

CAVIUM, INC.
Form DEF 14A
April 29, 2014

SCHEDULE 14A INFORMATION

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

CAVIUM, INC.

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement if Other Than the Registrant)

Payment of Filing Fee (Check the appropriate box)

- ☒ No fee required.
- ☐ Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

1. Title of each class of securities to which transaction applies:

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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6. Amount Previously Paid:

7. Form, Schedule or Registration Statement No.:

8. Filing Party:

9. Date Filed:

CAVIUM, INC.

2315 N. FIRST STREET

SAN JOSE, CA 95131

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

To Be Held On June 19, 2014

Dear Stockholder:

You are cordially invited to attend the Annual Meeting of Stockholders of Cavium, Inc., a Delaware corporation. The meeting will be held on June 19, 2014, at 10 a.m. local time at 2315 N. First Street, San Jose, CA 95131 for the following purposes:

1. To elect one nominee for director named herein to hold office until the 2017 Annual Meeting of Stockholders.
2. To ratify the selection by the Audit Committee of the Board of Directors of PricewaterhouseCoopers LLP as the independent auditors of Cavium for its fiscal year ending December 31, 2014.
3. To approve, on an advisory basis, the compensation of Cavium's named executive officers, as disclosed in this proxy statement.
4. To conduct any other business properly brought before the meeting.

These items of business are more fully described in the Proxy Statement accompanying this Notice.

The record date for the Annual Meeting is April 22, 2014. Only stockholders of record at the close of business on that date may vote at the meeting or any adjournment thereof.

By Order of the Board of Directors

/s/ Vincent P. Pangrazio

VINCENT P. PANGRAZIO

Secretary

San Jose, California

April 29, 2014

You are cordially invited to attend the meeting in person. Whether or not you expect to attend the meeting, please complete, date, sign and return the proxy mailed to you, or vote over the telephone or the internet as instructed in these materials, as promptly as possible to ensure your representation at the meeting. Even if you have voted by proxy, you may still vote in person if you attend the meeting. Please note, however, that if your shares are held of record by a broker, bank or other nominee and you wish to vote at the meeting, you must obtain a proxy issued in your name from that record holder.

The Board of Directors recommends that you vote FOR the proposals identified above.

CAVIUM, INC.

2315 N. First Street

San Jose, CA 95131

PROXY STATEMENT

FOR THE 2014 ANNUAL MEETING OF STOCKHOLDERS

JUNE 19, 2014

QUESTIONS AND ANSWERS ABOUT THESE PROXY MATERIALS AND VOTING

Why am I receiving these materials?

Our Board of Directors is soliciting your proxy to vote at our 2014 Annual Meeting of Stockholders, including at any adjournments or postponements of the meeting. You are invited to attend the annual meeting to vote on the proposals described in this proxy statement. However, you do not need to attend the meeting to vote your shares. Instead, follow the instructions below to submit your proxy over the telephone or through the internet.

We intend to mail the Notice of Internet Availability of Proxy Materials (the "Notice") on or about April 30, 2014 to all stockholders of record entitled to vote at the annual meeting.

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

Pursuant to rules adopted by the Securities and Exchange Commission (the "SEC"), we have elected to provide access to our proxy materials over the internet. Accordingly, we have sent you a Notice because our Board of Directors is soliciting your vote at the 2014 Annual Meeting of Stockholders, including at any adjournments or postponements of the meeting. All stockholders will have the ability to access the proxy materials on the website referred to in the Notice or request to receive a printed set of the proxy materials. Instructions on how to access the proxy materials over the internet or to request a printed copy may be found in the Notice.

Will I receive any other proxy materials by mail?

We may send you a proxy card, along with a second Notice, on or after May 10, 2014. In addition, if you wish, we will send to you paper copies of our proxy materials, including a proxy card. Instructions on how to request paper copies of the proxy materials can be found in the Notice.

How do I attend the annual meeting?

The meeting will be held on June 19, 2014 at 10 a.m. local time at 2315 N. First Street, San Jose, CA 95131. Directions to the annual meeting, which is located at our corporate headquarters, may be found at www.cavium.com. Information on how to vote in person at the annual meeting is discussed below.

Who can vote at the annual meeting?

Only stockholders of record at the close of business on April 22, 2014 will be entitled to vote at the annual meeting. On this record date, there were 52,835,888 shares of common stock outstanding and entitled to vote.

Stockholder of Record: Shares Registered in Your Name

If on April 22, 2014, your shares were registered directly in your name with Cavium's transfer agent, Computershare, then you are a stockholder of record. As a stockholder of record, you may vote in person at the meeting or vote by proxy. Whether or not you plan to attend the meeting, we urge you to fill out and return the proxy mailed to you or vote by proxy over the telephone or on the internet as instructed below to ensure your vote is counted.

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

If on April 22, 2014, your shares were held, not in your name, but rather in an account at a brokerage firm, bank, dealer, or other similar organization, then you are the beneficial owner of shares held in street name and the Notice is being forwarded to you by that organization. The organization holding your account is considered to be the stockholder of record for purposes of voting at the annual meeting. As a beneficial owner, you have the right to direct your broker or other agent regarding how to vote the shares in your account. You are also invited to attend the annual meeting. However, since you are not the stockholder of record, you may not vote your shares in person at the meeting unless you request and obtain a valid proxy from your broker or other agent.

What am I voting on?

There are three matters scheduled for a vote:

Election of the director named as a nominee in this proxy statement;

Ratification of the selection by the Audit Committee of the Board of Directors of PricewaterhouseCoopers LLP as the independent auditors of Cavium for its fiscal year ending December 31, 2014; and

Advisory approval of the compensation of Cavium's named executive officers, as disclosed in this proxy statement in accordance with SEC rules.

What if another matter is properly brought before the meeting?

The Board of Directors knows of no other matters that will be presented for consideration at the annual meeting. If any other matters are properly brought before the meeting, it is the intention of the persons named in the accompanying proxy to vote on those matters in accordance with their best judgment.

How do I vote?

You may either vote For the nominee to the Board of Directors or you may Withhold your vote for the nominee. For each of the other matters to be voted on, you may vote For or Against or abstain from voting.

The procedures for voting are fairly simple:

Stockholder of Record: Shares Registered in Your Name

If you are a stockholder of record, you may vote in person at the annual meeting, vote by proxy over the telephone, vote by proxy through the internet or vote by proxy using a proxy card that you may request or that we may elect to deliver at a later time. Whether or not you plan to attend the meeting, we urge you to vote by proxy to ensure your vote is counted. You may still attend the meeting and vote in person even if you have already voted by proxy.

To vote in person, come to the annual meeting and we will give you a ballot when you arrive.

To vote using the proxy card, simply complete, sign and date the proxy card that may be delivered to you and return it promptly in the envelope provided. If you return your signed proxy card to us before the annual meeting, we will vote your shares as you direct.

To vote over the telephone, dial toll-free 1-800-690-6903 using a touch-tone phone and follow the recorded instructions. You will be asked to provide the company number and control number from the Notice. Your vote must be received by 11:59 p.m. Eastern Time on June 18, 2014 to be counted.

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To vote through the internet, go to <http://www.proxyvote.com> to complete an electronic proxy card. You will be asked to provide the company number and control number from the Notice. Your vote must be received by 11:59 p.m. Eastern Time June 18, 2014 to be counted.

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

If you are a beneficial owner of shares registered in the name of your broker, bank, or other agent, you should have received a Notice containing voting instructions from that organization rather than from Cavium. Simply follow the voting instructions in the Notice to ensure that your vote is counted. To vote in person at the annual meeting, you must obtain a valid proxy from your broker, bank, or other agent. Follow the instructions from your broker or bank, or contact your broker or bank to request a proxy form.

We provide telephone and internet proxy voting to allow you to vote your shares telephonically or online, with procedures designed to ensure the authenticity and correctness of your proxy vote instructions. However, please be aware that you must bear any costs associated with your telephone or internet access, such as usage charges from internet access providers and telephone companies.

How many votes do I have?

On each matter to be voted upon, you have one vote for each share of common stock you own as of April 22, 2014.

What happens if I do not vote?

Stockholder of Record: Shares Registered in Your Name

If you are a stockholder of record and do not vote by completing your proxy card, by telephone, through the internet or in person at the annual meeting, your shares will not be voted.

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

If you are a beneficial owner and do not instruct your broker, bank, or other agent how to vote your shares, the question of whether your broker or nominee will still be able to vote your shares depends on whether the New York Stock Exchange (NYSE) deems the particular proposal to be a routine matter. Brokers and nominees can use their discretion to vote uninstructed shares with respect to matters that are considered to be routine, but not with respect to non-routine matters. Under the rules and interpretations of the NYSE, non-routine matters are matters that may substantially affect the rights or privileges of shareholders, such as mergers, shareholder proposals, elections of directors (even if not contested), executive compensation (including any advisory shareholder votes on executive compensation and on the frequency of shareholder votes on executive compensation), and certain corporate governance proposals, even if management-supported. Accordingly, your broker or nominee may not vote your shares on Proposals 1 or 3 without your instructions, but may vote your shares on Proposal 2.

What if I return a proxy card or otherwise vote but do not make specific choices?

If you return a signed and dated proxy card or otherwise vote without marking voting selections, your shares will be voted, as applicable, For the election of the nominee for director, For the ratification of PricewaterhouseCoopers LLP as independent auditors of Cavium for its fiscal year ending December 31, 2014, and For the advisory approval of executive compensation. If any other matter is properly presented at the meeting, your proxyholder (one of the individuals named on your proxy card) will vote your shares using his or her best judgment.

Who is paying for this proxy solicitation?

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

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

If you receive more than one Notice, your shares may be registered in more than one name or in different accounts. Please follow the voting instructions on the Notices to ensure that all of your shares are voted.

Can I change or revoke my vote after submitting my proxy?

Stockholder of Record: Shares Registered in Your Name

Yes. You can revoke your proxy at any time before the final vote at the meeting.

If you are the record holder of your shares, you may revoke your proxy in any one of the following ways:

You may submit a properly completed proxy card with a later date.

You may grant a subsequent proxy by telephone or through the internet.

You may send a timely written notice that you are revoking your proxy to Cavium's Secretary at 2315 N. First Street, San Jose, California, 95131.

You may attend the annual meeting and vote in person. Simply attending the meeting will not, by itself, revoke your proxy. Your most current proxy card or telephone or internet proxy is the one that is counted.

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

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

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

To be considered for inclusion in next year's proxy materials, your proposal must be submitted in writing by December 31, 2014, to Cavium's Secretary at 2315 N. First Street, San Jose, California 95131. If you wish to submit a proposal that is not to be included in next year's proxy materials or nominate a director, you must provide specified information to Cavium's Secretary at 2315 N. First Street, San Jose, California 95131 between February 19, 2015 and March 23, 2015, unless the date of our 2015 annual meeting of stockholders is before May 20, 2015 or after July 19, 2015, in which case the proposals shall be submitted no earlier than 120 days prior to the 2015 annual meeting of stockholders and no later than the later of (i) 90 days before the 2015 annual meeting of stockholders or (ii) ten days after notice of the date of the 2015 annual meeting of stockholders is publicly given. You are also advised to review our Bylaws, which contain additional requirements regarding advance notice of stockholder proposals and director nominations.

How are votes counted?

Votes will be counted by the inspector of election appointed for the meeting, who will separately count: with respect to the election of the directors, For and Withhold votes and, with respect to other proposals, votes For and Against, abstentions and, if applicable, broker non-votes. Abstentions will be counted towards the vote total for proposals 2 and 3, and will have the same effect as Against votes. Broker non-votes have no effect and will not be counted towards the vote total for any proposal.

What are broker non-votes ?

As discussed above, when a beneficial owner of shares held in street name does not give instructions to the broker or nominee holding the shares as to how to vote on matters deemed non-routine, the broker or nominee cannot vote the shares. These unvoted shares are counted as broker non-votes.

How many votes are needed to approve each proposal?

For the election of the director, Proposal 1, the nominee receiving the most For votes from the holders of votes of shares present in person or represented by proxy and entitled to vote on the election of directors will be elected. Only votes For or Withheld will affect the outcome. Broker non-votes will have no effect.

To be approved, Proposal 2, the ratification of the selection by the Audit Committee of the Board of Directors of PricewaterhouseCoopers LLP as the independent auditors of Cavium for its fiscal year ending December 31, 2014, must receive For votes from the holders of a majority of shares present in person or represented by proxy and entitled to vote. If you Abstain from voting, it will have the same effect as an Against vote. Broker non-votes will have no effect.

Proposal 3, advisory approval of the compensation of Cavium's named executive officers, will be considered to be approved if it receives For votes from the holders of a majority of shares present in person or represented by proxy and entitled to vote. If you Abstain from voting, it will have the same effect as an Against vote. Broker non-votes will have no effect.

What is the quorum requirement?

A quorum of stockholders is necessary to hold a valid meeting. A quorum will be present if stockholders holding at least a majority of the outstanding shares entitled to vote are present at the meeting in person or represented by proxy. On the record date, there were 52,835,888 shares outstanding and entitled to vote. As a result, stockholders holding at least 26,417,945 shares will need to be present at the meeting in person or represented by proxy to constitute a quorum.

