

InvenSense Inc  
Form DEFM14A  
March 28, 2017  
Table of Contents

**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**  
**Washington, D.C. 20549**

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

Filed by the Registrant

Filed by a party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement

**Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material Pursuant to §240.14a-12

**INVENSENSE, INC.**

**(Name of Registrant as Specified In Its Charter)**

**N/A**

**(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.

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- (1) Title of each class of securities to which transaction applies:
- (2) Aggregate number of securities to which transaction applies:
- (3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):
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- (1) Amount previously paid:
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- (3) Filing party:
- (4) Date Filed:



Table of Contents

**InvenSense, Inc.**

1745 Technology Drive, Suite 200

San Jose, California 95110

Dear Stockholder:

We cordially invite you to attend a special meeting of stockholders of InvenSense, Inc., which will be held at our corporate headquarters, 1745 Technology Drive, San Jose, California 95110, on Wednesday, May 17, 2017 at 10:00 a.m. local time.

At the special meeting, you will be asked to consider and vote upon a proposal to adopt the Agreement and Plan of Merger, dated as of December 21, 2016, entered into by and among InvenSense, TDK Corporation and TDK Sensor Solutions Corporation, an indirect wholly-owned subsidiary of TDK Corporation, (such agreement, as it may be amended from time to time, the **Merger Agreement** ), pursuant to which InvenSense would be acquired by TDK Corporation through a merger of InvenSense with TDK Sensor Solutions Corporation (the **Merger** ). At the special meeting, you will also be asked to consider and vote upon a proposal to approve, on a non-binding, advisory basis, the compensation that may be paid or become payable to our named executive officers in connection with the Merger, and a proposal to postpone or adjourn the special meeting, if necessary or appropriate, to solicit additional proxies in favor of the proposal to adopt the Merger Agreement if there are insufficient votes at the time of such adjournment to approve the Merger Agreement.

If the Merger is completed, each share of InvenSense common stock issued and outstanding immediately prior to the completion of the Merger, other than certain shares owned by InvenSense, TDK Corporation and their respective subsidiaries (which shares will be cancelled) and shares held by stockholders who have validly exercised their appraisal rights under Delaware law, will automatically be cancelled and converted into the right to receive \$13.00 in cash, without interest.

The merger consideration represents a 74% premium over the closing price of our common stock on the New York Stock Exchange ( **NYSE** ) on October 27, 2016, the last trading day prior to our announcement that our Board of Directors was exploring strategic alternatives for our business, a 57% premium over the closing price of our common stock on the NYSE on December 8, 2016, the last trading day prior to the announcement of market rumors that we were in discussions to be acquired by TDK Corporation, and a 20% premium over the closing price of our common stock on the NYSE on December 20, 2016, the last trading day prior to our announcement that we had entered into the Merger Agreement.

**After carefully considering the factors more fully described in the accompanying proxy statement, our Board of Directors has unanimously determined that the Merger and Merger Agreement, and the transactions contemplated by the Merger Agreement, are fair to and in the best interests of InvenSense and its stockholders and approved and declared advisable the Merger Agreement and the transactions contemplated thereby. Our Board of Directors recommends that you vote (i) FOR the proposal to adopt the Merger Agreement and thereby approve the transactions contemplated by the Merger Agreement, including the Merger, (ii) FOR the proposal to approve, on a non-binding, advisory basis, the compensation that may be paid or become payable by InvenSense to our named executive officers in connection with the Merger, and (iii) FOR the proposal to approve one or more postponements or adjournments of the special meeting to a later date or dates if necessary or appropriate to solicit additional proxies if there are insufficient votes to adopt the Merger Agreement at the**

**time of the special meeting.**

The enclosed proxy statement provides detailed information about the special meeting, the Merger Agreement and the Merger. A copy of the Merger Agreement is attached as Appendix A to the proxy statement. The proxy statement also describes the actions and determinations of our Board of Directors in connection with its evaluation of the Merger Agreement and the Merger. We encourage you to read the proxy statement and its annexes, including the Merger Agreement, carefully and in their entirety.

**Your vote is very important, regardless of the number of shares that you own. The Merger cannot be completed unless the Merger Agreement is adopted by the affirmative vote of the holders of a majority of the outstanding shares of our common stock entitled to vote at the special meeting. Whether or not you plan to attend the special meeting in person, please sign and return the enclosed proxy card, or vote electronically over the Internet or by telephone as instructed in the proxy materials. If you attend the special meeting and wish to vote in person, you may do so even though you have previously voted by proxy. The failure to vote will have the same effect as voting AGAINST the adoption of the Merger Agreement.**

**If your shares are held in street name, you should instruct your bank, broker or other nominee to vote your shares in accordance with the voting instruction form that you will receive from your bank, broker or other nominee. Your bank, broker or other nominee cannot vote on any of the proposals without your instructions, and the failure to instruct your bank, broker or other nominee how to vote will have the same effect as voting AGAINST the adoption of the Merger Agreement.**

If you have any questions or need assistance voting your shares, please contact our proxy solicitor:

MacKenzie Partners, Inc.

Toll free: (980) 322-2885

Collect: (212) 929-5500

Email: [proxy@mackenziepartners.com](mailto:proxy@mackenziepartners.com)

We look forward to seeing you at the special meeting, and thank you for your continued support of InvenSense.

