

CEVA INC
Form DEF 14A
April 08, 2011

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**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
SCHEDULE 14A
(Rule 14a-101)
INFORMATION REQUIRED IN PROXY STATEMENT
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 under Rule 14a-12

CEVA, 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.

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(1) Amount previously paid:

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

(3) Filing Party:

(4) Date Filed:

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**CEVA, INC.
1943 Landing Drive
Mountain View, California 94043**

**Notice of Annual Meeting of Stockholders
to be held on May 17, 2011**

To the stockholders of CEVA, Inc.:

The annual meeting of stockholders of CEVA, Inc., a Delaware corporation, will be held on Tuesday, May 17, 2011, at 8:30 a.m., local time, at The Intercontinental, 111 East 48th St., New York City, New York for the purpose of considering and voting upon the following matters:

1. To elect eight directors, as specifically set forth in the attached proxy statement, to serve until the 2012 annual meeting of stockholders or until their successors are elected and qualified;
2. To approve an amendment and restatement of the Company's 2003 Director Stock Option Plan to increase the number of shares of common stock reserved for issuance thereunder from 700,000 shares to 1,100,000 shares;
3. To approve the Company's 2011 Equity Incentive Plan;
4. To ratify the selection of Kost Forer Gabbay & Kasierer (a member of Ernst & Young Global) as independent auditors of the Company for the fiscal year ending December 31, 2011;
5. To approve, in a non-binding vote, the compensation of the Company's named executive officers;
6. To recommend, in a non-binding vote, whether a non-binding stockholder vote to approve the compensation of the Company's named executive officers should occur every one, two or three years; and
7. To transact such other business as may properly come before the annual meeting, including any postponements or adjournments thereof.

The foregoing items of business are more fully described in the proxy statement which is attached and made a part hereof.

Our board of directors presently has no knowledge of any other business to be transacted at the annual meeting.

We are enclosing a copy of our annual report to stockholders for 2010 with the proxy statement that accompanies this notice of meeting. The annual report contains consolidated financial statements and other information of interest to you.

Holders of record of our common stock at the close of business on March 21, 2011 are entitled to receive this notice and to vote at the annual meeting.

We urge you to attend the annual meeting in person. However, to ensure your representation at the annual meeting, please vote as soon as possible using one of the following methods: (1) by using the Internet as instructed on the enclosed proxy card, (2) by telephone by calling the toll-free number as instructed on the enclosed proxy card or (3) by mail by completing, signing, dating and returning the enclosed paper proxy card in the postage-prepaid

envelope enclosed for that purpose. Any stockholder of record attending the meeting may vote in person even if he or she has previously voted using the Internet, telephone or proxy card.

By order of the board of directors,

/s/ Gideon Wertheizer
Gideon Wertheizer
Chief Executive Officer

April 8, 2011
Mountain View, California

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May 17, 2011)

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CEVA, INC.

Proxy Statement

***For the Annual Meeting of Stockholders
to be held on May 17, 2011***

This proxy statement is furnished to you in connection with the solicitation of proxies by our board of directors for the annual meeting of stockholders to be held on Tuesday, May 17, 2011, at 8:30 a.m., local time, at The Intercontinental, 111 East 48th St., New York City, New York, including any postponements or adjournments thereof.

The notice of the annual meeting, this proxy statement, our annual report to stockholders for 2010, and the enclosed proxy card are first being mailed to stockholders on or about April 8, 2011. In addition to the mailing, the notice of the annual meeting, the proxy statement and the proxy card are available for your review, print and download on our website at www.ceva-dsp.com. The enclosed annual report incorporates our annual report on Form 10-K for 2010, including financial statements and financial statement schedules, but excluding exhibits, as filed with the Securities and Exchange Commission (the "SEC"). **Please contact us in writing if you did not receive a copy of our annual report to stockholders, and we will furnish you with a copy at no charge. We will provide copies of the exhibits to our annual report on Form 10-K, upon the written request of any of our stockholders as of the record date for the annual meeting and payment of a fee which fee shall be limited to our reasonable expenses in providing such exhibits. Please address your request to CEVA, Inc., 1943 Landing Drive, Mountain View, California 94043, Attention: Corporate Secretary. Our annual report on Form 10-K, and the exhibits thereto, as well as our other filings with the SEC may be accessed, free of charge, at our website, www.ceva-dsp.com and on the SEC's website at www.sec.gov, as soon as practicable after filing. Our website and the information contained therein or connected thereto are not intended to be incorporated into this proxy statement.**