Your shares will be counted towards the quorum only if you submit a valid proxy (or one is submitted on your behalf by your broker, bank or other nominee) or if you vote by telephone or over the internet or in person at the meeting. Abstentions and broker non-votes will be counted towards the quorum requirement. If there is no quorum either the chairman of the meeting or the holders of a majority of shares present at the meeting in person or represented by proxy may adjourn the meeting to another date.

How can I find out the results of the voting at the annual meeting?

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

PROPOSAL 1

ELECTION OF DIRECTOR

Cavium's Board of Directors is divided into three classes. Two of the classes consist of two directors and one class consists of one director. Each class has a three-year term. Vacancies on the Board of Directors may be filled only by a majority of the remaining directors even if less than a quorum, unless the Board of Directors determines that the vacancies shall be filled by the stockholders. A director elected to fill a vacancy in a class, including vacancies created by an increase in the number of directors, shall serve for the remainder of the full term of that class and until the director's successor is duly elected and qualified.

The Board of Directors currently has five members. There is one director, CN Reddy, in the class for which the term of office expires in 2014. Mr. Reddy is a current director of Cavium who was recommended for reelection to the Board of Directors by the Nominating and Corporate Governance Committee. Mr. Reddy was first appointed to the Board of Directors in 2001. If elected at the annual meeting, Mr. Reddy would serve until the 2017 annual meeting and until a successor has been duly elected and qualified, or, if sooner, until his death, resignation or removal. It is Cavium's policy to encourage directors and nominees for director to attend the Annual Meeting. One of Cavium's directors attended the 2013 Annual Meeting of Stockholders.

Directors are elected by a plurality of the votes of the holders of shares present in person or represented by proxy and entitled to vote on the election of directors. The nominee receiving the highest number of affirmative votes will be elected. Shares represented by executed proxies will be voted, if authority to do so is not withheld, for the election of Mr. Reddy. If Mr. Reddy becomes unavailable for election as a result of an unexpected occurrence, shares that would have been voted for Mr. Reddy will instead be voted for the election of a substitute nominee proposed by Cavium. Mr. Reddy has agreed to serve if elected. Cavium's management has no reason to believe that Mr. Reddy will be unable to serve.

Proposal 1 is an uncontested election. In addition to the voting requirements under Delaware law described above, our Corporate Governance Policies provide that in an uncontested election, any nominee for director who receives a greater number of votes withheld from his or her election than votes for such election will, promptly following certification of the stockholder vote, submit to our Nominating and Corporate Governance Committee his or her offer of resignation for consideration. The Nominating and Corporate Governance Committee shall consider all of the relevant facts and circumstances and recommend to the Board of Directors the action to be taken with respect to the offer of resignation. Our Board of Directors, after taking into consideration the recommendation of the Nominating and Corporate Governance Committee, will determine whether to accept the director's resignation. Cavium will publicly disclose the decision reached by our Board of Directors and the reasons for such decision.

The Nominating and Corporate Governance Committee seeks to assemble a Board of Directors that, as a whole, possesses the appropriate balance of professional and industry knowledge, financial expertise and high-level management experience necessary to oversee and direct Cavium's business. To that end, the Nominating and Corporate Governance Committee has identified and evaluated nominees in the broader context of the Board of Directors' overall composition, with the goal of recruiting directors who complement and strengthen the skills of other directors and who also exhibit integrity, collegiality, sound business judgment and other qualities that the Committee views as critical to effective functioning of the Board of Directors. The following is a brief biography of each nominee and each director whose term will continue after the annual meeting, and a discussion of the specific experience, qualifications, attributes or skills of each director that led the Nominating and Corporate Governance Committee to believe that that director should continue to serve on the Board of Directors, as of the date of this proxy statement. However, each of the members of the Nominating and Corporate Governance Committee may have a variety of reasons why he or she believes a particular person would be an appropriate nominee for the Board of Directors, and these views may differ from the views of other members.

NOMINEE FOR ELECTION FOR A THREE-YEAR TERM EXPIRING AT THE 2017 ANNUAL MEETING

C.N. Reddy

C.N. Reddy, age 58, has served as a director since 2001. He is a co-founder of Alliance Semiconductor Corporation, which until 2006 was a provider of semiconductor products and solutions and is now a holding company, and held various positions with Alliance. Since October 2000, he has served as the Executive Vice President for Investments at Alliance, during which time he has been responsible for Alliance's investments in private technology companies and identifying future possible technology company acquisitions for Alliance. From December 1997 to October 2000, he served as Executive Vice President and Chief Operating Officer at Alliance. From May 1993 to December 1997, he served as Senior Vice-President Engineering and Operations at Alliance. From 1985 to May 1993, he served as Vice President Engineering at Alliance. From February 1985 to October 2000 he also served as Secretary of Alliance. Mr. Reddy has served as a member of the board of directors since Alliance's inception in 1985. He was a member of the founding management team at Cypress Semiconductor Corporation. Prior to that, he held positions at Texas Instruments Incorporated and National Semiconductor Corporation. Mr. Reddy serves on the board of directors at Alliance Semiconductor. He currently serves on several private company boards. Mr. Reddy received an MSEE from Utah State University. The Nominating and Corporate Governance Committee believes that Mr. Reddy's long experience in the semiconductor industry as well as long tenure on our Board of Directors brings necessary industry and historic knowledge and continuity to the Board of Directors. The Nominating and Corporate Governance Committee also believes that Mr. Reddy's extensive experience in finance and executive positions and as a past director of other companies, as well as his semiconductor industry background, position him to contribute financial, operational and industry expertise to the Board of Directors.

THE BOARD OF DIRECTORS RECOMMENDS

A VOTE IN FAVOR OF THE NAMED NOMINEE.

DIRECTORS CONTINUING IN OFFICE UNTIL THE 2015 ANNUAL MEETING

Sanjay Mehrotra

Sanjay Mehrotra, age 55, has served as a director since July 2009. He co-founded SanDisk Corporation in 1988, has been its President and Chief Executive Officer since January 2011, and has been a director since July 2010. He previously served as its President and Chief Operating Officer, Executive Vice President and Vice President of Engineering. Mr. Mehrotra has more than 30 years of experience in the non-volatile semiconductor memory industry, including engineering and engineering management positions at SanDisk, Integrated Device Technology, Inc., SEEQ Technology, Inc., Intel Corporation and Atmel Corporation. Mr. Mehrotra earned B.S. and M.S. degrees in Electrical Engineering and Computer Sciences from the University of California, Berkeley. The Nominating and Corporate Governance Committee believes that Mr. Mehrotra's experience in the semiconductor business, as the co-founder and Chief Executive Officer of SanDisk, where he has been involved in growing that company's business from formation to its current size, as well as his experience in other engineering management positions, has provided him with leadership skills, experience in creating and capturing business opportunities, and experience in scaling up a business to enable growth, which are valuable to Cavium and the Board of Directors.

Madhav V. Rajan

Madhav V. Rajan, age 49, has served as a director since March 2013. Since September 2010, he has served as the Senior Associate Dean for Academic Affairs at the Graduate School of Business, Stanford University. From 2002 to August 2010, he served as the area coordinator for accounting at the Graduate School of Business, Stanford University. Mr. Rajan currently serves on the board of directors of iShares, Inc. and is a trustee of the iShares Trust. Mr. Rajan received his undergraduate degree in commerce from the University of Madras, India,

and an MS in accounting, MBA and PhD from the Graduate School of Industrial Administration at Carnegie Mellon University. The Nominating and Corporate Governance Committee believes that Mr. Rajan's extensive experience in finance position him to contribute financial expertise to the Board of Directors and the Audit Committee.

DIRECTORS CONTINUING IN OFFICE UNTIL THE 2016 ANNUAL MEETING

Syed B. Ali

Syed B. Ali, age 55, is one of our founders and has served as our President, Chief Executive Officer and Chairman of the Board of Directors since the inception of Cavium in 2000. From 1998 to 2000, Mr. Ali was Vice President of Marketing and Sales at Malleable Technologies, a communication chip company of which he was a founding management team member. Malleable Technologies was acquired by PMC-Sierra, Inc., a communication integrated circuit company, in 2000. From 1994 to 1998, Mr. Ali was an Executive Director at Samsung Electronics Co., Ltd. Prior to that, he had various positions at Wafer Scale Integration, a division of SGS-Thomson, Tandem Computers, Inc., and American Microsystems, Ltd. He received a BE (Electrical Engineering) from Osmania University, in Hyderabad, India and an MSE from the University of Michigan. The Nominating and Corporate Governance Committee believes that Mr. Ali's extensive experience in numerous senior managerial positions in the semiconductor industry, as well as his experience as a founder of Cavium and his long tenure as President and Chief Executive Officer of Cavium, brings necessary industry experience, historic Cavium knowledge and experience as well as continuity to the Board of Directors. In addition, the Nominating and Corporate Governance Committee believes that having Mr. Ali serve on the Board of Directors helps to ensure that the Board of Directors and management act with a common purpose to execute Cavium's strategic initiatives and business plans, and that Mr. Ali, as Chief Executive Officer and Chairman of the Board of Directors, is able to act as a bridge between management and the Board of Directors, facilitating the regular flow of information.

Anthony S. Thornley

Anthony S. Thornley, age 67, has served as a director since September 2006 and has served as our lead independent director since June 2012. From June 2011 to March 2012 he served as Interim President and Chief Executive Officer of Callaway Golf Company, a golf equipment company. From January 2007 to April 2011 Mr. Thornley served as Chief Financial Officer for KMF Audio, Inc., a microphone company. From February 2002 to June 2005 he served as President and Chief Operating Officer of Qualcomm Incorporated, a wireless communication technology and integrated circuit company. From July 2001 to February 2002 he served as Chief Financial and Operating Officer of Qualcomm and from March 1994 to February 2002 as Chief Financial Officer of Qualcomm. Prior to joining Qualcomm, he was with Nortel Networks, a telecommunications equipment manufacturer, for sixteen years in various financial and information systems management positions, including Vice President Finance and IS, Public Networks, Vice President Finance NT World Trade and Corporate Controller Nortel Limited. He has also worked for Coopers and Lybrand in public accounting. Mr. Thornley is a director of Callaway Golf Company, Proximity, Inc., a network software company, Peregrine Semiconductor Corporation, a radio frequency semiconductor company, Gorgon Media Inc., a specialized investment company, and Basho Technologies Inc., a database software company. Mr. Thornley was previously a director of Airvana, Inc., a wireless equipment company, Transdel Pharmaceuticals, Inc., a development stage pharmaceutical company and Public Wireless Inc., a wireless pico base station company. Mr. Thornley received his BSc degree in Chemistry from the University of Manchester, England. The Nominating and Corporate Governance Committee believes that Mr. Thornley's experience as a chief financial officer, chief operating officer and director, as well as his experience in the semiconductor industry, position him to contribute financial, operational and industry expertise to the Board of Directors. The Nominating and Corporate Governance Committee believes that Mr. Thornley's experience as chief financial officer of a public reporting company and service on the audit committee of public reporting companies, and experience as a director for other private and public companies is especially valuable in his positions as lead independent director, the chairperson of Cavium's Audit Committee and the chairperson of Cavium's Nominating and Corporate Governance Committee.

INFORMATION REGARDING THE BOARD OF DIRECTORS AND CORPORATE GOVERNANCE

INDEPENDENCE OF THE BOARD OF DIRECTORS

As required under the Nasdaq Stock Market ("NASDAQ") listing standards, a majority of the members of a listed company's board of directors must qualify as independent, as affirmatively determined by the board of directors. Cavium's Board of Directors consults with Cavium's counsel to ensure that the Board of Directors' determinations are consistent with relevant securities and other laws and regulations regarding the definition of independent, including those set forth in pertinent listing standards of NASDAQ, as in effect from time to time.

Consistent with these considerations, after review of all relevant identified transactions or relationships between each director, or any of his or her family members, and Cavium, its senior management and its independent auditors, the Board of Directors has affirmatively determined that the following current four directors are independent directors within the meaning of the applicable NASDAQ listing standards: Messrs. Mehrotra, Rajan, Reddy, and Thornley. In making this determination, the Board of Directors found that none of these directors or nominees for director had a material or other disqualifying relationship with Cavium. Mr. Ali, Cavium's President and Chief Executive Officer, is not an independent director by virtue of his employment with Cavium.

BOARD OF DIRECTORS LEADERSHIP STRUCTURE

Cavium's Board of Directors is currently chaired by the President and Chief Executive Officer of Cavium, Mr. Ali. Cavium believes that combining the positions of Chief Executive Officer and Chairman helps to ensure that the Board of Directors and management act with a common purpose. In Cavium's view, separating the positions of Chief Executive Officer and Chairman has the potential to give rise to divided leadership, which could interfere with good decision-making or weaken Cavium's ability to develop and implement strategy. Instead, Cavium believes that combining the positions of Chief Executive Officer and Chairman provides a single, clear chain of command to execute Cavium's strategic initiatives and business plans. In addition, Cavium believes that a combined Chief Executive Officer and Chairman is better positioned to act as a bridge between management and the Board of Directors, facilitating the regular flow of information. Cavium also believes that it is advantageous to have a Chairman with an extensive history with and knowledge of Cavium (as is the case with Cavium's Chief Executive Officer) as compared to a relatively less informed independent Chairman.