On behalf of the Board of Directors,

/s/ Behrooz Abdi

Behrooz Abdi

*President and Chief Executive Officer*

*The accompanying proxy statement is dated March 27, 2017, and is first being mailed to stockholders on or about March 29, 2017.*

**Table of Contents**

**InvenSense, Inc.**

1745 Technology Drive, Suite 200

San Jose, California 95110

**NOTICE OF SPECIAL MEETING OF STOCKHOLDERS**

**To be held May 17, 2017**

A special meeting of stockholders of InvenSense, Inc., a Delaware corporation ( InvenSense or the Company ), will be held at the Company's corporate headquarters, 1745 Technology Drive, San Jose, California 95110, on Wednesday, May 17, 2017 at 10:00 a.m. local time, for the following purposes:

1. To consider and vote upon a proposal to adopt the Agreement and Plan of Merger, dated as of December 21, 2016, entered into by and among InvenSense, TDK Corporation and TDK Sensor Solutions Corporation, an indirect wholly-owned subsidiary of TDK Corporation, (as such agreement may be amended from time to time, the Merger Agreement ), pursuant to which InvenSense would be acquired by TDK Corporation through a merger of InvenSense with TDK Sensor Solutions Corporation (the Merger ), and each share of InvenSense common stock issued and outstanding immediately prior to the completion of the Merger, other than shares owned by InvenSense, TDK Corporation and their respective subsidiaries (which shares will be cancelled) and shares held by stockholders who have validly exercised their appraisal rights under Delaware law, will automatically be cancelled and converted into the right to receive \$13.00 in cash, without interest (the Merger Proposal );
2. To consider and vote upon a proposal to approve, on a non-binding, advisory basis, the compensation that may be paid or become payable to InvenSense's named executive officers in connection with the Merger (the Merger-related Compensation Proposal ); and
3. To consider and vote on a proposal to approve the postponement or adjournment of the special meeting, if necessary or appropriate, to solicit additional proxies in favor of the Merger Proposal if there are insufficient votes at the time of the special meeting to approve the Merger Proposal (the Adjournment Proposal ).

The accompanying proxy statement describes the proposals listed above in more detail. Please refer to the accompanying proxy statement, including the Merger Agreement attached as Appendix A to the proxy statement and the other annexes and documents included in, or incorporated by reference into, the proxy statement, for further information with respect to the business to be transacted at the special meeting. You are encouraged to read the entire proxy statement carefully before voting.

The affirmative vote of the holders of a majority of the outstanding shares of common stock entitled to vote at the special meeting is required to approve the Merger Proposal. The affirmative vote of a majority of the outstanding shares of common stock represented at the special meeting, either in person or by proxy, and entitled to vote thereon, is required to approve each of the Merger-related Compensation Proposal and the Adjournment Proposal.

The failure of any stockholder of record to submit a signed proxy card, vote electronically over the Internet or by telephone or vote in person by ballot at the special meeting will have the same effect as a vote **AGAINST** the Merger Proposal. The failure of any stockholder of record to submit a signed proxy card, vote electronically over the Internet or by telephone or attend the special meeting in person will not have any effect on the Merger-related Compensation Proposal or the Adjournment Proposal, however, if a stockholder of record attends the special meeting in person but has not submitted a proxy and fails to vote in person by ballot, that will be treated as an abstention. Abstentions will have the same effect as a vote **AGAINST** the Merger Proposal, the Merger-related Compensation Proposal and the Adjournment Proposal. If you hold your shares in street name and fail to instruct your bank, broker or other nominee on how to vote, your shares will not be voted, which will have the same effect as a vote **AGAINST** the Merger Proposal, but will have no effect on the Merger-related Compensation Proposal or the Adjournment Proposal assuming a quorum is present at the special meeting.

Only stockholders of record as of the close of business on March 23, 2017 are entitled to notice of and to vote at the special meeting or any postponement or adjournment thereof.

Stockholders who do not vote in favor of the proposal to adopt the Merger Agreement will have the right to seek appraisal of the fair value of their shares of common stock if they deliver a demand for appraisal before the vote is taken on the Merger Proposal and comply with all of the requirements of Delaware law, which are summarized in the accompanying proxy statement and reproduced in their entirety in Appendix C to the proxy statement.

**Our Board of Directors unanimously recommends that you vote (i) FOR the Merger Proposal, (ii) FOR the Merger-related Compensation Proposal and (iii) FOR the Adjournment Proposal.**

San Jose, California  
Dated: March 27, 2017

By Order of the Board of Directors,

/s/ Mark Dentinger

Mark Dentinger  
*Chief Financial Officer*

Table of Contents

**ABOUT THIS PROXY STATEMENT**

You should rely only on the information contained in or incorporated by reference into this proxy statement. No one has been authorized to provide you with information that is different from that contained in, or incorporated by reference into, this proxy statement. This proxy statement is dated March 27, 2017, and you should assume that the information contained in this proxy statement is accurate only as of such date. You should also assume that the information incorporated by reference into this proxy statement is accurate only as of the date of such information.

**This proxy statement does not constitute an offer to sell, or a solicitation of an offer to buy, any securities, or the solicitation of a proxy in any jurisdiction to or from any person to whom it is unlawful to make any such offer or solicitation in such jurisdiction.**

Stockholders should not construe the contents of this proxy statement as legal, tax or financial advice. Stockholders should consult with their own legal, tax, financial or other professional advisors. All summaries of, and references to, the agreements governing the terms of the transactions described in this proxy statement are qualified by the full copies of and complete text of such agreements in the forms attached hereto as Annexes, which are available on the website of the Securities and Exchange Commission, [www.sec.gov](http://www.sec.gov).