Voting of Proxies

Voting by Proxy Card. All shares entitled to vote and represented by properly executed proxy cards received prior to the annual meeting, and not revoked, will be voted at the annual meeting in accordance with the instructions indicated on those proxy cards.

Voting by Telephone or the Internet. A stockholder may vote his, her or its shares by calling the toll-free number indicated on the enclosed proxy card and following the recorded instructions or by accessing the website indicated on the enclosed proxy card and following the instructions provided. When a stockholder votes via the Internet or by telephone, his, her or its vote is recorded immediately. We encourage stockholders to vote using these methods whenever possible.

Voting by Attending the Meeting. A stockholder of record may vote his, her or its shares in person at the annual meeting. A stockholder planning to attend the annual meeting should bring proof of identification for entrance to the annual meeting. If a stockholder of record attends the annual meeting, he, she or it may also submit his, her or its vote in person, and any previous votes that were submitted by the stockholder, whether by Internet, telephone or mail, will be superseded by the vote that such stockholder casts at the annual meeting. If your shares are held in street name or by a broker or nominee, you should follow the directions provided by your broker or nominee regarding how to vote in person at the annual meeting.

Revocability of Proxies. Any proxy given pursuant to this solicitation may be revoked by the person giving it at any time before it is voted. If the shares of common stock are held in your name, you may revoke your proxy (1) by filing with our corporate secretary, at or before the taking of the vote at the annual meeting, a written notice of revocation or

a duly executed proxy card, in either case dated later than the prior proxy relating to the same shares, or (2) by attending the annual meeting and voting in person (although attendance at the annual meeting will not by itself revoke a proxy). Any written notice of revocation or subsequent proxy card must be received by our corporate secretary prior to the taking of the vote at the annual meeting. Such written notice of revocation or subsequent proxy card should be hand delivered to our corporate secretary or should be sent to CEVA, Inc., 1943 Landing Drive,

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Mountain View, California 94043, Attention: Corporate Secretary. If your shares are held in street name or by a broker or nominee, you should follow the directions provided by your broker or nominee regarding how to revoke your proxy.

If no instructions are indicated on a properly executed proxy card, the shares represented by that proxy card will be voted as recommended by the board of directors.

If a stockholder indicates on a proxy that the shares should be voted FOR approval of the matters presented at the annual meeting, the proxy holders will have discretion to vote the shares on any other matters which are properly presented at the annual meeting for consideration, including a motion to adjourn or postpone the annual meeting to another time or place for the purpose of soliciting additional proxies, unless a stockholder expressly withholds authorization for the proxies to use their discretion. Gideon Wertheizer and Yaniv Arieli have been selected as proxy holders by our board of directors and currently serve as our executive officers, and Mr. Wertheizer is also a member of our board of directors.

Stockholders Entitled to Vote

Our board of directors has fixed March 21, 2011 as the record date for determination of stockholders entitled to vote at the annual meeting. Only holders of record of our common stock at the close of business on the record date are entitled to notice of and to vote at the annual meeting. On March 21, 2011, there were 22,801,028 shares of our common stock outstanding and entitled to vote. Each share of common stock will have one vote for each matter to be voted upon at the annual meeting.

Quorum; Votes Required

The holders of a majority of the shares of common stock issued and outstanding and entitled to vote at the annual meeting will constitute a quorum for the transaction of business at the annual meeting. Shares of common stock held by stockholders present in person or represented by proxy, including shares held by stockholders that abstain or do not vote with respect to one or more of the matters presented for stockholder approval, will be counted for purposes of determining whether a quorum is present at the annual meeting. An automated system administered by our transfer agent, American Stock Transfer and Trust Corporation, will tabulate votes cast by proxy and one of their representatives will act as inspector of elections to tabulate votes cast in person at the annual meeting.