Our Corporate Governance Policies provide for the appointment of a lead independent director in the event that the position of Chairman is not held by an independent director. In March 2012, the Board of Directors appointed Mr. Thornley as lead independent director effective at the 2012 Annual Meeting of Stockholders with authority and responsibility to: (i) in conjunction with the Chief Executive Officer, establish meeting agendas; (ii) preside over meetings of the independent directors; (iii) preside over any portions of meetings of the full Board of Directors at which the evaluation or compensation of the Chief Executive Officer is presented or discussed; (iv) preside over any portions of meetings of the full Board of Directors at which the performance of the Board of Directors is presented or discussed; and (v) coordinate the activities of the other independent directors. Cavium believes that having a lead independent director separate from its Chairman and Chief Executive Officer reinforces the independence of the Board of Directors in its oversight of the business and affairs of Cavium. In addition, Cavium believes that having a lead independent director promotes an objective evaluation and oversight of management's performance, increasing management accountability, resulting in enhanced effectiveness of the Board of Directors as a whole.

ROLE OF THE BOARD OF DIRECTORS IN RISK OVERSIGHT

One of the Board of Directors' key functions is informed oversight of Cavium's risk management process. The Board of Directors does not have a standing risk management committee, but rather administers this oversight function directly through the Board of Directors as a whole, as well as through various standing committees of the Board of Directors that address risks inherent in their respective areas of oversight. In particular, our Board of Directors is responsible for monitoring and assessing strategic risk exposure, including a

determination of the nature and level of risk appropriate for Cavium. Our Audit Committee has the responsibility to consider and discuss our major financial risk exposures and the steps our management has taken to monitor and control these exposures, including guidelines and policies to govern the process by which risk assessment and management is undertaken. The Audit Committee also monitors compliance with legal and regulatory requirements. Our Nominating and Corporate Governance Committee monitors the effectiveness of our corporate governance guidelines, including whether they are successful in preventing illegal or improper liability-creating conduct. Our Compensation Committee assesses and monitors whether any of our compensation policies and programs has the potential to encourage excessive risk-taking.

MEETINGS OF THE BOARD OF DIRECTORS

During 2013, the Board of Directors met five times and acted by unanimous consent two times. Each Board member attended 75% or more of the aggregate number of meetings of the Board and of the committees on which he served, held during the portion of the last fiscal year for which he was a director or committee member.

INFORMATION REGARDING COMMITTEES OF THE BOARD OF DIRECTORS

The Board of Directors has three committees: an Audit Committee, a Compensation Committee and a Nominating and Corporate Governance Committee. The following table provides membership and meeting information for fiscal 2013 for each of the committees:

Name	Audit	Compensation	Nominating and Corporate Governance
Syed B. Ali			
Sanjay Mehrotra		X	X
Anthony J. Pantuso	X*	X(Chair)*	
Madhav V. Rajan	X*	X*	X
C.N. Reddy	X*	X(Chair)*	X
Anthony S. Thornley	X(Chair)		X(Chair)
Total meetings in fiscal 2013	5	2	2

* In March 2013 Mr. Rajan was appointed to the Board of Directors and replaced C.N. Reddy on the Audit Committee of the Board of Directors. In September 2013 Mr. Pantuso resigned from the Board of Directors and all committees thereof. Mr. Reddy was then appointed to the Audit Committee to replace Mr. Pantuso and was appointed chair of the Compensation Committee and Mr. Madhav was appointed to the Compensation Committee to replace Mr. Pantuso.

Below is a description of each committee of the Board of Directors. Each of the committees has authority to engage legal counsel or other experts or consultants, as it deems appropriate to carry out its responsibilities. The Board of Directors has determined that each member of each committee meets the applicable NASDAQ rules and regulations regarding independence and that each member is free of any relationship that would impair his individual exercise of independent judgment with regard to Cavium.

Audit Committee

The Audit Committee of the Board of Directors was established in accordance with Section 3(a)(58)(A) of the Securities Exchange Act of 1934 to oversee Cavium's corporate accounting and financial reporting processes and audits of its financial statements. For this purpose, the Audit Committee performs several functions. The Audit Committee: evaluates the performance of and assesses the qualifications of Cavium's independent registered public accounting firm, or independent auditors; determines and approves the engagement of the independent auditors; determines whether to retain or terminate the existing independent auditors or to appoint and engage new independent auditors; reviews and approves the retention of the independent auditors to perform any proposed permissible non-audit services; monitors the rotation of partners of the independent auditors on

Cavium's audit engagement team as required by law; reviews and approves or rejects transactions between Cavium and any related persons; confers with management and the independent auditors regarding the effectiveness of internal controls over financial reporting; establishes procedures, as required under applicable law, for the receipt, retention and treatment of complaints received by Cavium regarding accounting, internal accounting controls or auditing matters and the confidential and anonymous submission by employees of concerns regarding questionable accounting or auditing matters; and meets to review Cavium's annual audited financial statements and quarterly financial statements with management and the independent auditors, including reviewing Cavium's disclosures under Management's Discussion and Analysis of Financial Condition and Results of Operations.

The Audit Committee is currently composed of three directors: Messrs. Rajan, Reddy and Thornley. The Audit Committee met five times during the 2013 fiscal year. The Audit Committee has a written charter that is available to stockholders on Cavium's website at <http://investor.caviumnetworks.com>.

The Board of Directors reviews the NASDAQ listing standards definition of independence for Audit Committee members on an annual basis and has determined that all members of Cavium's Audit Committee are independent (as independence is currently defined in Rule 5605(c)(2)(A)(i) and (ii) of the NASDAQ listing standards). The Board of Directors has also determined that Mr. Thornley qualifies as an audit committee financial expert, as defined in applicable SEC rules. The Board of Directors made a qualitative assessment of Mr. Thornley's level of knowledge and experience based on a number of factors, including his formal education and experiences as a chief financial officer for public reporting companies.

Report of the Audit Committee of the Board of Directors¹

The Audit Committee has reviewed and discussed the audited financial statements for the fiscal year ended December 31, 2013 with management of Cavium. The Audit Committee has discussed with PricewaterhouseCoopers LLP, Cavium's independent registered public accounting firm, the matters required to be discussed by Statement on Auditing Standards No. 61, *Communications with Audit Committees*, as adopted by the Public Company Accounting Oversight Board (PCAOB). The Audit Committee has also received the written disclosures and the letter from PricewaterhouseCoopers LLP required by applicable requirements of the PCAOB regarding PricewaterhouseCoopers LLP's independence. Based on the foregoing, the Audit Committee has recommended to the Board of Directors that the audited financial statements be included in Cavium's Annual Report on Form 10-K for the fiscal year ended December 31, 2013.

Anthony S. Thornley (Chair)

Madhav V. Rajan

CN Reddy

Compensation Committee

The Compensation Committee is currently composed of three directors: Messrs. Mehrotra, Rajan and Reddy. All members of Cavium's Compensation Committee are independent (as independence is currently defined in Rule 5605(a)(2) of the NASDAQ listing standards). The Compensation Committee met two times and acted by written consent once during the 2013 fiscal year. The Compensation Committee has a written charter that is available to stockholders on Cavium's website at <http://investor.caviumnetworks.com>.

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

The Compensation Committee of the Board of Directors acts on behalf of the Board of Directors to review, adopt and oversee Cavium's compensation strategy, policies, plans and programs, including:

review and approval of the compensation and other terms of employment or service, including severance and change-in-control arrangements, of Cavium's Chief Executive Officer and other executive officers and senior management; and

administration of Cavium's equity compensation plans, pension and profit-sharing plans, deferred compensation plans and other similar plans and programs.

Each year, the Compensation Committee reviews with management Cavium's Compensation Discussion and Analysis and considers whether to recommend that it be included in proxy statements and other filings.

Compensation Committee Processes and Procedures

Typically, the Compensation Committee meets at least two times annually, with greater frequency if necessary. In addition, from time to time the entire Board of Directors discusses and votes on executive compensation matters at meetings of the Board of Directors. The agenda for each meeting is usually developed by the Chair of the Compensation Committee, in consultation with the Chief Executive Officer. The Compensation Committee also meets in executive session as necessary. However, from time to time, various members of management and other employees as well as outside advisors or consultants may be invited by the Compensation Committee to make presentations, provide financial or other background information or advice or otherwise participate in Compensation Committee meetings. The Chief Executive Officer may not participate in or be present during any deliberations or determinations of the Compensation Committee regarding his compensation. The charter of the Compensation Committee grants the Compensation Committee full access to all books, records, facilities and personnel of Cavium, as well as authority to obtain, at the expense of Cavium, advice and assistance from internal and external legal, accounting or other advisors and consultants and other external resources that the Compensation Committee considers necessary or appropriate in the performance of its duties. In particular, the Compensation Committee has the sole authority to retain compensation consultants to assist in its evaluation of executive and director compensation, including the authority to approve the consultant's reasonable fees and other retention terms. Additionally, under its charter, the Compensation Committee may form, and delegate authority to, subcommittees, as appropriate.

Historically, the Compensation Committee or the Board of Directors has made most significant adjustments to annual compensation and equity awards at one or more meetings held during the first half of the year, typically during the first quarter of each year. However, the Compensation Committee also considers matters related to individual compensation, such as compensation for new executive hires, as well as high-level strategic issues, such as the efficacy of Cavium's compensation strategy, potential modifications to that strategy and new trends, plans or approaches to compensation, at various meetings throughout the year. For executives other than the Chief Executive Officer, the Compensation Committee solicits and considers evaluations and recommendations submitted to the Committee by the Chief Executive Officer. In the case of the Chief Executive Officer, the evaluation of his performance is conducted by the Compensation Committee, which determines any adjustments to his compensation as well as awards to be granted. For all executive officers and senior management, as part of its deliberations, the Compensation Committee may review and consider, as appropriate, materials such as financial reports and projections, operational data, tax and accounting information, executive and director stock ownership information, company stock performance data, analyses of historical executive compensation levels and current company-wide compensation levels, and recommendations of a compensation consultant, including analyses of executive officers' and senior management's compensation paid at other companies identified by the consultant.

Under the charter, the Compensation Committee may select, or receive advice from, a compensation consultant, legal counsel or other adviser to the compensation committee, other than in-house legal counsel and certain other types of advisers, only after taking into consideration six factors, prescribed by the SEC and NASDAQ, that bear upon the adviser's independence; however, there is no requirement that any adviser be independent.

In connection with evaluating the executive compensation for 2013, after taking into consideration the six factors prescribed by the SEC and NASDAQ described above, the Compensation Committee engaged Compensia, Inc. as compensation consultant in October 2012. As part of its engagement, Compensia was requested by the Compensation Committee to develop a comparative group of companies and to perform analyses of competitive performance and compensation levels for that group. Compensia presented a preliminary peer group that was then revised with the assistance of Cavium's management to ensure that the companies selected were in fact considered industry peers to Cavium. To learn more about overall market conditions, in December 2012 the Compensation Committee reviewed the market data compiled by Compensia regarding a peer group of companies that was selected based on similar industry and market capitalization to Cavium. In March 2013, the Compensation Committee reviewed and considered the analyses provided by Compensia, but the Compensation Committee did not set or consider specific benchmarks in determining 2013 executive compensation.

Compensation Committee Interlocks and Insider Participation

None of the members of our Compensation Committee during 2013 was an officer or employee of Cavium. None of our executive officers serve as a member of the board of directors or compensation committee of any entity that has one or more executive officers who serve on our Board of Directors or Compensation Committee.

Compensation Committee Report²

The Compensation Committee has reviewed and discussed with management the Compensation Discussion and Analysis (CD&A) contained in this proxy statement. Based on this review and discussion, the Compensation Committee has recommended to the Board of Directors that the CD&A be included in this proxy statement and incorporated into Cavium's Annual Report on Form 10-K for the fiscal year ended December 31, 2013.

C.N. Reddy (Chair)

Sanjay Mehrotra

Madhav V. Rajan

Nominating and Corporate Governance Committee

The Nominating and Corporate Governance Committee of the Board of Directors is responsible for identifying, reviewing and evaluating candidates to serve as directors of Cavium (consistent with criteria approved by the Board of Directors), reviewing and evaluating incumbent directors, recommending to the Board of Directors for selection candidates for election to the Board of Directors, making recommendations to the Board of Directors regarding the membership of the committees of the Board of Directors, considering nominations and proposals submitted by Cavium's stockholders, assessing the performance and independence of the Board of Directors, and maintaining a set of corporate governance principles for Cavium.

The Nominating and Corporate Governance Committee is currently composed of four directors: Messrs. Mehrotra, Rajan, Reddy and Thornley. All current members of the Nominating and Corporate Governance Committee are independent (as independence is currently defined in Rule 5605(a)(2) of the NASDAQ listing standards). The Nominating and Corporate Governance Committee met twice during 2013. The Nominating and Corporate Governance Committee has a written charter that is available to stockholders on Cavium's website at <http://investor.caviumnetworks.com>.