Table of Contents

## TABLE OF CONTENTS

	Page
<u>SUMMARY</u>	1
<u>QUESTIONS AND ANSWERS</u>	14
<u>CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS</u>	23
<u>PARTIES TO THE MERGER</u>	24
<u>InvenSense, Inc.</u>	24
<u>TDK Corporation</u>	24
<u>TDK Sensor Solutions Corporation</u>	24
<u>THE SPECIAL MEETING</u>	25
<u>Time, Place and Purpose of the Special Meeting</u>	25
<u>Board Recommendation</u>	25
<u>Shares Entitled to Vote; Record Date and Quorum</u>	25
<u>Who Can Vote at the Special Meeting</u>	26
<u>Vote Required; How You Can Vote</u>	26
<u>Stock Ownership and Interests of Certain Persons</u>	27
<u>How You May Change or Revoke Your Vote</u>	28
<u>Proxy Solicitation</u>	28
<u>Adjournments</u>	28
<u>Attending the Special Meeting</u>	28
<u>Assistance</u>	29
<u>THE MERGER</u>	30
<u>Background of the Merger</u>	30
<u>Reasons for the Merger</u>	54
<u>Recommendation of the Board of Directors</u>	58
<u>Certain Prospective Financial Information</u>	58
<u>Opinion of InvenSense's Financial Advisor</u>	63
<u>Treatment of Equity Awards</u>	69
<u>Financing of the Merger</u>	70
<u>Interests of Directors and Executive Officers in the Merger May Differ From Your Interests</u>	71
<u>Golden Parachute Compensation</u>	78
<u>Material U.S. Federal Income Tax Consequences</u>	79
<u>Governmental and Regulatory Approvals</u>	82
<u>Legal Proceedings</u>	83
<u>Anticipated Closing of the Merger</u>	84
<u>Delisting and Deregistration of our Common Stock</u>	84
<u>THE MERGER AGREEMENT</u>	85
<u>Merger Consideration</u>	85
<u>Closing; Effective Time of the Merger</u>	85
<u>Conversion of Shares; Procedures for Exchange of Certificates</u>	85
<u>Effect on Stock Options, RSUs and Shares of Restricted Stock</u>	86
<u>Representations and Warranties</u>	87
<u>Conduct of Business Pending Closing</u>	89
<u>No Solicitation; Other Offers</u>	91
<u>Other Covenants</u>	94

<u>Conditions to the Merger</u>	94
<u>Termination of the Merger Agreement</u>	96
<u>Termination Fees</u>	97
<u>Amendment and Waiver</u>	98
<u>Assignment</u>	98
<u>Governing Law</u>	98

**Table of Contents**

	Page
<b><u>THE VOTING AGREEMENTS</u></b>	100
<u>Voting Provisions</u>	100
<u>Restrictions on Transfer; Other Actions</u>	100
<u>Non-Solicitation</u>	101
<u>Representations and Warranties</u>	101
<u>Other Covenants</u>	101
<u>Termination</u>	102
<b><u>APPRAISAL RIGHTS</u></b>	103
<u>Filing Written Demand</u>	104
<u>Notice by the Surviving Corporation</u>	105
<u>Filing a Petition for Appraisal</u>	105
<b><u>MARKET PRICE AND DIVIDEND DATA</u></b>	108
<b><u>SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND DIRECTORS AND OFFICERS</u></b>	109
<b><u>PROPOSAL 1: THE MERGER PROPOSAL</u></b>	111
<b><u>PROPOSAL 2: THE MERGER-RELATED COMPENSATION PROPOSAL</u></b>	111
<b><u>PROPOSAL 3: THE ADJOURNMENT PROPOSAL</u></b>	112
<b><u>STOCKHOLDER PROPOSALS</u></b>	113
<b><u>HOUSEHOLDING OF PROXY MATERIALS</u></b>	113
<b><u>WHERE YOU CAN FIND MORE INFORMATION</u></b>	114
<u>Appendix A Agreement and Plan of Merger</u>	A-1
<u>Appendix B Opinion of Qatalyst Partners LP</u>	B-1
<u>Appendix C Section 262 of the Delaware General Corporation Law (Appraisal Rights)</u>	C-1
<u>Appendix D Form of Voting Agreement</u>	D-1

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**Table of Contents**

**SUMMARY**

*This summary highlights selected information from this proxy statement with respect to the special meeting and the Merger, and it may not contain all of the information that is important to you. Accordingly, we encourage you to read carefully this entire proxy statement, its appendices and the documents referred to or incorporated by reference in this proxy statement. You may obtain the information incorporated by reference into this proxy statement without charge by following the instructions in the section of this proxy statement captioned *Where You Can Find More Information*.*

*In this proxy statement, the terms *we*, *us*, *our*, *InvenSense* and *the Company* refer to InvenSense, Inc. and our subsidiaries. We sometimes refer to TDK Sensor Solutions Corporation as *Merger Subsidiary*. We refer to Qatalyst Partners LP as *Qatalyst Partners*. We refer to the Agreement and Plan of Merger, dated as of December 21, 2016, by and among InvenSense, TDK Corporation and Merger Subsidiary as the *Merger Agreement*. The Merger Agreement is attached as Annex A to this proxy statement. We encourage you to read the Merger Agreement, which is the legal document that governs the Merger, carefully and in its entirety.*

**Parties to the Merger (see page 24)**

*InvenSense, Inc.* InvenSense is a Delaware corporation headquartered in San Jose, California. We design, develop, market and sell sensor systems on a chip, including accelerometers, gyroscopes and microphones for the mobile, wearable, smart home, gaming, industrial, and automotive market segments. We deliver leading solutions based on our advanced motion and sound technology and are dedicated to bringing the best-in-class size, performance and cost solutions to market. We target solutions such as: smartphones, tablets, wearables, console and portable video gaming devices, digital television and set-top box remote controls, fitness accessories, sports equipment, digital still cameras, automobiles, ultra-books, laptops, hearing aids, stabilization systems, tools, navigation devices, remote controlled toys and other household consumer and industrial devices.

