 16	2-Year	In Progress	Index + 25 Points	26.30%	31.80%	53.10%
FY 16	3-Year	In Progress	Index + 25 Points	26.30%	31.80%	53.10%

**Performance PSU Grants awarded to NEOs in FY16**

NEOs with outstanding PSU grants include G. Tyson Tuttle, John Hollister and Sandeep Kumar.

Year of Grant	Performance Shares (PSU)		Status	Revenue Growth	Payment %
	Performance Period				
2016	1-Year		Complete	8.19%	63%

**Post-Employment Compensation**

The equity awards granted to our Named Executive Officers under the Company's 2009 Stock Incentive Plan, as amended and restated on April 15, 2014, and Change in Control Agreements approved by the Board on October 20, 2016 provide for accelerated vesting of any unvested shares in the event that 1) such equity awards are not assumed or replaced by the acquiring entity in connection with a change in control of the Company or 2) the Named Executive Officer is demoted, relocated, or terminated other than for misconduct within the period beginning upon the earlier of our execution of a definitive agreement that results in a change in control or 90 days prior to a change in control and ending 18 months following the change in control transaction. We have provided for this treatment based on our belief that such treatment ensures that the executive officers remain focused on their responsibilities in the event of a potential transaction that will result in a significant benefit to our stockholders. Additionally, the Change in Control Agreements provide twelve months of base salary, target bonus and twelve months of COBRA should said events take place. The terms and conditions of these change in control provisions are provided at a level that the Compensation Committee believes to be comparable to those of companies of similar size in our industry sector.

**Welfare, Retirement, and Other Benefits**

**Welfare Benefits.** The Company maintains an array of benefit programs to meet the health care and welfare needs of our employees, including medical and prescription drug coverage, dental and vision programs, medical and dependent care flexible spending accounts, short-term

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disability insurance, long-term disability insurance, accidental death and dismemberment insurance, and group life insurance, as well as customary vacation, paid holiday, leave of absence and other similar policies. Our executive officers, including the Named Executive Officers, participate in these benefit programs on the same general terms as all of our salaried employees.

Table of Contents

COMPENSATION DISCUSSION AND ANALYSIS

**Retirement Benefits.** The Company has established a tax-qualified Section 401(k) retirement savings plan for our employees. Our executive officers, including the Named Executive Officers, are eligible to participate in this plan on the same general terms available to all of our full-time employees. Currently, plan participants are provided with matching contributions that are subject to time-based vesting conditions. It is intended that this plan qualify under Section 401(a) of the Internal Revenue Code so that contributions by participants to the plan, and income earned on plan contributions, are not taxable to participants until withdrawn from the plan. Our executive officers, including the Named Executive Officers, do not receive any retirement benefits beyond those generally available to our full-time employees.

**Perquisites and Other Personal Benefits.** In addition to the general welfare benefits described above, the Compensation Committee has determined that we provide our executive officers, including the Named Executive Officers, with an annual physical examination beyond the benefit provided under our standard health care plans.

The Compensation Committee does not view perquisites or other personal benefits as a significant component of our executive compensation program and, except as described in the preceding paragraph, did not provide any perquisites or other personal benefits to our executive officers during 2016.

## Income Tax and Accounting Considerations

**Deductibility of Executive Compensation.** In determining which elements of compensation are to be paid, and how they are weighted, the Compensation Committee takes into account the implications of Section 162(m) of the Internal Revenue Code ( Section 162(m) ). Generally, Section 162(m) prohibits us from taking a federal income tax deduction for remuneration in excess of \$1 million paid to our CEO and each of the other three most highly-compensated executive officers (not including the CFO) of the Company in a taxable year. Remuneration in excess of \$1 million may be deducted if, among other things, it qualifies as performance-based compensation within the meaning of the Internal Revenue Code. In this regard, the compensation income realized upon the exercise of stock options granted under a stockholder-approved stock option plan generally will be deductible so long as the options are granted by a committee whose members are non-employee directors and certain other conditions are satisfied.

The Compensation Committee's policy is to qualify, to the extent practicable, the compensation of our executive officers for deductibility under applicable tax laws. The Compensation Committee believes that its primary responsibility is to provide a compensation program to meet our stated business objectives, however, and, thus, reserves the right to pay compensation that is not tax-deductible if it determines that such a payment is in the best interests of the Company and our stockholders.

**Accounting Treatment of Executive Compensation.** The Company follows Financial Accounting Standards Board Accounting Standards Codification Topic 718 ( ASC Topic 718 ), formerly known as SFAS 123(R), for our stock-based awards. ASC Topic 718 requires companies to measure the compensation cost for all stock-based awards made to employees (including our executive officers) and directors, including stock options and restricted stock awards, based on the grant date fair value of these awards. This calculation is performed for accounting purposes and reported in the compensation tables below, even though our executive officers may never realize any value from their awards. ASC Topic 718 also requires companies to recognize the compensation cost of their stock-based awards in their income statements over the period that an executive officer is required to render service in exchange for his or her award.