Under the General Corporation Law of the State of Delaware, abstentions are included in determining the number of shares voted on the proposals submitted to stockholders (other than the election of directors) and will have the same effect as a no vote on such proposals. A broker non-vote occurs when a broker or nominee holding shares for a beneficial owner does not vote on a particular matter because such broker or nominee does not have the discretionary voting authority to vote the shares for which it is the holder of record with respect to a particular matter at the annual meeting and such broker or nominee has not received instructions from the beneficial owner. Broker non-votes, and shares as to which proxy authority has been withheld with respect to any matter, are generally not deemed to be entitled to vote for purposes of determining whether stockholders approval of that matter has been obtained. Pursuant to New York Stock Exchange (NYSE) Rule 452, the uncontested election of directors (Proposal No. 1) is a non-routine matter and, therefore, may not be voted upon by brokers without instruction from beneficial owners. Consequently, proxies submitted by brokers for shares beneficially owned by other persons may not, in the absence of specific instructions from such beneficial owners, vote the shares in favor of a director nominee or withhold votes from a director nominee at the brokers discretion.

With respect to proposal 1 of this proxy statement, each director nominee will be elected by a plurality of the votes of shares of our common stock represented and voted at the annual meeting, and abstentions and broker non-votes will

have no effect on the outcome of the election of the director nominees. With respect to proposals 2, 3 and 4 of this proxy statement, the affirmative vote of a majority of shares of our common stock represented and voted at the annual meeting is required for approval. With respect to proposal 5 of this proxy statement, the affirmative vote of a majority of shares of our common stock represented and voted at the annual meeting is required for approval, although such vote will not be binding on us. With respect to proposal 6 of this proxy statement, we have determined to view the frequency vote that receives the greatest number of votes cast by the holders of our common stock entitled to vote at the meeting as the advisory vote of stockholders on the frequency of approval of the compensation

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of our named executive officers, although such vote will not be binding on us. Abstentions will have no effect on the outcome of the election of the director nominees or the vote on the frequency of the stockholder vote on the compensation of our named executive officers and will have the same effect as no votes on proposals 2, 3, 4 and 5. Broker non-votes will have no effect on the proposals presented at this annual meeting.

Expenses of Solicitation

We will bear all expenses of this solicitation, including the cost of preparing and mailing this solicitation material. We may reimburse brokerage firms, custodians, nominees, fiduciaries, and other persons representing beneficial owners of common stock for their reasonable expenses in forwarding solicitation material to such beneficial owners. Directors, officers and employees of the company may also solicit proxies in person or by telephone, letter, electronic mail, telegram, facsimile or other means of communication. Such directors, officers and employees will not be additionally compensated, but they may be reimbursed for reasonable out-of-pocket expenses in connection with such solicitation. We have retained the services of Georgeson Inc., a professional proxy solicitation firm, to assist in the solicitation of proxies; and we will pay approximately \$11,750 for its services, in addition to a fee of \$6.50 per call, a fee of \$6.00 per TeleVotetm and reimbursement of its out-of-pocket expenses.

Security Ownership of Certain Beneficial Owners and Management

The following table sets forth information, as of March 8, 2011, regarding the beneficial ownership of shares of our common stock by (a) each person or entity known by us to own beneficially more than 5% of the outstanding shares of our common stock, (b) each of our named executive officers, as described in the 2010 Summary Compensation Table below, (c) each of our director and director nominee, and (d) our directors and executive officers as a group. The address of each of our directors and named executive officers is c/o CEVA, Inc., 1943 Landing Drive, Mountain View, California 94043.