*TDK Corporation and Merger Subsidiary.* TDK Corporation is an electronics company based in Tokyo, Japan. TDK Corporation's portfolio includes electronic components, modules and systems marketed under the product brands TDK Corporation and EPCOS, power supplies, magnetic application products as well as energy devices, flash memory application devices, and others. TDK Corporation focuses in the areas of information and communication technology and consumer, automotive and industrial electronics. Merger Subsidiary is a Delaware corporation and an indirect wholly-owned subsidiary of TDK Corporation formed for purposes of the Merger.

**The Special Meeting (see page 25)**

*Date, Time and Place of Special Meeting.* A special meeting of our stockholders will be held at our corporate headquarters, 1745 Technology Drive, San Jose, California 95110, on Wednesday, May 17, 2017, at 10:00 a.m. local time.

*Purpose of Special Meeting.* The purpose of the special meeting is for our stockholders to consider and vote on the following proposals:

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To adopt the Agreement and Plan of Merger, dated as of December 21, 2016, entered into by and among InvenSense, TDK Corporation and TDK Sensor Solutions Corporation, a wholly-owned subsidiary of TDK Corporation, (such agreement, as it may be amended from time to time, the Merger Agreement ), pursuant to which InvenSense would be acquired by TDK Corporation through a merger of InvenSense with Merger Subsidiary (the Merger ) and each share of InvenSense common stock issued and outstanding immediately prior to the completion of the Merger, other than shares owned by InvenSense, TDK Corporation and their respective subsidiaries (which shares will be cancelled) and

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**Table of Contents**

shares held by stockholders who have validly exercised their appraisal rights under Delaware law, will automatically be cancelled and converted into the right to receive \$13.00 in cash, without interest (the Merger Proposal );

To approve, on a non-binding, advisory basis, the compensation that may be paid or become payable to our named executive officers in connection with the Merger (the Merger-related Compensation Proposal ); and

To approve the postponement or adjournment of the special meeting, if necessary or appropriate, to solicit additional proxies in favor of the Merger Proposal if there are insufficient votes at the time of the special meeting to approve the Merger Proposal (the Adjournment Proposal ).

*Record date of Special Meeting.* Our Board of Directors has established the close of business on March 23, 2017 as the record date for the special meeting (the Record Date ). Only stockholders who held shares of record as of the Record Date are entitled to receive notice of and vote at the special meeting and any postponement or adjournment of the special meeting.

*Shares Outstanding and Quorum.* As of the Record Date, there were 95,577,295 shares of our common stock outstanding and entitled to vote at the special meeting. A quorum is required for stockholders to conduct business at the special meeting. The presence, in person or by proxy, of the holders of a majority of the outstanding shares of our common stock as of the Record Date is necessary to establish a quorum at the special meeting.

*Vote Required.* The affirmative vote, either in person or by proxy, of a majority of our outstanding common stock as of the Record Date is required to approve the Merger Proposal. The affirmative vote of a majority of our outstanding common stock represented at the special meeting, either in person or by proxy, and entitled to vote thereon, is required to approve the Merger-related Compensation Proposal and the Adjournment Proposal.

Concurrently with the execution of the Merger Agreement, our directors, executive officers and certain stockholders, in their capacities as holders of common stock or other equity interests of InvenSense, each entered into a voting agreement with TDK Corporation (each, a Voting Agreement ) pursuant to which each agreed, among other things, to vote their common stock for the approval of the Merger Proposal and against any alternative proposal, and to comply with certain restrictions on the disposition of their common stock. As of the Record Date, the persons who have executed Voting Agreements collectively beneficially owned approximately 14.3% of the outstanding shares of our common stock on an as-converted basis. For more information, see the section of this proxy statement captioned *The Voting Agreements*.

**How Proxies are Counted; Failure to Vote; Abstentions and Broker Non-Votes (see page 26)**

*The Merger Proposal.* Failures to vote (whether by proxy or in person at the special meeting) and broker non-votes will have the same effect as a vote AGAINST the Merger Proposal.

The term broker non-vote refers to shares held by a bank, broker or other nominee (for the benefit of its client) that are represented at the special meeting, but with respect to which such bank, broker or other nominee is not instructed to vote on a particular proposal and does not have discretionary authority to vote on that proposal. Banks, brokers and other nominees do not have discretionary authority to vote on the Merger Proposal, the Merger-related Compensation Proposal or the Adjournment Proposal, and accordingly may not vote on such matters absent instructions from the beneficial holder. As a result, such shares will not be represented at the special meeting. If you hold your shares in

street name or through a bank, broker or other nominee, it is important that you give your bank, broker or nominee your voting instructions.

*The Merger-related Compensation Proposal.* If you are a stockholder of record and attend the special meeting in person but fail to vote, or mark your proxy ABSTAIN, it will have the same effect as a vote AGAINST the Merger-related Compensation Proposal. If your shares are held in street name and you fail

**Table of Contents**

to instruct your bank, broker or other nominee to vote, it will have no effect on the Merger-related Compensation Proposal (assuming a quorum is present).