² The material in this report is not soliciting material, is furnished to, but not deemed filed with, the Commission and is not deemed to be incorporated by reference in any filing of Cavium under the Securities Act or the Exchange Act, other than Cavium's Annual Report on Form 10-K, where it shall be deemed to be furnished, whether made before or after the date hereof and irrespective of any general incorporation language in any such filing.

The Nominating and Corporate Governance Committee believes that candidates for director should have certain minimum qualifications, including the ability to read and understand basic financial statements, extensive business and industry experience, comprehension of public company responsibilities, as well as high personal integrity and ethical standards. The Nominating and Corporate Governance Committee also considers such factors as possessing relevant expertise upon which to be able to offer advice and guidance to management, having sufficient time to devote to the affairs of Cavium, demonstrated excellence in his or her field, having the ability to exercise sound business judgment and having the commitment to rigorously represent the long-term interests of Cavium's stockholders. However, the Nominating and Corporate Governance Committee retains the right to modify these qualifications from time to time. Candidates for director nominees are reviewed in the context of the current composition of the Board of Directors, the operating requirements of Cavium and the long-term interests of stockholders. In conducting this assessment, the Nominating and Corporate Governance Committee's policy is to consider diversity, age, skills, and other factors it deems appropriate given the current needs of the Board of Directors and Cavium, to maintain a balance of knowledge, experience and capability. The Nominating and Corporate Governance Committee does not assign specific weights to particular factors and no particular factor is necessarily applicable to all prospective nominees. As part of the Board of Directors' periodic self-assessment process, the Board of Directors considers whether it would be desirable for particular characteristics, experiences and skills to be represented on the Board of Directors to a greater degree. In the case of incumbent directors whose terms of office are set to expire, the Nominating and Corporate Governance Committee reviews these directors' overall service to Cavium during their terms, including the number of meetings attended, level of participation, quality of performance, and any other relationships and transactions that might impair the directors' independence.

When considering diversity, the Board of Directors and Nominating and Corporate Governance Committee views diversity as diversity of experience and expertise. The Board of Directors and Nominating and Corporate Governance Committee believe that by having a Board of Directors diverse in experience and expertise enables the Board, as a body, to have the broad range of requisite expertise and experience to guide Cavium and management and to fulfill its role of oversight and stewardship. However, neither the Board of Directors nor the Nominating and Corporate Governance Committee has developed a policy with respect to diversity in identifying nominees for director, other than to consider diversity when assessing nominees.

In the case of new director candidates, the Nominating and Corporate Governance Committee also determines whether the nominee is independent for NASDAQ purposes, which determination is based upon applicable NASDAQ listing standards, applicable SEC rules and regulations and the advice of counsel, if necessary. The Nominating and Corporate Governance Committee then uses its network of contacts to compile a list of potential candidates, but may also engage, if it deems appropriate, a professional search firm. The Nominating and Corporate Governance Committee conducts any appropriate and necessary inquiries into the backgrounds and qualifications of possible candidates after considering the function and needs of the Board of Directors. The Nominating and Corporate Governance Committee meets to discuss and consider the candidates' qualifications and then selects a nominee for recommendation to the Board of Directors by majority vote.

The Nominating and Corporate Governance Committee will consider director candidates recommended by stockholders. The Nominating and Corporate Governance Committee does not intend to alter the manner in which it evaluates candidates, including the minimum criteria set forth above, based on whether or not the candidate was recommended by a stockholder. Stockholders who wish to recommend individuals for consideration by the Nominating and Corporate Governance Committee to become nominees for election to the Board of Directors may do so by delivering a written recommendation to the Nominating and Corporate Governance Committee at the following address: 2315 N. First Street, San Jose, California 95131, at least 120 days prior to the anniversary date of the mailing of Cavium's proxy statement for the last Annual Meeting of Stockholders. Submissions must include the full name of the proposed nominee, a description of the proposed nominee's business experience for at least the previous five years, complete biographical information, a description of the proposed nominee's qualifications as a director and a representation that the nominating stockholder is a beneficial or record holder of Cavium's stock and has been a holder for at least one year. Any such submission must be accompanied by the written consent of the proposed nominee to be named as a nominee and to serve as a director if elected.

STOCKHOLDER COMMUNICATIONS WITH THE BOARD OF DIRECTORS

Cavium's Board of Directors has adopted a formal process by which stockholders may communicate with the Board or any of its directors. Stockholders who wish to communicate with the Board of Directors or an individual director may send a written communication addressed as follows: Cavium Board Communication, 2315 N. First Street, San Jose, California 95131. Each communication sent must state the number of shares owned by the stockholder making the communication. Each communication will be reviewed by the General Counsel of Cavium who will forward the communication to the Board of Directors or to any individual director to whom the communication is addressed unless the communication is unduly frivolous, hostile, threatening or similarly inappropriate, in which case, the General Counsel will discard the communication.

CODE OF CONDUCT

Cavium has adopted the Cavium, Inc. Code of Conduct which applies to all employees, directors and consultants. The Code of Conduct is available on Cavium's website at <http://investor.caviumnetworks.com>. If Cavium makes any substantive amendments to the Code of Conduct or grants any waiver from a provision of the Code of Conduct to any executive officer or director, Cavium will promptly disclose the nature of the amendment or waiver on its website.

CORPORATE GOVERNANCE POLICIES OF THE BOARD OF DIRECTORS

The Board of Directors has adopted a set of Corporate Governance Policies, which address important governance policies that assist the Board of Directors in following corporate practices that serve the best interests of the Company and its stockholders. Among other matters, the Corporate Governance Policies cover board composition, board membership criteria, board leadership, board meetings, board committees, and board member responsibilities. The Corporate Governance Policies may be viewed at <http://investor.caviumnetworks.com>. The Company will also provide copies of the Corporate Governance Policies free of charge to any stockholder who sends a written request to the Company's Secretary at 2315 N. First Street, San Jose, CA 95131.

PROPOSAL 2**RATIFICATION OF SELECTION OF AUDITORS**

The Audit Committee of the Board of Directors has selected PricewaterhouseCoopers LLP as Cavium's independent registered public accounting firm, or independent auditors, for the fiscal year ending December 31, 2014, and the Board of Directors has directed that management submit the selection of independent auditors for ratification by the stockholders at the annual meeting. PricewaterhouseCoopers LLP has audited Cavium's financial statements since 2000. Representatives of PricewaterhouseCoopers LLP are expected to be present at the Annual Meeting. They will have an opportunity to make a statement if they so desire and will be available to respond to appropriate questions.

Neither Cavium's Bylaws nor other governing documents or law require stockholder ratification of the selection of PricewaterhouseCoopers LLP as Cavium's independent auditors. However, the Audit Committee is submitting the selection of PricewaterhouseCoopers LLP to the stockholders for ratification as a matter of good corporate practice. If the stockholders fail to ratify the selection, the Audit Committee will reconsider whether or not to retain that firm. Even if the selection is ratified, the Audit Committee in its discretion may direct the appointment of different independent auditors at any time during the year if they determine that such a change would be in the best interests of Cavium and its stockholders.

The affirmative vote of the holders of a majority of the shares present in person or represented by proxy and entitled to vote at the annual meeting will be required to ratify the selection of PricewaterhouseCoopers LLP. Abstentions will be counted toward the tabulation of votes cast on proposals presented to the stockholders and will have the same effect as negative votes.

PRINCIPAL ACCOUNTANT FEES AND SERVICES

In connection with the audit of the 2013 financial statements, Cavium entered into an engagement agreement with PricewaterhouseCoopers LLP which sets forth the terms by which PricewaterhouseCoopers LLP will perform audit services for Cavium.

The following table represents aggregate fees billed to Cavium for the fiscal years ended December 31, 2012 and 2013, respectively, by PricewaterhouseCoopers LLP, Cavium's principal accountant.

	Fiscal Year Ended December 31,	
	2012 (\$)	2013 (\$)
	(In thousands)	
Audit Fees(1)	1,414.9	1,415.0
Audit-related Fees(2)	36.0	40.0
Tax Fees(3)	20.0	0
Total Fees	1,470.9	1,455.0

(1) Audit Fees consist of fees incurred for professional services rendered for the audit of our annual consolidated financial statements, review of our quarterly consolidated financial statements, other services normally provided by PricewaterhouseCoopers LLP in connection with regulatory filings, and for the audit of the effectiveness of our internal control over financial reporting.

(2) Audit-related Fees consist of fees for audit services related to one of Cavium's subsidiaries.

(3) Tax fees consist of fees for professional services for tax compliance, tax advice and tax planning.

All fees described above were approved by the Audit Committee.

PRE-APPROVAL POLICIES AND PROCEDURES

The Audit Committee has adopted a policy and procedures for the pre-approval of audit and non-audit services rendered by Cavium's independent auditors, PricewaterhouseCoopers LLP. The policy generally pre-approves specified services in the defined categories of audit services, audit-related services and tax services up to specified amounts. Pre-approval may also be given as part of the Audit Committee's approval of the scope of the engagement of the independent auditors or on an individual, explicit, case-by-case basis before the independent auditor is engaged to provide each service. The pre-approval of services may be delegated to one or more of the Audit Committee's members, but the decision must be reported to the full Audit Committee at its next scheduled meeting.

The Audit Committee has determined that the rendering of the services other than audit services by PricewaterhouseCoopers LLP is compatible with maintaining the principal accountant's independence.

THE BOARD OF DIRECTORS RECOMMENDS

A VOTE IN FAVOR OF PROPOSAL 2.

PROPOSAL 3

ADVISORY VOTE ON EXECUTIVE COMPENSATION

Under the Dodd-Frank Wall Street Reform and Consumer Protection Act, or the Dodd-Frank Act, and Section 14A of the Exchange Act, Cavium's stockholders are now entitled to vote to approve, on an advisory basis, the compensation of Cavium's named executive officers as disclosed in this proxy statement in accordance with SEC rules. At the 2011 Annual Meeting of Stockholders, we solicited the advice of our stockholders as to how often our stockholders would like to cast an advisory vote on executive compensation, and our stockholders indicated their preference that Cavium solicit a non-binding advisory vote on the compensation of the named executive officers, commonly referred to as a say-on-pay vote, every year. The Board has adopted a policy that is consistent with that preference. In accordance with that policy, Cavium is asking the stockholders to approve, on an advisory basis, the compensation of Cavium's named executive officers as disclosed in this proxy statement in accordance with SEC rules.

This vote is not intended to address any specific item of compensation, but rather the overall compensation of Cavium's named executive officers and the philosophy, policies and practices described in this proxy statement.

The compensation of Cavium's named executive officers subject to the vote is disclosed in the Compensation Discussion and Analysis section, the compensation tables, and the related narrative disclosure contained in this proxy statement. As discussed in those disclosures, Cavium believes that its compensation policies and decisions are focused on tying a substantial portion of the executive officers' overall compensation to Cavium's financial performance and common stock price through the issuance of equity as a significant component of compensation. Compensation of Cavium's named executive officers is designed to enable Cavium to attract and retain talented and experienced executives, to align executive officers' incentives with stockholder value creation, to be affordable within the context of Cavium's operating expense model, to be fairly and equitably administered and to reflect Cavium's values.

Accordingly, the Board is asking the stockholders to indicate their support for the compensation of Cavium's named executive officers as described in this proxy statement by casting a non-binding advisory vote FOR the following resolution:

RESOLVED, that the compensation paid to Cavium's named executive officers, as disclosed pursuant to Item 402 of Regulation S-K, including the Compensation Discussion and Analysis, compensation tables and narrative discussion, is hereby APPROVED.

Because the vote is advisory, it is not binding on the Board of Directors or Cavium. Nevertheless, the views expressed by our stockholders, whether through this vote or otherwise, are important to management, the Compensation Committee and the Board of Directors and, accordingly, the Compensation Committee and the Board of Directors intend to consider the results of this vote in making determinations in the future regarding executive compensation arrangements.

Advisory approval of this proposal requires the vote of the holders of a majority of the shares present in person or represented by proxy and entitled to vote at the annual meeting.

Unless the Board of Directors decides to modify its policy regarding the frequency of soliciting advisory votes on the compensation of Cavium's named executive officers, the next scheduled say-on-pay vote will be at the 2015 Annual Meeting of Stockholders.

THE BOARD OF DIRECTORS RECOMMENDS

A VOTE IN FAVOR OF PROPOSAL 3.

SECURITY OWNERSHIP OF

CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth certain information regarding the ownership of Cavium's common stock as of April 14, 2014 by: (i) each director and nominee for director; (ii) each of the executive officers named in the Summary Compensation Table (referred to in this proxy statement as our named executive officers); (iii) all executive officers and directors of Cavium as a group; and (iv) all those known by Cavium to be beneficial owners of more than five percent of its common stock.