Beneficial ownership is determined in accordance with the rules of the Securities and Exchange Commission, and generally includes voting power and/or investment power with respect to the shares of common stock. The percentages are based on 22,801,028 shares of our common stock outstanding as of March 8, 2011. Shares of common stock subject to options currently exercisable or exercisable within 60 days of March 8, 2011 are deemed outstanding for purposes of computing the percentage beneficially owned by the person holding the options, but are not deemed outstanding for purposes of computing the percentage beneficially owned by any other person. Except as indicated by footnote, we believe that the persons named in this table, based on information provided by them, have sole voting and investment power with respect to the shares of common stock indicated.

Name of Beneficial Owner	Shares Beneficially Owned Number	Percent	Options Included in Shares Beneficially Owned Number
FMR LLC(1)	2,934,933	12.9%	
Janus Capital Management LLC(2)	1,870,149	8.2%	
BlackRock, Inc.(3)	1,759,102	7.7%	
Austin W. Marxe and David M. Greenhouse(4)	1,699,800	7.5%	
Directors and Executive Officers			
Eliyahu Ayalon		*	

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Zvi Limon	3,250	*	3,250
Bruce A. Mann	155,000	*	155,000
Peter McManamon	395,562	1.7%	42,000
Sven-Christer Nilsson		*	
Louis Silver		*	
Dan Tocatly	3,250	*	3,250
Gideon Wertheizer	246,249	1.1%	246,249
Yaniv Arieli	117,229	*	117,229
Issachar Ohana	47,637	*	47,637
All directors and executive officers as a group (10 persons)	968,177	4.2%	614,615

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* Represents less than 1% of the outstanding shares of common stock.

- (1) FMR LLC and Edward C. Johnson III filed a Schedule 13G/A on February 14, 2011, with the Securities and Exchange Commission, reporting beneficial ownership as of December 31, 2010. The information contained in this table is derived from such filing. The address of the reporting person is 82 Devonshire Street, Boston, MA 02109.
- (2) Janus Capital Management LLC filed a Schedule 13G/A with the Securities and Exchange Commission on February 14, 2011, reporting beneficial ownership of 1,870,149 shares of common stock as of December 31, 2010. The information contained in this table is derived from such filing. The address of the reporting person is 151 Detroit Street, Denver, CO 80206.
- (3) BlackRock, Inc. filed a Schedule 13G/A with the Securities and Exchange Commission on February 03, 2011, reporting beneficial ownership of 1,759,102 shares of common stock as of December 31, 2010. The information contained in this table is derived from such filing. The address of the reporting person is 40 East 52nd Street, New York, NY 10022.
- (4) Austin W. Marx and David M. Greenhouse filed a Schedule 13G/A with the Securities and Exchange Commission on February 11, 2011, reporting beneficial ownership of 1,699,800 shares of common stock as of December 31, 2010. As stated in such Schedule 13G/A, Messrs. Marx and Greenhouse share sole voting and investment power over 157,167 shares of Common Stock owned by Special Situations Cayman Fund, L.P., 137,123 shares of Common Stock owned by Special Situations Technology Fund, L.P., 748,149 shares of Common Stock owned by Special Situations Technology Fund II, L.P. and 657,361 shares of Common Stock owned by Special Situations Fund III QP, L.P.. The address of Messrs. Marx and Greenhouse is c/o Special Situations Funds, 527 Madison Avenue, Suite 2600, New York, NY 10022.

Equity Compensation Plan Information

The following table sets forth certain information regarding our equity compensation plans as of December 31, 2010.

Plan Category	Number of Shares 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
Equity compensation plans approved by security holders			
CEVA 2003 Director Stock Option Plan	196,250	\$ 7.60	
CEVA 2002 Stock Incentive Plan	475,208	\$ 7.66	915,735
CEVA 2000 Stock Incentive Plan	1,369,620	\$ 9.14	(1)
CEVA 2002 Employee Stock Purchase Plan	n/a	n/a	517,550
Total	2,041,078	\$ 8.65	1,433,285

- (1) The CEVA 2000 Stock Incentive Plan expired prior to December 31, 2010. Prior to its expiration, 20,913 shares of CEVA common stock remained authorized and unissued under the plan, but such shares are unavailable for future issuance.