*The Adjournment Proposal.* If you are a stockholder of record and attend the special meeting in person but fail to vote, or you mark your proxy **ABSTAIN**, it will have the same effect as a vote **AGAINST** the Adjournment Proposal. If your shares are held in street name and you fail to instruct your bank, broker or other nominee to vote, it will have no effect on the Adjournment Proposal (assuming a quorum is present).

*Voting.* You will have one vote for each share of our common stock you owned on the Record Date.

*For Stockholders of Record:*

In addition to voting in person at the special meeting, if you are the record holder of your shares of common stock, you may submit a proxy as follows:

*By Internet.* The web address and instructions for Internet proxy submission can be found on the enclosed proxy card. Internet proxy submission via the web address indicated on the enclosed proxy card is available 24 hours a day. If you choose to submit your proxy by Internet, then you do not need to return the proxy card. To be valid, your Internet proxy must be received by 11:59 p.m. (U.S. Eastern Time) on the day preceding the special meeting.

*By Telephone.* The toll-free number for telephone proxy submission can be found on the enclosed proxy card. Telephone proxy submission is available 24 hours a day. If you choose to submit your proxy by telephone, then you do not need to return the proxy card. To be valid, your telephone proxy must be received by 11:59 p.m. (U.S. Eastern Time) on the day preceding the special meeting.

*By Mail.* Mark the enclosed proxy card, sign and date it, and return it in the postage-paid envelope we have provided. To be valid, your proxy by mail must be received by 11:59 p.m. (U.S. Eastern Time) on the day preceding the special meeting.

We request that stockholders submit their proxies over the Internet, by telephone or by completing and signing the accompanying proxy and returning it as soon as possible in the enclosed postage-paid envelope. When the accompanying proxy is returned properly executed (including proper proxy submission by Internet or telephone), the shares of common stock represented by it will be voted at the special meeting in accordance with the instructions contained on the proxy card.

If you sign and return your proxy without indicating how to vote on any particular proposal, the common stock represented by your proxy will be voted **FOR** each proposal in accordance with the recommendation of our Board of Directors.

*For Beneficial Owners:*

If your shares of common stock are held in street name by a broker, bank or other nominee, you have the right to direct your broker, bank or other nominee on how to vote your shares of common stock. Your broker, bank or other nominee, as applicable, may establish an earlier deadline by which you must provide instructions to it for how to vote

your shares of common stock. You should read carefully the materials provided to you by your broker, bank or other nominee. Because a beneficial owner is not the stockholder of record, you may not vote these shares of common stock at the special meeting unless you obtain a legal proxy from the broker, bank or other nominee that holds your shares of common stock giving you the right to vote such shares at the special meeting.

**Revocation of Proxies (see page 28)**

You may revoke your proxy at any time before the vote is taken at the special meeting.

## **Table of Contents**

If you are a stockholder of record, you may revoke a proxy by (1) delivering to our Corporate Secretary at 1745 Technology Drive, San Jose, California 95110, a written notice of revocation no later than 11:59 p.m. Eastern Time on the day before the special meeting, (2) delivering no later than 11:59 p.m. Eastern Time on the day before the special meeting, a duly executed proxy dated after the date of the proxy you wish to revoke, or (3) attending the special meeting and voting your shares in person. Merely attending the special meeting will not, by itself, constitute revocation of your proxy.

If your shares are held in street name and you have instructed your broker, bank or other nominee to vote your shares, you must follow the directions provided by your broker, bank or other nominee to change those instructions. You may also vote in person at the special meeting if you obtain a legal proxy from your bank, broker or other nominee.

### **The Merger (see page 30)**

We are asking our stockholders to consider and vote upon the Merger Proposal, which will provide for the adoption of the Merger Agreement pursuant to which TDK Corporation will acquire InvenSense through a merger of InvenSense and Merger Subsidiary. Our Board of Directors is providing this proxy statement and the accompanying form of proxy to holders of our common stock in connection with the solicitation of proxies for use at the special meeting of stockholders.

The full text of the Merger Agreement is attached as Appendix A to this proxy statement. **We urge you to read the Merger Agreement carefully and in its entirety.** If the Merger Proposal is approved by our stockholders and the transaction closes as contemplated, InvenSense will become an indirect wholly-owned subsidiary of TDK Corporation, and you will be entitled to receive \$13.00 cash, without interest and less any required tax withholding, for each share of our common stock that you own, and:

you will no longer have any interest in our future earnings or growth;

we will no longer be a public company;

our common stock will no longer be traded on the New York Stock Exchange (the NYSE); and

we will no longer be required to file periodic and other reports with the SEC.

### **Market Price Information (see page 108)**

Our common stock is listed on the NYSE under the trading symbol INVN. The merger consideration represents a 74% premium over the closing price of our common stock on the NYSE on October 27, 2016, the last trading day prior to our announcement that our Board of Directors was exploring strategic alternatives for our business, a 57% premium over the closing price of our common stock on the NYSE on December 8, 2016, the last trading day prior to the announcement of market rumors that we were in discussions to be acquired by TDK Corporation, and a 20% premium over the closing price of our common stock on the NYSE on December 20, 2016, the last trading day prior to our announcement that we had entered into the Merger Agreement. On March 24, 2017, the last trading day before the

date of this proxy statement, the closing price of our common stock on the NYSE was \$12.60.