**Table of Contents**

**COMPENSATION DISCUSSION AND ANALYSIS**

**Compensation Committee Report on Executive Compensation**

We, the Compensation Committee of the Board of Directors, have reviewed and discussed the Compensation Discussion and Analysis within the Executive Compensation section of this Proxy Statement with the management of the Company. Based on such review and discussion, we are of the opinion that the executive compensation policies and plans provide appropriate compensation to properly align Silicon Labs' performance and the interests of its stockholders through the use of competitive and equitable executive compensation in a balanced and reasonable manner, for both the short- and long-term. Accordingly, we have recommended to the Board of Directors that the Compensation Discussion and Analysis be included as part of this Proxy filing.

Submitted by the Compensation Committee of the Board of Directors:

Sumit Sadana (Chairman)

William P. Wood

Nina Richardson



Table of Contents

## COMPENSATION DISCUSSION AND ANALYSIS

**Summary Compensation**

The following table provides compensation information for our Named Executive Officers for fiscal 2016.

**Summary Compensation Table**

Name and Principal Position	Year	Salary (\$)	Bonus (\$)	Stock Awards (\$) <sup>(1)</sup>	Option Awards (\$) <sup>(1)</sup>	Non-equity Incentive Plan Compensation (\$) <sup>(2)</sup>	All Other Compensation (\$) <sup>(3)</sup>	Total (\$)
<b>G. Tyson Tuttle</b>	2016	596,154		3,331,590	1,178,000	902,406	5,660	6,013,810
	2015	567,308		3,510,432		472,603	5,660	4,556,003
<i>President, Chief Executive</i>								
<i>Officer and Director</i> <b>John C. Hollister<sup>(4)</sup></b>	2014	513,462		3,757,828		646,203	5,672	4,923,165
	2016	356,923		1,610,558		368,182	5,660	2,341,323
	2015	337,692		988,910		167,671	5,657	1,499,930
<i>Chief Financial Officer and</i>								
<i>Senior Vice President</i> <b>Brandon Tolany<sup>(5)</sup></b>	2014	321,154		954,703		240,018	50,641 <sup>(4)</sup>	1,566,516
	2016	367,789		2,000,032	1,000,007		5,660	3,373,488
	2015							
<i>Senior Vice President of</i>								
<i>Worldwide Sales</i> <b>Sandeep P. Kumar<sup>(6)</sup></b>	2014							
	2016	338,462		936,639		425,376	5,660	1,706,137
	2015	371,539		988,910		162,740	5,644	1,528,833
<i>Senior Vice President of</i>								
<i>Worldwide Operations</i> <b>William G. Bock<sup>(7)</sup></b>	2014							
<i>Former President and</i>	2016	55,500					973,497 <sup>(8)</sup>	1,028,997
	2015	387,692		988,910		256,438	660	1,633,700
<i>Director</i>	2014	375,000		899,802		369,259	672	1,644,733

(1) Amounts shown do not reflect compensation actually received by the Named Executive Officer, but represent the grant date fair value as determined pursuant to ASC Topic 718 (disregarding any estimate of forfeitures). The assumptions underlying the calculation under ASC Topic 718 are discussed under Note 12, *Stock-Based Compensation*, in our Form 10-K for the fiscal year ended December 31, 2016.

(2) Represents amounts earned under the 2016 Bonus Plan for services rendered in fiscal 2016, 2015 Bonus Plan for services rendered in fiscal 2015 and the 2014 Bonus Plan for services rendered in fiscal 2014.

(3) Consists of Company-paid life insurance premiums and employer matching contributions into the Company's 401(k) Plan, unless noted otherwise.

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- (4) On January 1, 2015, the Company transitioned Mr. Hollister to a new flexible vacation policy applicable to all employees at or above the Director level. As part of the transition, the company made a one-time payment to Mr. Hollister for his accrued but unused vacation balance as of December 31, 2014. The number reported in this column includes \$44,994 related to Mr. Hollister's vacation payout, \$5,000 in 401(k) match and \$647 in Company-paid life insurance premiums.
- (5) Mr. Tolany became an executive officer on January 4, 2016.
- (6) Mr. Kumar became an executive officer on January 4, 2015.
- (7) Mr. Bock served as Interim CFO from February 22, 2013 through June 29, 2013. From June 30, 2013 through February 16, 2016, Mr. Bock served as President. Additionally, Mr. Bock has served as a Director since July 2011. Mr. Bock did not receive any compensation for his services as a Director while serving as an employee
- (8) Consists of (i) the acceleration of vesting of 24,725 RSUs with a value of \$656,128, (ii) the issuance of 7,851 shares of common stock with a value of \$309,565, (iii) certain rights related to the payment of COBRA insurance premiums with a value of \$7,694, each in connection with a transition agreement entered into with Mr. Bock in February 2016 in connection with his retirement from full time employment and (iv) \$110 in Company-paid life insurance premiums.

**Table of Contents****COMPENSATION DISCUSSION AND ANALYSIS****Grants of Plan-Based Awards**

The following table contains information concerning all equity and non-equity plan-based awards granted during fiscal 2016 to our Named Executive Officers. All equity plan-based awards were granted under our 2009 Stock Incentive Plan, as amended and restated on April 15, 2014, and all non-equity plan-based awards were granted under our 2016 Bonus Plan.