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Unless otherwise instructed, the persons named in the accompanying proxy will vote to elect as directors the eight nominees named below, all of whom are currently directors of CEVA. Each director will be elected to hold office until the 2012 annual meeting of stockholders and until his successor is elected and qualified. Each of the nominees has indicated his willingness to serve on our board of directors, if elected; however, if any nominee should be unable to serve, the person acting under the proxy may vote the proxy for a substitute nominee designated by our board of directors. Our board of directors has no reason to believe that any of the nominees will be unable to serve if elected.

The following table sets forth certain information with respect to our directors as of March 21, 2011:

Name	Age	Director Since	Principal Occupation, Other Business Experience and Other Directorships During the Past Five Years
Eliyahu Ayalon	68	1999	Mr. Ayalon served as chairman of our board of directors from November 2002 to February 2004 and has served as a member of our board of directors since November 1999. Mr. Ayalon also served as our Chief Executive Officer from November 1999 to January 2001. Mr. Ayalon has served as President and Chief Executive Officer of DSP Group, Inc., a publicly traded fabless semiconductor company, from April 1996 until April 2005 and from January 2007 to July 2009. Mr. Ayalon also has served as a member of the board of directors of DSP Group, Inc. since April 1996, as chairman since January 2000 and as executive chairman since April 2005. Mr. Ayalon is also a member of the executive committee of the University Center of Ariel, Israel. We believe Mr. Ayalon's qualifications to sit on our board include his years of executive experience in the high technology and semiconductor industries, his deep understanding of our company acquired during the 10 plus years of service on our board and his board experience at public and private companies within the semiconductor industry.
Zvi Limon(1)(3)	52	1999	Mr. Limon has served as a member of our board of directors since November 1999. Since 1999, Mr. Limon has been a partner at Magma Venture Capital, a consulting and investment advisory firm. Since 2006, Mr. Limon also has been a general partner of Rimon Investment Fund, a consulting and investment advisory firm. He served as chairman of Limon Holdings Ltd., a consulting and investment advisory firm, from October 1993 to July 2000. Mr. Limon is a director of DSP Group, Inc., Tefron Ltd., a publicly-trade apparels company, and various private companies. He also was a director of GVT (Holding) SA, the parent company of Global Village Telecom in Brazil. We believe Mr. Limon's qualifications to sit on our board include

his years of experience providing strategic and investment advisory services to companies, his understanding of our company acquired during the 10 plus years of service on our board and his board and experience at public and private companies.

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Name	Age	Director Since	Principal Occupation, Other Business Experience and Other Directorships During the Past Five Years
Bruce A. Mann(2)	76	2001	Mr. Mann has served as a member of our board of directors since April 2001. Mr. Mann has been a partner of Morrison & Foerster LLP since February 1987. He was a Senior Managing Director of WR Hambrecht & Co., an investment banking firm, from 1999 to 2003. We believe Mr. Mann's qualifications to sit on our board include his expertise in legal matters acquired during his 40 plus years of professional services, his ability to bring risk assessment, corporate governance and public company expertise to our board and his extensive legal representation of companies in the high technology and semiconductor industries.
Peter McManamon	62	2003	Mr. McManamon has served as a member of our board of directors since April 2003 and has served as chairman of our board since May 2005. He served as chief financial officer of Parthus Technologies plc from 1993 until March 2001, executive vice president of corporate development of Parthus Technologies plc from March 2001 until November 2002, a member of the board of directors of Parthus Technologies plc from 1993 until November 2002, and was one of the co-founders of Parthus Technologies plc. Since May 2005, Mr. McManamon has served as a venture partner of Atlantic Bridge Ventures, an investment company. He also serves as a director of the National Development Finance Agency, an appointment by the Irish Government, and Openmind Networks, Ltd., a provider of SMS and MMS router solutions for mobile and wholesale operators. We believe Mr. McManamon's qualifications to sit on our board include his extensive knowledge of our company, products, and strategies through his early involvement with Parthus Technologies, his financial expertise, and his executive management and corporate strategy skills.
Sven-Christer Nilsson(1)(2)(3)	66	2002	Mr. Nilsson has served as a member of our board of directors since November 2002. He served as a member of the board of directors of Parthus Technologies plc from March 2000 until November 2002. Mr. Nilsson has been the Chief Executive Officer of RIPASSO AB since August 1999. Between 1982 and 1999 he held various positions with The Ericsson Group, the telecommunications equipment supplier, including president, Ericsson Radio Systems (Sweden), vice president, Mobile Switching Systems-American Standards, and, from 1998, President and Chief Executive Officer. Mr. Nilsson also serves as a director of ASSA Abloy AB, a global locks and security corporation, and Sprint Nextel Corporation. Until March