**Recommendation of the Board of Directors (see page 58)**

Our Board of Directors has unanimously determined that the terms of the Merger are fair to and in the best interests of the Company and our stockholders, has approved and declared advisable the Merger Agreement and the transactions contemplated thereby and has unanimously recommended approval and adoption of the Merger Agreement and the Merger by our stockholders.

**Our Board of Directors unanimously recommends that you vote FOR the Merger Proposal, FOR the Merger-related Compensation Proposal and FOR the Adjournment Proposal.**

**Interests of Directors and Executive Officers in the Merger (see page 71)**

**Table of Contents**

In considering the recommendation of our Board of Directors that you vote in favor of the Merger Proposal, you should be aware that certain of our directors and executive officers may have interests in the Merger that are different from, or are in addition to, the interests of InvenSense and our stockholders generally. These interests may create a potential conflict of interest and may be perceived to have affected their decision to support or approve the Merger. Our Board of Directors was aware of these potential conflicts of interest during its deliberations on the merits of the Merger and in making its decision to approve the Merger Agreement, the Merger and the related transactions. As further described below, these interests include, but are not limited to:

In the case of our non-employee directors, accelerated vesting of all equity awards.

In the case of certain of our named executive officers, the receipt of potential retention bonus payments, additional retention bonus payments (for Mr. Abdi), and accelerated payment of a percentage of the deferred cash award attributable to the otherwise unvested portion of certain equity awards held by them, in each case pursuant to letter agreements entered into in connection with the Merger Agreement and payable to such officers if they remain an employee of InvenSense until the later of the consummation of the Merger and December 21, 2017 (the first anniversary of the date we signed the Merger Agreement).

In the case of our named executive officers, accelerated vesting (on a double-trigger basis) with respect to 100% of their equity awards and contractual severance pay and benefit continuation in the event of a qualifying termination within 90 days prior to or 18 months following the Merger (for Mr. Abdi) or within 30 days prior to or 18 months following the Merger (for the other named executive officers).

In the case of both our non-employee directors and named executive officers, continuation of indemnification rights and coverage under our directors and officers liability insurance policies. Stockholders should be aware of these interests when considering our Board of Directors recommendation to approve the Merger Proposal.

**Opinion of InvenSense's Financial Advisor (see page 63)**

In connection with the Merger, Qatalyst Partners rendered to our Board of Directors its oral opinion, subsequently confirmed in writing, that as of December 20, 2016 (Pacific Standard Time), and based upon and subject to the various assumptions, considerations, limitations and other matters set forth in the opinion, the \$13.00 in cash per share merger consideration to be received by the holders of InvenSense common stock, other than TDK Corporation or any affiliate of TDK Corporation, pursuant to the Merger Agreement, was fair, from a financial point of view, to such holders.

**The full text of the opinion of Qatalyst Partners, dated December 20, 2016, is attached to this proxy statement as Appendix B and is incorporated into this proxy statement by reference. The opinion sets forth, among other things, the assumptions made, procedures followed, matters considered and limitations and qualifications of the review undertaken by Qatalyst Partners in rendering its opinion. You should read the opinion carefully in its entirety.**

Qatalyst Partners' opinion was provided to our Board of Directors and addressed only, as of the date of the opinion, the fairness, from a financial point of view, of the \$13.00 in cash per share merger consideration to be received by the holders of InvenSense common stock, other than TDK Corporation or any affiliate of TDK Corporation, pursuant to the Merger Agreement. It does not address any other aspect of the Merger. It does not constitute a recommendation to any stockholder of InvenSense as to how to vote with respect to the Merger or any other matter and does not in any manner address the price at which the shares of InvenSense common stock will trade at any time.

**Treatment of Equity Awards (see page 69)**

**Table of Contents**

*Stock Options.* Each vested stock option, including stock options which vest on the Merger ( *Vested Option* ), that is outstanding and unexercised immediately prior to the effective time of the Merger and that has an exercise price per share that is less than the merger consideration will be cancelled in exchange for a payment to the holder of an amount in cash equal to the excess of the merger consideration of \$13.00 per share over the applicable exercise price per share of the *Vested Option*, multiplied by the number of shares of common stock underlying the award.

Each unvested stock option ( *Unvested Option* ) that is outstanding and unexercised immediately prior to the effective time of the Merger and that has an exercise price per share that is less than the merger consideration will be converted into a deferred cash award in an amount equal to the excess of the merger consideration of \$13.00 per share over the applicable exercise price per share of the *Unvested Option*, multiplied by the number of shares of common stock underlying the award. Each such deferred cash award will be paid in cash in accordance with the vesting schedule applicable to the corresponding *Unvested Option*, but only if the holder of such deferred cash award satisfies all of the vesting conditions that would have related to the terminated *Unvested Option* (including continued employment requirements through the applicable date(s) of vesting).

Each *Vested Option* and *Unvested Option* that has an exercise price per share that is equal to or greater than the merger consideration and each *Unvested Option* that is subject to vesting based on performance criteria that have not been achieved as of the effective time of the Merger will be cancelled without any consideration to the holder thereof.

*Restricted Stock Units.* Each restricted stock unit ( *RSU* ) that is vested, including RSUs which vest on the Merger ( *Vested RSU* ) that is outstanding immediately prior to the effective time of the Merger will be cancelled in exchange for a payment to the holder of an amount in cash equal to the merger consideration of \$13.00 per share, multiplied by the number of shares of common stock underlying the award.