**Grants of Plan-based Awards Table for Fiscal 2016**

Name	Grant Date	Estimated Future Payouts Under Non-Equity Incentive Plan Awards <sup>(1)</sup>		Estimated Future Payouts Under Equity Incentive Plan Awards <sup>(2)</sup>		All Other Stock Awards: Number of Shares of Stock or Units <sup>(3)</sup>	All Other Option Awards: Number of Securities Underlying Options	Exercise or Base Price of Option Awards <sup>(4)</sup>	Grant Date Fair Value of Stock and Option Awards <sup>(4)</sup>
		Thres-Target	Thres-Maximum	Thres-Target	Thres-Maximum				
G. Tyson Tuttle	2/15/2016	750,000	1,125,000	47,520	95,040	47,519	100,000	\$ 37.88	4,509,590
John C. Hollister	2/15/2016	306,000	459,000	15,840	31,680	29,040			1,610,558
Brandon Tolany	1/28/2016					45,642	72,940	\$ 43.82	3,000,039
Sandeep P. Kumar	2/15/2016	375,000	562,500						
William G. Bock <sup>(5)</sup>	2/15/2016	255,000	382,500	11,220	22,440	15,180			936,639

(1) Amounts shown represent amounts that were available under the 2016 Bonus Plan. Actual bonuses received under the 2016 Bonus Plan by the executive officers are reported in the Summary Compensation Table under the column entitled Non-Equity Incentive Plan Compensation.

(2) Represents MSUs and PSUs.

(3) Represents RSUs.

(4) Includes grant date fair value of Options, MSUs, PSUs and RSUs. A discussion of the assumptions underlying the calculation under ASC Topic 718 are discussed under Note 12, *Stock-Based Compensation* in our Form 10-K for the fiscal year ended December 31, 2016.

(5) See footnote 8 to the Summary Compensation Table of the Executive Compensation section of this Proxy Statement.

**Table of Contents****COMPENSATION DISCUSSION AND ANALYSIS****Outstanding Equity Awards at Fiscal Year-End**

The following table shows all holdings of unexercised stock options and unvested RSU, MSU and PSU awards for each of our Named Executive Officers as of December 31, 2016.

**Outstanding Equity Awards at Fiscal 2016 Year-End Table**

Name	Option Awards				Stock Awards			
	Number of Securities		Option Exercise Price (\$)	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested		Equity Incentive Plan Awards:	
	Underlying Unexercised Options (#)	Market Value of Shares or Units That Have Not Vested (\$)			Number of Unearned Shares, Units or Other Rights That Have Not Vested (#)	Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested (\$)		
			Exercisable	Unexercisable			Have Not Vested (\$)	
G. Tyson Tuttle	100,000 <sup>(1)</sup>	37.88	2/15/2026	84,856 <sup>(2)</sup>	5,515,640	114,077 <sup>(3)</sup>	7,415,005	
John C. Hollister				39,234 <sup>(4)</sup>	2,550,210	33,641 <sup>(5)</sup>	2,186,665	
Brandon Tolany	72,940 <sup>(6)</sup>	43.82	1/28/2026	45,642 <sup>(7)</sup>	2,966,730			
Sandeep P. Kumar				24,716 <sup>(8)</sup>	1,606,540	29,021 <sup>(9)</sup>	1,886,365	
William G. Bock								

- (1) Represents 100,000 Non-qualified stock options granted on February 15, 2016. Assuming continued service, the options associated with this grant will vest one-quarter of the options granted in 2016 on each of the first four anniversaries of the grant date.
- (2) Represents 13,314 RSUs granted on February 15, 2014, 24,023 RSUs granted on February 15, 2015 and 47,519 RSUs granted on February 15, 2016. Assuming continued service, the RSUs associated with these grants vest as follows: 13,314 on February 15, 2017, 12,011 on February 15, 2017 and 12,012 on February 15, 2018 and one-third of the total number of RSUs granted in 2016 shall vest on each of the first three anniversaries of the grant date, respectively.
- (3) Represents 30,523 MSUs granted on March 12, 2014, 36,034 MSUs granted on February 15, 2015, and 23,760 MSUs and 23,760 PSUs granted on February 15, 2016. Assuming continued service, the MSUs associated with these grants vest as follows: on January 31, 2017, January 31, 2018, and January 31, 2019 respectively, with the actual payout contingent upon meeting certain performance criteria. Assuming continued service, the PSUs will vest on February 15, 2019, with the actual payout contingent upon meeting certain performance criteria.
- (4) Represents 3,426 RSUs granted on February 15, 2014, 6,768 RSUs granted on February 15, 2015 and 29,040 RSUs granted on February 15, 2016. Assuming continued service, the RSUs associated with these grants vest as follows: 3,426 on February 15, 2017, 3,384 on each of February 15, 2017 and February 15, 2018, 6,600 on each of Feb