2009, Mr. Nilsson served as chairman of the board of directors of Swedish ICT Research AB, an industrial research institute. He currently serves as chairman of the board of directors of the (Swedish) Public Service Broadcasting Foundation, and is also a Member of The Royal Swedish Academy of Engineering Sciences. We believe Mr. Nilsson's qualifications to sit on our board include his executive management roles at The Ericsson Group and his directorship at Sprint Nextel Corporation, as well as his extensive knowledge of our sales channels, competitors, and end markets.

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Name	Age	Director Since	Principal Occupation, Other Business Experience and Other Directorships During the Past Five Years
Louis Silver(1)(2)(4)	57	2002	Mr. Silver has served as a member of our board of directors since April 2002. He is a principal of RP Capital Group, an alternative investment firm focused on investment opportunities in EEMEA and has served as an advisor to RP Capital Group since April 2005. From January 2005 until January 2006, he acted as a private banking consultant. From August 2002 until April 2005, he acted as a legal and business development advisor to companies and individuals. From September 1996 until June 2002, he served as an advisor and counsel to Discount Bank & Trust Company. Mr. Silver is also a member of the board of directors of DSP Group, Inc. He was a director of Scopus Video Networks Ltd., a former NASDAQ-listed company, until December 2008. We believe Mr. Silver's qualifications to sit on our board include his financial expertise, his years of experience providing strategic and investment advisory services to companies and his public company experience by being a board member of DSP Group, a semiconductor company.
Dan Tocatly(4)	51	2004	Mr. Tocatly has served as a member of our board of directors since February 2004. Mr. Tocatly has served as co-chairman of FMR Computers & Software LTD., a software solutions company, since January 2002. Since September 2006, Mr. Tocatly also has been a general partner of Rimon Investment Fund, a consulting and investment advisory firm. Mr. Tocatly served as a principal at Limon Holdings Ltd., a consulting and investment advisory firm, from August 1996 to September 2001. We believe Mr. Tocatly's qualifications to sit on our board include his financial expertise, and his years of experience providing strategic and investment advisory services to companies.
Gideon Wertheizer	55	2010	Mr. Wertheizer has served as a member of our board of directors since January 2010. He has held the position of our Chief Executive Officer since May 2005. Mr. Wertheizer has 26 years of experience in the semiconductor and Silicon Intellectual Property (SIP) industries. He previously served as our executive vice president and general manager of the DSP business unit. Prior to joining us in November 2002, Mr. Wertheizer held various executive positions at DSP Group, Inc., including such roles as executive vice president - strategic business development, vice president for marketing and vice president of VLSI design. Mr. Wertheizer holds a BsC for electrical engineering from Ben Gurion University in Israel and executive MBA from Bradford University in the United Kingdom. We believe Mr. Wertheizer's qualifications to sit on our board include his

years of executive experience in the high technology and semiconductor industries, as well as his deep understanding of our company, people and products acquired as our Chief Executive Officer.

- (1) Member of audit committee.
- (2) Member of compensation committee.
- (3) Member of nominations committee.
- (4) Member of the investment committee.