Beneficial Owner	Beneficial Ownership(1)	
	Number of Shares	Percent of Total
FMR LLC(2)	5,323,614	10.15%
Eagle Asset Management, Inc.(3)	3,066,184	5.85
The Vanguard Group(4)	2,963,036	5.65
BlackRock, Inc.(5)	2,951,232	5.63
Jennison Associates LLC(6)	2,908,011	5.54
T. Rowe Price Associates(7)	2,818,580	5.37
Prudential Financial, Inc.(8)	2,770,387	5.28
Syed B. Ali(9)	2,496,452	4.65
Arthur D. Chadwick(10)	149,766	*
Anil K. Jain(11)	213,166	*
Rajiv Khemani(12)	15,000	*
Vincent P. Pangrazio(13)	63,151	*
Sanjay Mehrotra(14)	95,875	*
Madhav V. Rajan(15)	9,791	*
C.N. Reddy(16)	119,000	*
Anthony Thornley(17)	89,000	*
All executive officers and directors as a group (9 persons)(18)	3,251,201	5.99%

* Less than one percent.

- (1) This table is based upon information supplied by officers, directors, principal stockholders and Schedules 13G filed with the SEC prior to February 14, 2014. Unless otherwise indicated in the footnotes to this table and subject to community property laws where applicable, Cavium believes that each of the stockholders named in this table has sole voting and investment power with respect to the shares indicated as beneficially owned. Applicable percentages are based on 52,446,802 shares outstanding on April 14, 2014, adjusted as required by rules promulgated by the SEC. The information provided in the Schedules 13G report beneficial ownership as of December 31, 2013 and so change of beneficial ownership, if any, between that date and April 14, 2014 is not reflected in the table.
- (2) FMR LLC has sole power to vote or direct the vote of 1,110,413 shares and the sole power to dispose of or to direct the disposition of all of these shares. The address for FMR LLC is 245 Summer Street, Boston, Massachusetts 02210.
- (3) The address for Eagle Asset Management, Inc. is 880 Carillon Parkway, St. Petersburg, Florida 33716.
- (4) The Vanguard Group has sole power to vote or direct the vote of 70,731 shares and the sole power to dispose of or to direct the disposition of 2,893,805 shares. The Vanguard Group has shared power to dispose of or direct the disposition of 69,231 shares. The address for The Vanguard Group is 100 Vanguard Blvd., Malvern, Pennsylvania 19355.
- (5) BlackRock, Inc. as the parent holding company or control person of a number of BlackRock entities has the sole power to vote and dispose of all of these shares. The address for BlackRock, Inc. is 40 East 52nd Street, New York, New York 10022.
- (6) Jennison Associates LLC has sole power to vote and shared power to dispose of these shares. The address for Jennison Associates LLC is 466 Lexington Ave., New York, NY 10017.
- (7) These securities are owned by various individual and institutional investors which T. Rowe Price Associates, Inc. (Price Associates) serves as an investment advisor with power to direct investments

- and/or sole power to vote the securities. For the purpose of the reporting requirements of the Securities Exchange Act of 1934, Price Associates is deemed to be the beneficial owner of such securities; however, Price Associates expressly disclaims that it is, in fact, the beneficial owner of such securities. The address for T. Rowe Price Associates, Inc. is 100 E. Pratt Street, Baltimore, Maryland 21202.
- (8) Prudential Financial, Inc. as the parent holding company or control person of a number of Prudential entities has the sole power to vote and dispose of 144,916 of these shares. Prudential has shared power to dispose of or direct the disposition of 2,770,387 of these shares. The address for Prudential Financial, Inc. is 751 Broad Street, Newark, New Jersey 07102.
 - (9) Includes 1,226,040 shares that Mr. Ali has a right to acquire within 60 days of April 14, 2014 pursuant to outstanding options.
 - (10) Includes (a) 13,100 shares held through a family trust and (b) 120,166 shares that Mr. Chadwick has a right to acquire within 60 days of April 14, 2014 pursuant to outstanding options.
 - (11) Includes 157,416 shares that Mr. Jain has a right to acquire within 60 days of April 14, 2014 pursuant to outstanding options.
 - (12) Mr. Khemani resigned as Cavium's Chief Operating Officer effective January 7, 2013.
 - (13) Includes 53,351 shares that Mr. Pangrazio has a right to acquire within 60 days of April 14, 2014 pursuant to outstanding options and the vesting of restricted stock unit awards.
 - (14) Consists of shares that Mr. Mehrotra has a right to acquire within 60 days of April 14, 2014 pursuant to outstanding options and the vesting of restricted stock unit awards.
 - (15) Consists of shares that Mr. Rajan has a right to acquire within 60 days of April 14, 2014 pursuant to outstanding options and the vesting of restricted stock unit awards.
 - (16) Includes (a) 45,392 shares owned indirectly by Mr. Reddy through multiple partnerships, and (b) 70,875 shares that Mr. Reddy has a right to acquire within 60 days of April 14, 2014 pursuant to outstanding options and the vesting of restricted stock unit awards. C.N. Reddy, who is one of our directors, is one of the general partners of Solar Venture Partners, LP, one of the general partners of Scenic Investments, L.P. and the general partner of Scenic Capital and may be deemed to share voting and investment power over the shares held by these partnerships. Mr. Reddy disclaims beneficial ownership of these shares except to the extent of his pecuniary interest in them.
 - (17) Includes 74,000 shares that Mr. Thornley has a right to acquire within 60 days of April 14, 2014 pursuant to outstanding options and the vesting of restricted stock unit awards.
 - (18) Includes an aggregate of 1,807,514 shares that our directors and executive officers have a right to acquire within 60 days of April 14, 2014 pursuant to outstanding options and the vesting of restricted stock unit awards.

SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

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

To Cavium's knowledge, based solely on a review of the copies of the reports furnished to Cavium and written representations that no other reports were required, during the fiscal year ended December 31, 2013, we believe that all Section 16(a) filing requirements applicable to our officers, directors and greater than ten percent beneficial owners were complied with.

EQUITY COMPENSATION PLAN INFORMATION

The following table provides certain information with respect to all of Cavium's equity compensation plans in effect as of December 31, 2013:

Plan Category	Number of Securities to be Issued upon Exercise of Outstanding Options, Warrants and Rights	Weighted Average Exercise Price of Outstanding Options, Warrants and Rights	Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected in the first Column)
Equity compensation plans approved by security holders:			
2001 Stock Incentive Plan(1)	703,993	\$ 2.85	
2007 Equity Incentive Plan(2)	4,624,393(3)	\$ 13.23	7,706,559
Equity compensation plans not approved by security holders			
TOTAL:	6,021,267	\$ 11.86	7,706,559

- (1) In February 2001, we adopted the 2001 Stock Incentive Plan, or 2001 Plan. A total of 10,258,479 shares of common stock are reserved for issuance under the 2001 Plan. As a result of our initial public offering and the adoption of the 2007 Equity Incentive Plan, Cavium no longer grants awards under the 2001 Plan; however, all outstanding options issued pursuant to the 2001 Plan continue to be governed by their existing terms.
- (2) In February 2007, we adopted the 2007 Equity Incentive Plan, or 2007 Plan, which became effective in May 2007 in connection with our initial public offering. A total of 5,000,000 shares of common stock were initially authorized for issuance under the 2007 Incentive Plan. Our Board of Directors may increase the share reserve as of each January 1, from January 1, 2008 through January 1, 2017 (each such day a Calculation Date), by an amount determined by our Board of Directors; provided, however that the increase for any year may not exceed the lesser of (a) 5% of the total number of shares of our common stock outstanding on the Calculation Date or (b) 5,000,000 shares.
- (3) Consists of 1,776,170 shares granted as restricted stock unit awards and options to purchase 2,848,223 shares.

EXECUTIVE COMPENSATION

COMPENSATION DISCUSSION AND ANALYSIS

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

The primary objectives of the Compensation Committee and our Board of Directors with respect to executive compensation are to attract and retain the best possible executive talent, to tie annual and long-term cash and stock incentives to achievement of measurable corporate, market segment and individual performance, to align executives' incentives with stockholder value creation, to be affordable within the context of our operating expense model, to be fairly and equitably administered, and to reflect our values. To achieve these objectives, our Compensation Committee and our Board of Directors implement and maintain compensation plans that tie a substantial portion of our executives' overall compensation to our financial performance and common stock price through the issuance of equity as a significant component of compensation. Overall, the total compensation opportunity is intended to create an executive compensation program that is based on comparable public companies.

As we administer our compensation programs, we work to:

evolve and modify our programs to reflect the competitive environment and our changing business needs;

focus on simplicity wherever possible;

openly communicate the details of our programs with our employees and managers to ensure that our programs and their goals are understood; and

provide our managers and employees with the tools they need to administer our compensation programs.

Role of Executive Officers

The Compensation Committee meets regularly in executive session, or as a part of the regular meetings of our Board of Directors. Our Chief Financial Officer attends meetings of the Compensation Committee to provide information regarding employees for whom restricted stock unit awards and/or stock option grants are being considered. Additionally, our Chief Executive Officer attends the Compensation Committee meetings to discuss overall company-wide compensation strategy and answer any questions raised by the Compensation Committee in regards to general employee compensation. Our Chief Executive Officer, however, may not, and did not, participate in or be present during any deliberations or determinations of the Board of Directors or Compensation Committee regarding his compensation. From time to time, various other members of management and other employees as well as outside advisors or consultants may be invited by the Compensation Committee to make presentations, provide financial or other background information or advice, or otherwise participate in Compensation Committee meetings. For executives other than the Chief Executive Officer, the Board of Directors or the Compensation Committee solicits and considers evaluations and recommendations submitted by the Chief Executive Officer. In the case of the Chief Executive Officer, the evaluation of his performance is conducted solely by the Board of Directors (without the Chief Executive Officer) or the Compensation Committee, which determines any adjustments to his compensation as well as equity awards to be granted.

Compensation Policies

Historically, the Board of Directors or the Compensation Committee has made most adjustments to annual compensation and determined equity awards at one or more meetings held during the first quarter of the year. However, at various meetings throughout the year, the Board of Directors and the Compensation Committee also

consider matters related to individual compensation, such as compensation for new executive hires, as well as high-level strategic issues, such as the efficacy of Cavium's compensation strategy, potential modifications to that strategy and new market trends, plans or approaches to compensation in Cavium's industry.

Our Compensation Committee's policy is to meet on a periodic basis at least two times per year for the purpose of granting equity awards. Historically, during the first quarter of each calendar year, the Board of Directors or the Compensation Committee meets to review and grant equity awards to certain current employees, as well as to any individuals who became employees since the Board of Directors' or the Compensation Committee's last meeting. During the following three quarters of the calendar year, equity awards are typically granted only to new employees. Cavium expects that it will likely continue to grant equity awards to current employees on a yearly basis. The determination will be made by the Board of Directors or the Compensation Committee each year.

For all executive officers, as part of its deliberations, the Board of Directors or the Compensation Committee may review and consider, as appropriate, materials such as financial reports and projections, operational data, tax and accounting information, executive and director stock ownership information, company stock performance data, analyses of historical executive compensation levels and current company-wide compensation levels, and recommendations of a compensation consultant, including analyses of executive officers' compensation paid at other companies identified by the consultant. Neither the Board of Directors nor the Compensation Committee has established any formal policies or guidelines for allocating compensation between current and long-term incentive compensation, or between cash and non-cash compensation; however, in general the Board of Directors and the Compensation Committee emphasize equity compensation over cash compensation to promote long-term thinking, strategy, and growth. In determining the amount and mix of compensation elements and whether each element provides the correct incentives and rewards for performance consistent with our short and long-term goals and objectives, the Board of Directors and the Compensation Committee rely on their judgment about each individual rather than adopting a formulaic approach to compensatory decisions. In October 2012, the Compensation Committee engaged Compensia, Inc. to provide an analysis in connection with evaluating compensation for the named executive officers for 2013. In December 2012, Compensia presented its analyses to the Compensation Committee and in March 2013 the Compensation Committee considered the analyses provided by Compensia when determining compensation for the named executive officers for 2013.

Cavium's first advisory vote on the compensation of its named executive officers occurred at the annual meeting of stockholders held in June 2011 and an advisory vote on compensation of Cavium's named executive officers occurred at each of the annual meetings of stockholders in 2012 and 2013. The Compensation Committee considered the results of these votes in making the final determinations of salaries and equity awards for 2012, 2013 and 2014. Counting abstentions as "Against" votes, the non-binding resolutions approving executive compensation received 97.7%, 97.2% and 95.5% favorable votes in 2011, 2012 and 2013, respectively.

Compensation Consultant

The charter of the Compensation Committee grants the Compensation Committee full access to all books, records, facilities and personnel of Cavium, as well as authority to obtain, at the expense of Cavium, advice and assistance from internal and external legal, accounting or other advisors and consultants and other external resources that the Compensation Committee considers necessary or appropriate in the performance of its duties. In particular, the Compensation Committee has the sole authority to retain compensation consultants to assist in its evaluation of executive and director compensation, including the authority to approve the consultant's reasonable fees and other retention terms.

In connection with evaluating the executive compensation for 2013, the Compensation Committee engaged Compensia in October 2012 to prepare analysis regarding executive compensation. To learn more about overall market conditions, in December 2012 the Compensation Committee reviewed the market data compiled by

Compensia regarding a peer group of companies that was selected based on similar industry and market capitalization to Cavium. Compensia presented a preliminary peer group that was then revised with the assistance of Cavium's management to ensure that the companies selected were in fact considered industry peers to Cavium. The final peer group consisted of the following companies: Acme Packet, Inc., Aruba Networks, Inc., Cirrus Logic, Inc., Entropic Communications, Inc., Hittite Microwave Corporation, InterDigital, Inc., Monolithic Power Systems, Inc., PMC-Sierra, Inc., Power Integrations, Inc., Riverbed Technology, Inc., Semtech Corporation, Silicon Laboratories Inc., Tessera Technologies, Inc. and Volterra Semiconductor Corporation.