Each unvested RSU ( *Unvested RSU* ) that is outstanding immediately prior to the effective time of the Merger will be converted into a deferred cash award in an amount equal to the merger consideration of \$13.00 per share, multiplied by the number of shares of common stock underlying the award. Each such deferred cash award will be paid in cash in accordance with the vesting schedule applicable to the corresponding *Unvested RSU*, but only if the holder of such deferred cash award satisfies all of the vesting conditions that would have related to the terminated *Unvested RSU* (including continued employment requirements through the applicable date(s) of vesting).

*Restricted Stock Awards.* Each unvested share of restricted stock that is outstanding immediately prior to the effective time of the Merger will be converted into a deferred cash award in an amount equal to the merger consideration of \$13.00 per share. Each such deferred cash award will be paid in cash in accordance with the vesting schedule applicable to the corresponding share of restricted stock, but only if the holder of such deferred cash award satisfies all of the vesting conditions that would have related to the terminated unvested share of restricted stock (including continued employment requirements through the applicable date(s) of vesting).

*Accelerated Vesting for Certain Awards.* The equity-based awards held by our non-employee directors, to the extent then unvested, will accelerate and vest upon the Merger. In connection with the Merger, we entered into letter agreements with Messrs. Abdi, Goehl and Maghsoudnia, which provide for the accelerated payment immediately following the Merger of a percentage of the deferred cash award attributable to the otherwise unvested portion of their equity awards (limited, however, to unvested shares of restricted stock in the case of Mr. Abdi), to which they will become entitled at the effective time of the Merger. Such accelerated payment will proportionately reduce any future payments to be made to them on the applicable vesting dates with respect to such deferred cash awards. The accelerated payment of a percentage of such deferred cash awards is effectively the same as accelerated vesting at the time of the Merger of that percentage of the otherwise unvested portion of their equity awards (limited, however, to



**Table of Contents**

unvested shares of restricted stock in the case of Mr. Abdi). In the case of our named executive officers, pursuant to their executive change in control and severance agreements, 100% of the equity awards held by them that will not vest prior to or upon the Merger are subject to accelerated vesting (on a double-trigger basis) in the event of a qualifying termination within 90 days prior to or 18 months following the Merger (for Mr. Abdi) or within 30 days prior to or 18 months following the Merger (for the other named executive officers).

**Financing of the Merger (see page 70)**

We anticipate that the total amount of funds necessary to complete the Merger and the related transactions will be approximately \$1.3 billion, which will be funded through available cash on hand of TDK Corporation. This amount includes funds needed to pay our stockholders the amounts due under the Merger Agreement and make payments in respect of certain of our outstanding equity-based awards pursuant to the Merger Agreement.

**Voting Agreements (see page 100)**

Concurrently with the execution of the Merger Agreement, the directors, executive officers and certain stockholders of InvenSense, in their capacities as holders of our common stock or other equity interests, each entered into a Voting Agreement pursuant to which each agreed, among other things, to (i) vote their shares of our common stock for the Merger Proposal and against any alternative proposal, and (ii) comply with certain restrictions on the disposition of the shares of our common stock they own, subject to the terms and conditions contained in the Voting Agreement. Each of the Voting Agreements will terminate upon the earlier of (a) the termination of the Merger Agreement in accordance with its terms, (b) the effective time of the Merger, (c) the end date specified in the Merger Agreement and (d) such time as the Merger Agreement is amended to change the form or reduce the amount of the merger consideration.

As of the Record Date, the persons who have executed Voting Agreements collectively beneficially owned approximately 14.3% of the outstanding shares of our common stock on an as-converted basis.

**Material U.S. Federal Income Tax Consequences (see page 79)**

In general, your receipt of the merger consideration will be a taxable transaction for U.S. federal income tax purposes if you are a U.S. Holder (as defined in the section of this proxy statement captioned *The Merger Material U.S. Federal Income Tax Consequences* ). If you are a U.S. Holder, for U.S. federal income tax purposes, you will generally recognize gain or loss equal to the difference, if any, between the amount of cash received pursuant to the Merger and your adjusted basis in the shares surrendered. If you are a Non-U.S. Holder (as defined in the section of this proxy statement captioned *The Merger Material U.S. Federal Income Tax Consequences* ), you will generally not be subject to U.S. federal income tax with respect to the exchange of our common stock for cash in the Merger unless you have certain connections with the United States. The tax consequences of the Merger to you will depend upon your own particular circumstances. You should review the discussion under the section of this proxy statement captioned *The Merger Material U.S. Federal Income Tax Consequences* and consult your tax advisor in order to fully understand how the Merger will affect you.

**Delisting and Deregistration of our Common Stock (see page 84)**

If the Merger is completed, our common stock will be delisted from the NYSE and deregistered under the Securities Exchange Act of 1934, as amended (the Exchange Act ), and we will no longer file periodic reports with the SEC.

**Governmental and Regulatory Approvals (see page 82)**

Under the Merger Agreement, the Merger cannot be completed until (i) the applicable waiting period under the Hart-Scott-Rodino Antitrust Improvements Act of 1976 (the HSR Act ) or any other applicable

**Table of Contents**

antitrust laws, have expired or been terminated and (ii) clearance has been obtained from the Committee on Foreign Investment in the United States (CFIUS). TDK Corporation and InvenSense filed the notification and report forms under the HSR Act with the U.S. Federal Trade Commission and the Antitrust Division on January 13, 2017 and the mandatory waiting period under the HSR Act expired on February 13, 2017. InvenSense and TDK Corporation filed a joint voluntary notice with CFIUS on February 16, 2017. The notice has been accepted for review by CFIUS with the first day of the review period commencing on February 27, 2017. In addition, TDK Corporation and InvenSense cannot complete the Merger until the required submissions have been made and approvals granted under the South Korea Monopoly Regulation and Fair Trade Act and the Republic of China (Taiwan) Fair Trade Law of 1991. TDK Corporation filed the required submission with the Korea Fair Trade Commission on February 23, 2017 and with the Taiwan Fair Trade Commission on March 2, 2017. In addition, TDK Corporation submitted an application to the French Ministry of the Economy on February 6, 2017 for an approval of the Merger under Articles L.151-3 and R.153-1 et seq. of the French Monetary and Financial Code in respect of foreign investment controls. The French Ministry of the Economy provided its clearance of the Merger on March 24, 2017.