Compensia's analysis indicated that Cavium's cash compensation for its named executive officers was generally below the 25th percentile as compared to the peer group. Compensia's analysis also indicated that Cavium's equity compensation for its named executive officers was generally at or above the 75th percentile as compared to the peer group companies. The Compensation Committee reviewed and considered the analyses provided by Compensia, but the Compensation Committee did not set or consider specific benchmarks in determining 2013 executive compensation.

Compensation Components

Salary. Salaries for our named executive officers are established based on the scope of their responsibilities, taking into account competitive market compensation paid by other companies for similar positions. Generally, we believe that executive base salaries should be in the range of salaries for executives in similar positions and with similar responsibilities at comparable companies in line with our straightforward compensation philosophy, which emphasizes long-term compensation. Base salaries are reviewed by our Compensation Committee or Board of Directors annually, and adjusted from time to time to realign salaries with market levels after taking into account individual responsibilities, performance, experience and cost of living adjustments, as appropriate. The Compensation Committee and the Board of Directors neither bases its consideration on any single factor nor does it specifically assign relative weights to factors, but rather considers a number of factors.

The Compensation Committee performed an annual review of the named executive officer salaries for 2013 in March 2013. The named executive officers' salaries were increased, effective April 1, 2013, such that Mr. Ali's annual salary rate would be \$375,000, Mr. Chadwick's annual salary would be \$300,000, Mr. Jain's annual salary would be \$300,000, and Mr. Pangrazio's annual salary would be \$285,000. In making these salary decisions, the Compensation Committee reviewed: the analysis provided by Compensia which indicated that the base salaries of the named executive officers were generally below the 25th percentile of the peer group, the historical salaries paid to the named executive officers, the overall compensation of each named executive officer, the performance, experience and time with Cavium of each named executive officer and the varying levels of responsibility and oversight held by each named executive officer. The salary amounts for Mr. Ali, Mr. Chadwick, Mr. Jain and Mr. Pangrazio for 2013, as reflected in the Summary Compensation Table below, are lower than the salaries approved by the Board of Directors for 2013 because the salary increases did not become effective until April 1, 2013.

Annual Bonus. In 2008, the Compensation Committee discontinued the annual cash bonus program because it believed that base salaries and equity compensation were sufficient to achieve our compensation goals and provide both short and long-term incentives for our named executive officers. The annual cash bonus program remained discontinued and we did not award cash bonuses to our executive officers in 2011, 2012 or 2013. The Board of Directors and the Compensation Committee continue to believe that base salaries and equity compensation are sufficient short and long term incentives for our named executive officers and do not intend to reinstate the cash bonus program or award cash bonuses in 2014.

Long-Term Incentive Program. We believe that long-term performance is achieved through an ownership culture that encourages long-term performance by our named executive officers through our grants of stock-based awards. Our long-term equity incentive compensation for our named executive officers is currently in the form of stock options and restricted stock unit awards to acquire our common stock. In 2007, our Board of

Directors adopted the Cavium, Inc. 2007 Equity Incentive Plan, the 2007 Plan, which permits the grant of stock options, stock appreciation rights, restricted stock grants or awards, performance shares, and other stock-based awards. The 2007 Plan was established to provide our employees, including our named executive officers, with incentives to help align those employees' incentives with the interests of our stockholders. We began using restricted stock unit awards in addition to stock options for our named executive officers beginning in 2010 because we believe that restricted stock unit awards provide a level of certain return, which provides a meaningful retention tool even in periods of declining stock prices. In addition, we believe our long-term equity compensation needs to include restricted stock unit awards to be competitive with compensation packages offered by comparable companies.

Our Compensation Committee and our Board of Directors do not apply a formula in allocating stock options or restricted stock unit awards to named executive officers as a group or to any particular named executive officer. Instead, our Compensation Committee or our Board of Directors exercises its judgment and discretion and considers, among other things, the role and responsibility of the named executive officer, competitive factors, the amount of vested stock-based equity compensation already held by the named executive officer, the non-equity compensation received by the named executive officer and the total number of options and restricted stock unit awards to be granted to all employees during the year. Our Compensation Committee or our Board of Directors also considers each named executive officer's unvested stock-based equity compensation, as we believe the vesting of stock options and restricted stock unit awards over time is important to the future performance of our named executive officers and Cavium. In the past, our practice has been to review annually equity awards to our named executive officers, and make additional awards as appropriate.

In March 2013, the Compensation Committee granted equity awards in the form of both stock options and restricted stock unit awards to Messrs. Ali, Chadwick, Jain and Pangrazio. Each of the option grants vests as to 12.5% of the shares subject to the option on the date six months from the vesting commencement date and 1/48th of the shares subject to the option vest monthly thereafter. With respect to the restricted stock unit awards, other than Mr. Pangrazio's, 25% of the shares subject to the awards were issued on January 30, 2014 and 25% will be issued on each of January 30, 2015, 2016 and 2017, provided that the officer continues to provide services to Cavium on each such date. With respect to Mr. Pangrazio's restricted stock unit award 1/16th of the shares subject to the restricted stock unit are issued on the 30th day of the first month of each quarter, provided that he continues to provide services to Cavium on each such date. When making these grants, the Compensation Committee considered, among other things, Compensation's analyses, the role and responsibility of the named executive officer, the value of equity incentive awards granted in the prior year, and the total number of options and restricted stock unit awards to be granted to all employees during the year. These grants were made to continue to foster long-term planning and performance by aligning our named executive officers' interests with those of our stockholders.

In March 2014, in addition to stock options and restricted stock unit awards, the Compensation Committee granted performance-based restricted stock unit awards to Messrs. Ali, Chadwick, Jain and Pangrazio. This was the first time the Compensation Committee has used performance-based restricted stock unit awards as part of executive compensation. The Compensation Committee believes that performance based stock unit awards further link executive compensation with the interests of stockholders as these awards may be earned by the named executive officers based on our achievement of certain revenue growth levels during fiscal year 2014.

Our Compensation Committee and our Board of Directors do not time the granting of our stock options or restricted stock unit awards with any favorable or unfavorable news released by us and the proximity of the grant of any awards to an earnings announcement or other market event is coincidental. The exercise price of options is set at the closing price of our common stock on the date of grant.

Stock Ownership Guidelines. While we encourage our named executive officers to hold a significant equity interest in Cavium, we do not have specific share retention and ownership guidelines for our named executive officers. We may implement guidelines regarding share retention and ownership in the future.

Additional Compensation. All of our full-time employees in the United States, including our named executive officers, may participate in our health programs, which include medical, dental and vision care coverage, and our 401(k) and life insurance programs. We provide these programs to provide a competitive benefit program for our employees.

Compensation Policies and Practices as They Relate to Risk Management

The compensation programs for our employees are structured in a manner that we believe do not create risks that are reasonably likely to have a material adverse effect on Cavium. The predominant component of our compensation structure for executive employees is in the form of long-term equity awards tied to the price of Cavium's common stock, and increasing levels of compensation are derived from those awards as the stock price appreciates and stockholder value is created. We did not award performance-based cash bonuses in 2011, 2012 or 2013. Neither the Compensation Committee nor the Board of Directors intends to award performance-based cash bonuses in 2014. Accordingly, our overall compensation program is structured so as to encourage long-term growth and appreciation in the value of our business and stock price. In addition, the increasing use of restricted stock unit awards in lieu of option grants has reduced the sensitivity to appreciation of our common stock of the value to the recipients of our equity awards. Stock option grants are by nature more sensitive to changes in our stock price because they only have value to the extent the market price of the underlying shares appreciates over the grant date market price that serves as the exercise price. Restricted stock unit awards, on the other hand, continue to provide value and serve as a meaningful retention vehicle even in periods of declining stock prices and their overall value is less sensitive to increasing stock prices, because there is no exercise price or other cash consideration to be paid for the underlying shares. Restricted stock unit awards cover a smaller number of shares when compared to a stock option grant with the same grant-date fair value, and the significant downside protection they afford lowers the overall risk profile of the total compensation package.

Accounting and Tax Considerations

Section 162(m) of the Internal Revenue Code of 1986, or the Code, limits our deduction for federal income tax purposes to not more than \$1.0 million of compensation paid to certain executive officers in a calendar year. Compensation above \$1.0 million may be deducted if it is performance-based compensation within the meaning of the Code. The Compensation Committee has not established a policy for determining which forms of incentive compensation awarded to our executive officers shall be designed to qualify as performance-based compensation. The Compensation Committee intends to continue to evaluate the effects of the compensation limits of Section 162(m) on any compensation it proposes to grant, and the Compensation Committee intends to provide future compensation in a manner consistent with the best interests of Cavium and those of our stockholders.

SUMMARY COMPENSATION TABLE

The following table shows for the fiscal years ended December 31, 2013, 2012, and 2011, compensation awarded to, paid to or earned by Cavium's Chief Executive Officer, Chief Financial Officer, and its three other most highly compensated executive officers as of December 31, 2013, which we refer to in this proxy statement as our named executive officers :

SUMMARY COMPENSATION TABLE FOR FISCAL 2013

Name and Principal Position	Year	Salary (\$)	Stock Awards (\$)(1)	Option Awards (\$)(1)	All Other Compensation (\$)(2)	Total(\$)
Syed B. Ali, President and Chief Executive Officer	2013	368,749	2,822,250	1,529,670	18,099	4,738,768
	2012	350,000	1,786,500	1,973,663	16,506	4,126,669
	2011	336,250	1,563,240	2,134,275	3,835	4,037,600
Arthur D. Chadwick, Vice President of Finance and	2013	295,000	827,860	336,527	15,732	1,475,119
	2012	280,000	535,950	473,679	14,823	1,304,452
Administration, Chief Financial Officer	2011	270,000	446,640	512,226	2,062	1,230,928
Anil K. Jain, Corporate Vice President, IC Engineering	2013	287,500	827,860	336,527	8,664	1,460,551
	2012	250,000	428,760	442,101	8,574	1,129,435
	2011	247,500	390,810	478,078	4,422	1,120,810
Rajiv Khemani,(3) Chief Operating Officer	2013	26,817			1,730	28,547
	2012	300,000	1,250,550	1,105,251	16,208	2,672,009
	2011	293,750	1,042,160	1,195,194	3,329	2,534,433
Vincent P. Pangrazio Senior Vice President, General Counsel and Secretary	2013	282,499	489,190	198,857	17,147	987,693
	2012	275,000	535,950	236,840	16,197	1,063,987
	2011	225,150	1,674,900	768,339	3,263	2,671,652

- (1) The dollar amounts in this column represent the aggregate full grant date fair value calculated in accordance with FASB ASC Topic 718 for equity granted during the fiscal years ended December 31, 2013, 2012, and 2011. Stock options are valued using the Black Scholes option valuation model and the assumptions outlined in Note 8 of our financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2013, as filed with the SEC on February 24, 2014.
- (2) The amounts shown include matching contributions to the Company's 401(k) Plan, health insurance premiums paid by the Company and premiums paid by the Company for and imputed income from term life insurance coverage, each of which we provide to all of our employees.
- (3) Mr. Khemani resigned from his position as Chief Operating Officer effective January 7, 2013.

GRANTS OF PLAN-BASED AWARDS

The following table shows for the fiscal year ended December 31, 2013, certain information regarding grants of plan-based awards to the named executive officers:

GRANTS OF PLAN-BASED AWARDS IN FISCAL 2013

Name	Grant Date	All Other Stock Awards: Number of Shares of Stock or Units (#)(1)	All Other Option Awards: Number of Securities Underlying Options (#)(2)	Exercise or Base Price of Option Awards (\$/Sh)	Grant Date Fair Value of Stock and Option Awards \$(3)
Syed B. Ali	3/22/2013		100,000	37.63	1,529,670
	3/22/2013	75,000		0	2,822,250
Arthur D. Chadwick	3/22/2013		22,000	37.63	336,527
	3/22/2013	22,000		0	827,860
Anil K. Jain	3/22/2013		22,000	37.63	336,527
	3/22/2013	22,000		0	827,860
Rajiv Khemani					
Vincent P. Pangrazio	3/22/2013		13,000	37.63	198,857
	3/22/2013	13,000		0	489,190

- (1) Represents restricted stock unit awards granted to our named executive officers pursuant to Cavium's 2007 Equity Incentive Plan, which are described further in the Outstanding Equity Awards at Fiscal Year-End table below.
- (2) Represents stock options granted to our named executive officers pursuant to Cavium's 2007 Equity Incentive Plan, which are described further in the Outstanding Equity Awards at Fiscal Year-End table below.
- (3) Represents the grant date fair value of the restricted stock unit award and stock option award as determined in accordance with FASB ASC Topic 718. Stock options are valued using the Black Scholes option valuation model and the assumptions outlined in Note 8 of our financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2013, as filed with the SEC on February 24, 2014.

401(k) Plan

We maintain a defined contribution employee retirement plan, or 401(k) plan, for our employees. Our named executive officers are also eligible to participate in the 401(k) plan on the same basis as our other employees. The 401(k) plan is intended to qualify as a tax-qualified plan under Section 401(k) of the Internal Revenue Code. The 401(k) plan provides that each participant may contribute up to 60% of his or her pre-tax compensation, up to the statutory limit, which was \$17,500 for calendar year 2013. Participants that are 50 years or older can also make catch-up contributions, which in calendar year 2013 could be up to an additional \$5,500 above the statutory limit.

Under the 401(k) plan, each participant is fully vested in his or her deferred salary contributions, when contributed. In 2011, 2012 and 2013, we made matching contributions equal to 50% of the employee contribution up to a maximum matching amount of \$2,000. Participant contributions are held and invested by the plan's trustee.

OUTSTANDING EQUITY AWARDS AT FISCAL YEAR-END.

The following table shows for the fiscal year ended December 31, 2013, certain information regarding outstanding equity awards at fiscal year-end for the named executive officers.

OUTSTANDING EQUITY AWARDS AT DECEMBER 31, 2013

Name	Option Awards				Stock Awards	
	Number of Securities Underlying Unexercised Options	Number of Securities Underlying Unexercised Options	Option Exercise Price	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested	Market Value of Shares or Units of Stock That Have Not Vested
	(#) Exercisable	(#) Unexercisable	(\$)		(#) Vested	(\$)(4) Vested
Syed B. Ali	18,750(2)	81,250	37.63	3/22/2020		
	57,291(2)	67,709	35.73	2/24/2019		
	85,937(2)	39,063	37.22	3/10/2018		
	146,875(2)	3,125	24.16	1/6/2017		
	300,000(2)	0	10.32	2/6/2016		
	175,000(2)	0	14.80	3/17/2015		
	175,000(1)	0	3.04	3/22/2016		
	175,000(3)	0	3.04	3/22/2016		
	50,000(1)	0	1.02	8/2/2015		
					75,000(5)	2,588,250
Arthur D. Chadwick					37,500(6)	1,294,125
					21,000(7)	724,710
					15,000(8)	517,650
	4,125(2)	17,875	37.63	3/22/2020		
	13,750(2)	16,250	35.73	2/24/2019		
	20,625(2)	9,375	37.22	3/10/2018		
	41,614(2)	886	24.16	1/6/2017		
	12,500(2)	0	10.32	2/6/2016		
	17,500(2)	0	14.80	3/17/2015		
					22,000(5)	759,220
Anil K. Jain					11,250(6)	388,238
					6,000(7)	207,060
					4,250(8)	146,668
	4,125(2)	17,875	37.63	3/22/2020		
	12,833(2)	15,167	35.73	2/24/2019		
	19,250(2)	8,750	37.22	3/10/2018		
	36,718(2)	782	24.16	1/6/2017		
	75,000(2)	0	10.32	2/6/2016		
					22,000(5)	759,220
					9,000(6)	310,590
Rajiv Khemani					5,250(7)	181,178
					3,750(8)	129,413
	2,437(2)	10,563	37.63	3/22/2020		
	6,875(2)	8,125	35.73	2/24/2019		
	30,937(2)	14,063	37.22	3/10/2018		
					10,563(9)	364,530
					8,438(9)	291,196
					14,063(9)	485,315
Vincent P. Pangrazio						

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- (1) The stock option was granted pursuant to our 2001 Equity Incentive Plan and vests as to 12.5% on the date six months from the vesting commencement date and 1/48th of the shares subject to the stock option vest monthly thereafter. The option may also be early exercised in which case it would remain subject to a repurchase right in favor of Cavium that would vest according to the schedule previously described.

- (2) The stock option was granted pursuant to our 2007 Equity Incentive Plan and vests as to 12.5% on the date six months from the vesting commencement date and 1/48th of the shares subject to the stock option vest monthly thereafter.
- (3) The stock option was granted pursuant to our 2001 Equity Incentive Plan and vests as to 20% on the one year anniversary of the vesting commencement date and 1/60th of the shares subject to the stock option vest monthly thereafter. The option may also be early exercised in which case it would remain subject to a repurchase right in favor of Cavium that would vest according the schedule previously described.
- (4) Amount reflects the number of shares multiplied by the closing price of Cavium's common stock on December 31, 2013.
- (5) The restricted stock unit award was granted pursuant to our 2007 Equity Incentive Plan and vests as to 25% on each of January 30, 2014, 2015, 2016 and 2017.
- (6) The restricted stock unit award was granted pursuant to our 2007 Equity Incentive Plan and vests as to 25% on each of January 30, 2013, 2014, 2015 and 2016.
- (7) The restricted stock unit award was granted pursuant to our 2007 Equity Incentive Plan and vests as to 25% on each of January 30, 2012, 2013, 2014 and 2015.
- (8) The restricted stock unit award was granted pursuant to our 2007 Equity Incentive Plan and vests as to 25% on each of January 30, 2011, 2012, 2013 and 2014.
- (9) The restricted stock unit award was granted pursuant to our 2007 Equity Incentive Plan and vests as to 1/16th of the shares on the 30th day of the first month of each quarter.

Certain of the options and restricted stock unit awards awarded to each of our named executive officers will vest on an accelerated basis upon certain prescribed circumstances. Additional information regarding the vesting acceleration provisions applicable to equity awards granted to our named executive officers is included below under the heading "Employee Agreements and Potential Payments Upon Termination or Change in Control."

OPTION EXERCISES AND STOCK VESTED

The following table shows for the fiscal year ended December 31, 2013, certain information regarding option exercises and stock vested during the fiscal year with respect to the named executive officers:

OPTION EXERCISES AND STOCK VESTED IN FISCAL 2013

Name	Option Awards		Stock Awards	
	Number of Shares Acquired on Exercise (#)	Value Realized on Exercise on Exercise (\$)(1)	Number of Shares Acquired on Vesting (#)	Value Realized on Vesting (\$)(2)
Syed B. Ali			38,000	1,211,440
Arthur D. Chadwick	30,000	827,400	11,000	350,680
Anil K. Jain	23,750	619,413	9,375	298,875
Rajiv Khemani	170,646	2,356,025	23,250	741,210
Vincent P. Pangrazio			17,437	604,848

- (1) The value realized on exercise represents the difference between the exercise price per share of the stock option and the fair market value of our common stock as reported by NASDAQ on the date of exercise multiplied by the number of shares acquired on exercise. The value realized was determined without considering any taxes that may have been owed.
- (2) The value realized on vesting represents the number of shares acquired on vesting multiplied by the fair market value of our common stock as reported by NASDAQ on the date of vesting.

We do not currently maintain a qualified or non-qualified defined benefit plan, nor do we currently maintain nonqualified defined contribution plans or other deferred compensation plans.

EMPLOYEE AGREEMENTS AND POTENTIAL PAYMENTS UPON TERMINATION OR CHANGE IN CONTROL

The following summaries set forth the employment agreements and potential payments payable to our named executive officers upon termination of employment or a change in control under their current employment agreements and our other compensation programs.

We believe that the severance benefits we provide for our named executive officers are appropriate and provide us with greater flexibility to make changes in our executive management if the changes are in the stockholders' best interests. This flexibility is provided by already having in place certain mutually agreed upon severance packages so that parties are aware of and have agreed upon the payments that would occur upon various termination events. In addition to the potential payments set forth below, each of the named executive officers, as employees, may be entitled to certain benefits under the 2007 Equity Incentive Plan relating to a change in control or other corporate transaction.

Syed B. Ali. In January 2001, we entered into an employment agreement with Mr. Ali, our President and Chief Executive Officer. In December 2008, we entered into an amendment to the employment agreement to comply with the requirements of Section 409A of the Internal Revenue Code of 1986, as amended. Mr. Ali's agreement provides that he is an at-will employee and his employment may be terminated at any time by us or Mr. Ali. If we terminate Mr. Ali's employment without cause (as defined in his employment agreement) or Mr. Ali is constructively terminated (as defined in his employment agreement), and Mr. Ali executes a release of claims against Cavium, Mr. Ali will be entitled to receive \$14,583 (less applicable withholding taxes) per month for a period of 12 months and reimbursement for health care continuation coverage for the same period. If, during that 12-month period, Mr. Ali obtains full time employment (or its equivalent), then Mr. Ali's severance payments will be decreased by the salary or fees paid for such work (but not decreased by more than \$50,000 in the aggregate) and his health care continuation reimbursements will cease if he has been provided with substantially similar coverage. For a period of 18 months after his termination of employment, Mr. Ali will be subject to certain restrictions on competition with Cavium and on the solicitation of employees, customers and clients. Mr. Ali is also eligible to participate in our general employee benefit plans in accordance with the terms and conditions of the plans.

Arthur D. Chadwick. In December 2004, we entered into an employment offer letter with Mr. Chadwick, our Vice President of Finance & Administration and Chief Financial Officer. Mr. Chadwick's offer letter provides that he is an at-will employee and his employment may be terminated at any time by us or Mr. Chadwick. If we terminate Mr. Chadwick's employment without cause (as defined in his offer letter) or Mr. Chadwick resigns for good reason (as defined in his offer letter), one half of his unvested company stock and stock options will become vested. Additionally, Mr. Chadwick's unvested company stock and stock options will fully vest if we terminate Mr. Chadwick's employment or Mr. Chadwick resigns for good reason within three months prior to or 12 months following a change in control (as defined in his offer letter) or Mr. Chadwick is not offered the position of chief financial officer of the surviving or continuing entity within three months following the change in control. In addition, in the event of a change in control, Mr. Chadwick has agreed to assist Cavium with the transition following a change in control for up to six months. Mr. Chadwick is also eligible to participate in our general employee benefit plans in accordance with the terms and conditions of the plans.

Anil K. Jain. In January 2001, we entered into an employment offer letter with Mr. Jain, our Vice President of IC Engineering. In December 2008, we entered into an amendment to the employment offer letter to comply with the requirements of Section 409A of the Internal Revenue Code of 1986, as amended. Mr. Jain's offer letter provides that Mr. Jain is an at-will employee and his employment may be terminated at any time by us or Mr. Jain. If we terminate Mr. Jain's employment for any reason, Mr. Jain is entitled to receive his salary as well as benefits for three months after termination. Mr. Jain is also eligible to participate in our general employee benefit plans in accordance with the terms and conditions of the plans.

Rajiv Khemani. In May 2003, we entered into an employment offer letter with Mr. Khemani, our Chief Operating Officer. Mr. Khemani's offer letter provides that Mr. Khemani is an at-will employee and his

employment may be terminated at any time by us or Mr. Khemani. The offer letter does not provide Mr. Khemani with any severance or change in control benefits. Mr. Khemani is eligible to participate in our general employee benefit plans in accordance with the terms and conditions of the plans. Mr. Khemani resigned from his position as Chief Operating Officer effective January 7, 2013 and is therefore not included in the table below.

Vincent P. Pangrazio. In February 2011, we entered into an employment offer letter with Mr. Pangrazio, our Senior Vice President and General Counsel. Mr. Pangrazio's offer letter provides that Mr. Pangrazio is an at-will employee and his employment may be terminated at any time by us or Mr. Pangrazio. If we terminate Mr. Pangrazio's employment without cause (as defined in his offer letter) or Mr. Pangrazio resigns for good reason (as defined in his offer letter), two thirds of his unvested company stock and stock options will become vested and Mr. Pangrazio will receive in a lump sum six months of his base salary, half of his target cash bonus if applicable and six months of COBRA premiums. If, during that six-month period, Mr. Pangrazio obtains health benefits comparable to the COBRA benefits from a new employer, his COBRA premiums will cease. Additionally, Mr. Pangrazio's unvested company stock and stock options will fully vest if we terminate Mr. Pangrazio's employment or Mr. Pangrazio resigns for good reason within three months prior to or 12 months following a change in control (as defined in his offer letter) or Mr. Pangrazio is not offered a similar position of responsibility within the surviving or continuing entity within three months following the change in control. In addition, in the event of a change in control, Mr. Pangrazio has agreed to assist Cavium with the transition following a change in control for up to three months. Mr. Pangrazio is also eligible to participate in our general employee benefit plans in accordance with the terms and conditions of the plans.

In February 2009, January 2010, March 2011, February 2012 and March 2013, the Board of Directors or Compensation Committee granted equity incentive plan awards to Messrs. Ali, Chadwick, Jain and Khemani. In March 2011, February 2012 and March 2013, the Board of Directors granted a stock option and restricted stock unit award to Mr. Pangrazio which may be accelerated pursuant to the provisions in Mr. Pangrazio's employment offer letter discussed above. In the event there is a change in control (as defined in the stock option agreements), 100% of each of the option grants and restricted stock unit awards granted to Messrs. Ali, Chadwick, Jain and Khemani in February 2009 and January 2010 will immediately vest if any of the following events occur: (i) the employee is terminated by Cavium without cause (as defined in the stock option agreements) within 24 months following the change in control, or (ii) the employee resigns for good reason (as defined in the stock option agreements) within 24 months following the change in control. In the event there is a change in control (as defined in the stock option agreements), 50% of each of the unvested option grants and restricted stock unit awards granted to Messrs. Ali, Chadwick, Jain and Khemani in March 2011 will immediately vest if any of the following events occur: (i) the employee is terminated by Cavium without cause (as defined in the stock option agreements) within 12 months following the change in control, or (ii) the employee resigns for good reason (as defined in the stock option agreements) within 12 months following the change in control. In the event there is a change in control (as defined in the stock option agreements), 100% of each of the option grants and restricted stock unit awards granted to Messrs. Ali, Chadwick, Jain, Khemani, and Pangrazio in February 2012 and March 2013 will immediately vest if any of the following events occur: (i) the employee is terminated by Cavium without cause (as defined in the stock option agreements) within 12 months following the change in control, or (ii) the employee resigns for good reason (as defined in the stock option agreements) within 12 months following the change in control.