**Legal Proceedings (see page 83)**

To date six people, each alleging that he or she owns common stock in the Company, have filed purported class action lawsuits against the Company and its board of directors in the United States District Court for the Northern District of California: *Marc Nuzzo v. InvenSense, Inc., Behrooz Abdi, Amir Faintuch, Usama Fayyad, Emiko Higashi, Jon Olson, Amit Shah, Eric Stang, Yunbei Yu, TDK Corporation and TDK Sensor Solutions Corporation, No. 5:17-cv-00859-JD (N.D. Cal., filed Feb. 21, 2017)*; *Marc Chicorel v. InvenSense, Inc., Behrooz Abdi, Amir Faintuch, Usama Fayyad, Emiko Higashi, Jon Olson, Amit Shah, Eric Stang and Yunbei Yu, No. 5:17-cv-00901 (N.D. Cal., filed Feb. 22, 2017)*; *David Dunham v. InvenSense, Inc., Behrooz Abdi, Amir Faintuch, Emiko Higashi, Jon Olson, Amit Shah, Eric Stang, Yunbei Yu, Usama Fayyad, TDK Corporation and TDK Sensor Solutions Corporation, No. 5:17-cv-00957 (N.D. Cal., filed Feb. 24, 2017)*; *Atef Isaac v. InvenSense, Inc., Behrooz Abdi, Amir Faintuch, Usama Fayyad, Emiko Higashi, Jon Olson, Amit Shah, Eric Stang and Yunbei Ben Yu, No. 3:17-cv-01014 (N.D. Cal., filed Feb. 27, 2017)*; *Amy Holzman v. InvenSense, Inc., Behrooz Abdi, Amit Shah, Jon Olson, Eric Stang, Amir Faintuch, Usama Fayyad, Emiko Higashi, Yunbei Yu, TDK Corporation and TDK Sensor Solutions Corporation, No. 5:17-cv-01038 (N.D. Cal., filed Feb. 28, 2017)*; and *George E. Rollins v. InvenSense, Inc., Behrooz Abdi, Amir Faintuch, Usama Fayyad, Emiko Higashi, Jon Olson, Amit Shah, Eric Stang, Yunbei Ben Yu, TDK Corporation, and TDK Sensor Solutions Corporation, No. 3:17-cv-001574 (N.D. Cal., filed Mar. 23, 2017)*.

The lawsuits all challenge the Company's proposed acquisition by TDK Corporation and TDK Sensor Solutions Corporation; four of the six also name as defendants TDK Corporation and TDK Sensor Solutions Corporation. All six complaints assert a claim under section 14(a) of the Exchange Act and SEC Rule 14a-9 against the Company and its directors, and a control person claim under section 20(a) of the Exchange Act against the Company's directors; three of the complaints assert the control person claim against TDK Corporation and TDK Sensor Solutions Corporation as well. The complaints allege that the Company's preliminary proxy statement filed with the SEC on February 3, 2017 (preliminary proxy) is materially false and misleading because it omits certain information about the Company's financial projections and the financial analysis performed by the Company's financial advisor, Qatalyst Partners; some also allege that the preliminary proxy omits information about the process that led to the merger; finally, one makes allegations with respect to the reasonableness of certain assumptions underlying such financial analysis.

One of the complaints (*Dunham*) also asserts a claim for breach of fiduciary duty against the individual defendants and a claim for aiding and abetting the individual defendants' alleged breaches of fiduciary duty against the Company, TDK Corporation and TDK Sensor Solutions Corporation. This complaint alleges that the individual defendants

breached their fiduciary duties of loyalty, good faith, due care and disclosure by not taking steps to achieve adequate consideration for shareholders, by engineering the merger to benefit

**Table of Contents**

themselves and TDK at the expense of other shareholders, and by agreeing to deal protection terms that unduly deter topping bids. While the other five complaints do not assert fiduciary duty claims as such, several of them include factual allegations similar to those made in the *Dunham* complaint.

With some variations, the complaints all seek: orders preliminarily and permanently enjoining defendants from closing the merger or, if the merger closes, rescinding it or awarding damages; declaratory relief against the merger and the preliminary proxy; and attorneys' fees and costs.

The Company and its directors have waived service of summons or agreed to waive service of summons in all six lawsuits.

**Anticipated Closing of the Merger (see page 84)**

The closing of the Merger will occur as soon as possible, but in any event, no later than five business days after all of the closing conditions have been met or waived by the party or parties entitled to the benefit thereof, or on such other date as is mutually agreed upon by TDK Corporation and InvenSense. We currently expect the Merger to be completed in the second half of fiscal year ended March 31, 2018, although we cannot assure completion by any particular date, if at all. We will issue a press release and letters of transmittal for your use once the Merger has been completed.

**Conditions to the Completion of the Merger (see page 94)**

The Merger Agreement provides that the parties' obligations to complete the Merger are subject to the satisfaction (or waiver, if