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The amount of potential compensation and benefits payable to each named executive officer in various termination and change in control situations has been estimated in the table below and assumes that the event occurred on December 31, 2013, the last business day of Cavium's last fiscal year:

Named Executive Officer	Termination or Change in Control Event	Cash Severance Payment (\$)	Continuation of Medical Benefits(\$)	Acceleration of Vesting of Stock Options (\$)(1)	Acceleration of Vesting of Stock Awards (\$)(1)	Total Termination Benefits (\$)
Syed B. Ali(2)	Termination without cause or constructive termination, no change in control	174,996	23,740			198,736
	Termination without cause or resignation for good reason between 12 and 24 months following a change in control	174,996	23,740	32,344	517,650	748,730
	Termination without cause or resignation for good reason within 12 months following a change in control	174,996	23,740	32,344	4,762,380	4,993,460
Arthur D. Chadwick	Termination without cause or resignation for good reason, no change in control			4,586	750,593	755,179
	Termination or resignation for good reason within 3 months prior to or 12 months following a change in control or not offered position of CFO within 3 months following the change in control			9,171	1,501,185	1,510,356
	Termination without cause or resignation for good reason between 12 and 24 months following a change in control			9,171	823,927	833,098
Anil K. Jain	Termination for any reason, no change in control	75,000	4,162			79,162
	Termination without cause or resignation for good reason between 12 and 24 months following a change in control	75,000	4,162	8,094	129,413	216,669
	Termination without cause or resignation for good reason within 12 months following a change in control	75,000	4,162	8,094	1,289,812	1,377,068
Vincent P. Pangrazio(3)	Termination without cause or resignation for good reason, no	142,500	10,516		760,693	913,709

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change in control

Termination or resignation for good reason within 3 months prior to or 12 months following a change in control or if not offered a similar position of responsibility with the surviving entity within 3 months following the change in control	142,500	10,516	1,141,039	1,294,055
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- (1) The value of stock option and stock award vesting acceleration is based on the closing stock price of \$34.51 per share for our common stock as reported on NASDAQ on December 31, 2013 and, with respect to in-the-money unvested stock option shares, minus the exercise price of the unvested option shares.
- (2) If, during the 12-month period, Mr. Ali obtains full time employment (or its equivalent), then Mr. Ali's severance payments will be decreased by the salary or fees paid for such work (but not decreased by more than \$50,000) and his health care continuation reimbursements will cease if he is provided with substantially similar coverage.
- (3) If, during that six-month period, Mr. Pangrazio obtains health benefits comparable to the COBRA benefits from a new employer, his COBRA premiums will cease.

DIRECTOR COMPENSATION

The following table shows for the fiscal year ended December 31, 2013 certain information with respect to the compensation of all non-employee directors of Cavium:

DIRECTOR COMPENSATION FOR FISCAL 2013

Name	Fees Earned or Paid in Cash (\$)	Stock Awards (\$)(1)	Option Awards (\$)(1)	Total (\$)
Sanjay Mehrotra(2)	18,000	100,320	83,432	201,752
Anthony J. Pantuso(3)	24,000	100,320	83,432	207,752
Madhav Rajan(4)	18,000	376,300	382,418	776,718
C.N. Reddy(5)	24,000	100,320	83,432	207,752
Anthony S. Thornley(6)	24,000	100,320	83,432	207,752

- (1) The dollar amounts in this column represent the aggregate full grant date fair value calculated in accordance with FASB ASC Topic 718 for stock awards granted during the fiscal year ended December 31, 2013. Stock options are valued using the Black Scholes option valuation model and the assumptions outlined in Note 8 of our financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2013, as filed with the SEC on February 24, 2014.
 - (2) As of December 31, 2013, Mr. Mehrotra held unexercised options to purchase 96,000 shares and 3,000 unvested restricted stock units.
 - (3) Mr. Pantuso resigned from the Board of Directors and all committees thereof in September 2013. As of December 31, 2013, Mr. Pantuso held no unexercised options and no unvested restricted stock units.
 - (4) As of December 31, 2013, Mr. Rajan held unexercised options to purchase 25,000 shares and 10,000 unvested restricted stock units.
 - (5) As of December 31, 2013, Mr. Reddy held unexercised options to purchase 71,000 shares and 3,000 unvested restricted stock units.
 - (6) As of December 31, 2013, Mr. Thornley held unexercised options to purchase 74,125 shares and 3,000 unvested restricted stock units.
- Mr. Syed Ali, our one employee director, did not receive any cash compensation for his services as a member of our Board of Directors in 2013.

In 2013 our non-employee directors received cash compensation for their services as non-employee members of the Board of Directors in the following amounts: \$12,000 per year for service on the Board of Directors, plus \$6,000 per year for service on the audit committee and \$6,000 per year for service on the compensation committee. In addition, the chairperson of the audit committee received an additional \$6,000. This cash compensation was paid on, or soon after, the date of our 2013 annual meeting of stockholders, and was paid for the director's service for the 12 months following the annual meeting of stockholders.

The Board of Directors reviewed total compensation for non-employee directors in March 2014, including analyses provided by Compensia, in light of our desire to retain our board members, attract potential new directors and provide competitive consideration for the directors' services. As a result of the review, the Board of Directors approved the following annual cash compensation for non-employee members of the Board of Directors to be paid beginning at the 2014 Annual Stockholders Meeting: \$35,000 per year for service on the Board of Directors, plus an additional \$12,000 per year for the lead director; \$10,000 per year for service on the audit committee, plus an additional \$15,000 per year for the chairperson; \$7,500 per year for service on the compensation committee, plus an additional \$7,500 for the chairperson; and \$5,000 per year for service on the nominating and corporate governance committee, plus an additional \$5,000 for the chairperson. Additionally, we have a policy of reimbursing directors for travel, lodging and other reasonable expenses incurred in connection with their attendance at Board of Directors or committee meetings.

Each individual who is first elected or appointed as a non-employee director of the Board of Directors will automatically be granted a stock option to purchase 25,000 shares of our common stock and a restricted stock unit award for 10,000 shares of our common stock. All of the shares subject to the initial stock option grant vest in equal monthly installments over four years and all of the shares subject to the initial restricted stock unit award vest annually over four years on the last day of the first month of a calendar quarter which last day next occurs after the one year anniversary of the election or appointment of the director. The vesting commencement date of the initial grants will occur when the director first takes office. The options and restricted stock unit awards in the initial grants may accelerate in the event the non-employee directors' service terminates in connection with a Corporate Transaction as the term is defined in the 2007 Equity Incentive Plan.

In March 2013, after a review of compensation for non-employee directors, including market analyses provided by Compensia, the Board of Directors approved an amendment to our 2007 Equity Incentive Plan to decrease the annual automatic stock option grant to each non-employee director and to add a restricted stock unit award. Therefore, at the 2013 Annual Meeting of Stockholders, each non-employee director who had served for at least the preceding six months and who would continue to be a director after that meeting was automatically granted a non-statutory stock option on such date to purchase 7,000 shares of our common stock and a restricted stock unit award for 3,000 shares of our common stock. The stock option vests in equal monthly installments over one year and the annual restricted stock unit award vests on April 30, 2014. These stock options were granted with an exercise price equal to the fair market value of our common stock on the date of the grant. The options and restricted stock unit awards in the annual automatic grant may accelerate in the event the non-employee directors' service terminates in connection with a Corporate Transaction as the term is defined in the 2007 Equity Incentive Plan. In 2013, the following directors received annual stock option and restricted stock unit grants: Messrs. Reddy, Pantuso, Thornley, and Mehrotra. Mr. Rajan did not receive an annual stock option or restricted stock unit grant because he joined the board in March 2013, at which time he received an initial stock option and restricted stock unit grant, and therefore had not served for six months prior to the 2013 Annual Meeting of Stockholders.

In March 2014, after further review of compensation for non-employee directors, including market analyses provided by Compensia, the Board of Directors approved an amendment to our 2007 Equity Incentive Plan to decrease the annual automatic stock option grant to each non-employee director and to increase the restricted stock unit award. Therefore, beginning with the 2014 Annual Meeting of Stockholders, at the time of each of our annual meetings of stockholders each non-employee director who has served for at least the preceding six months and who would continue to be a director after that meeting will automatically be granted a non-statutory stock option on such date to purchase 3,000 shares of our common stock and a restricted stock unit award for 5,500 shares of our common stock. The annual stock option will vest in equal monthly installments over one year and the annual restricted stock unit award will vest on April 30th in the year following the year of the date of grant. These stock options are granted with an exercise price equal to the fair market value of our common stock on the date of the grant. The options and restricted stock unit awards in the annual automatic grant may accelerate in the event the non-employee directors' service terminates in connection with a Corporate Transaction as the term is defined in the 2007 Equity Incentive Plan.

Our intention is to make annual grants to all non-employee directors at the 2014 Annual Meeting of Stockholders. We make the grants because we believe that long-term performance from our non-employee directors should be encouraged and rewarded through a culture of stock ownership. Therefore, our long-term equity incentive compensation for non-employee directors is currently in the form of stock options and restricted stock unit awards. The 2007 Equity Incentive Plan was established to provide our employees, named executive officers, and our non-employee directors with equity incentives to help align their incentives with the interests of our stockholders.

TRANSACTIONS WITH RELATED PERSONS

CODE OF CONDUCT POLICY AND PROCEDURES

In 2007, Cavium adopted a written Code of Conduct that sets forth Cavium's policies and procedures regarding the identification, review, consideration and approval or ratification of related person transactions with employees, directors and consultants. Pursuant to our written Code of Conduct, our executive officers and directors are not permitted to enter into such related person transactions without the approval of either our Audit Committee or our Board of Directors. Our Audit Committee and/or Board of Directors shall approve only those related person transactions that, in light of known circumstances, are in, or are not inconsistent with, our best interests, which our Audit Committee or Board of Directors determines in the good faith exercise of its discretion. Our Code of Conduct also prohibits employees from entering into transactions that are a conflict of interest, such as those in which a person's private interest interferes in any way with Cavium's interests, without the approval of our designated compliance officer.

CERTAIN RELATED-PERSON TRANSACTIONS

Cavium has entered into indemnity agreements with certain officers and directors which provide, among other things, that Cavium will indemnify the officer or director, under the circumstances and to the extent provided for therein, for expenses, damages, judgments, fines and settlements he or she may be required to pay in actions or proceedings which he or she is or may be made a party by reason of his or her position as a director, officer or other agent of Cavium, and otherwise to the fullest extent permitted under Delaware law and Cavium's Bylaws.

HOUSEHOLDING OF PROXY MATERIALS

The SEC has adopted rules that permit companies and intermediaries (e.g., brokers) to satisfy the delivery requirements for Notices of Internet Availability of Proxy Materials or other Annual Meeting materials with respect to two or more stockholders sharing the same address by delivering a single Notice of Internet Availability of Proxy Materials or other Annual Meeting materials addressed to those stockholders. This process, which is commonly referred to as "householding," potentially means extra convenience for stockholders and cost savings for companies.

This year, a number of brokers with account holders who are Cavium, Inc. stockholders will be "householding" Cavium's proxy materials. A single Notice of Internet Availability of Proxy Materials will be delivered to multiple stockholders sharing an address unless contrary instructions have been received from the affected stockholders. Once you have received notice from your broker that they will be "householding" communications to your address, "householding" will continue until you are notified otherwise or until you revoke your consent. If, at any time, you no longer wish to participate in "householding" and would prefer to receive a separate Notice of Internet Availability of Proxy Materials, please notify your broker. Direct your written request to Corporate Secretary, Cavium, Inc., 2315 N. First Street, San Jose, California 95131. Stockholders who currently receive multiple copies of the Notice of Internet Availability of Proxy Materials at their addresses and would like to request "householding" of their communications should contact their brokers.

OTHER MATTERS

The Board of Directors knows of no other matters that will be presented for consideration at the 2014 Annual Meeting of Stockholders. If any other matters are properly brought before the meeting, it is the intention of the persons named in the accompanying proxy to vote on such matters in accordance with their best judgment.

By Order of the Board of Directors

/s/ Vincent P. Pangrazio

VINCENT P. PANGRAZIO

Secretary

April 29, 2014

A copy of Cavium's Annual Report to the Securities and Exchange Commission on Form 10-K for the fiscal year ended December 31, 2013 is available without charge upon written request to: Corporate Secretary, Cavium, Inc., 2315 N. First Street, San Jose, California 95131.