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CORPORATE GOVERNANCE

Board Leadership Structure

Our board of directors has a chairman who is a non-employee director. Our chairman is responsible for chairing board meetings and meetings of stockholders, assisting management in setting the agendas for board meetings, providing information to the board members in advance of meetings and between meetings and providing guidance to our Chief Executive Officer on corporate strategies. Our Chief Executive Officer joined as a member of our board in January 2010. Our Chief Executive Officer is responsible for implementing the strategic direction of the company and the day to day leadership and performance of the company. Our board of directors unanimously appointed our Chief Executive Officer to the board in consideration of the insights he brings to the board in light of his day to day leadership of the company and intimate knowledge of our business and operations.

The Board's Role in Risk Oversight

Our board of directors utilizes an enterprise-wide approach to risk management, designed to support the achievement of business objectives, including organizational and strategic objectives, improve long-term organizational performance and enhance stockholder value. The involvement of the full board in setting our business strategy is a key part of its assessment of management's plans to deal with business risks and determination of what constitutes an appropriate level of risk for the company. While our board has risk oversight responsibility, management is responsible for assessing and managing material risk exposures. Our board's role in the company's risk oversight process includes receiving regular reports from members of senior management on areas of material risk to the company, including operational, financial, legal and regulatory, and strategic and reputational risks. While the full board has the ultimate oversight responsibility for the risk management process, various committees of the board also have responsibility for risk management. For example, financial risks, including internal controls, are overseen by the audit committee and risks that may be implicated by our executive compensation programs are overseen by the compensation committee. Moreover, our nominations committee conducts an annual board assessment and reports its findings to the full board. Upon identification of a risk, the assigned board committee or the full board discuss or review risk management and risk mitigation strategies. Additional review or reporting on enterprise risks is conducted as needed or as requested by the board or committee.

Director Independence

Our board of directors has determined that all members of the board, except Mr. Wertheizer, who is our Chief Executive Officer, are independent pursuant to the NASDAQ listing rules. In making this determination, our board of directors considered transactions and relationships between each director or his immediate family and the company and our subsidiaries, including those reported in the section below captioned, Transactions with Related Parties. The purpose of this review was to determine whether any such relationships or transactions were material and, therefore, inconsistent with a determination that the director is independent. As a result of this review, our board affirmatively determined, based on its understanding of such transactions and relationships, that all of our directors, except Mr. Wertheizer, who is our Chief Executive Officer, are independent under the standards set forth by the NASDAQ listing rules.

Relationships among Directors or Executive Officers

There are no family relationships among any of our directors or executive officers.

Board of Directors Meetings

Our board of directors met 5 times in meetings or telephonically during 2010. All directors attended at least 75% of the meetings of our board of directors, including meetings of the committees of the board, during the period that they served on our board of directors. It is the policy of our board that the independent directors shall meet separately with no members of management present in executive sessions as appropriate, but no less than twice annually.

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Board Committees

Our board of directors has an audit, compensation, and nominations committee each of which operates under a charter that has been approved by the board. Current copies of each of the audit, compensation and nominations committee s charters are posted on the corporate governance section of our website, www.ceva-dsp.com.

The primary purpose of the audit committee is to assist the board of directors in fulfilling its responsibility to oversee the accounting and financial reporting processes of CEVA and audits of the financial statements of CEVA. The members of the audit committee are Zvi Limon, Sven-Christer Nilsson and Louis Silver. Mr. Silver serves as the chairman of the audit committee. The audit committee met 6 times in meetings or telephonically during 2010. All of the members of the audit committee are independent as defined by the NASDAQ listing standards and as defined under the independence requirements of Rule 10A-3 under the Exchange Act.

The primary purposes of the compensation committee are to discharge the responsibilities of the board of directors relating to compensation of CEVA s executive officers, to make recommendations with respect to new incentive compensation and equity-based plans and to make recommendations regarding director compensation and administration of CEVA s equity compensation plans. The members of the compensation committee are Bruce A. Mann, Louis Silver and Sven-Christer Nilsson. Mr. Mann serves as the chairman of the compensation committee. The compensation committee met 7 times in meetings or telephonically. All of the members of the compensation committee are independent as defined by the NASDAQ listing standards.

The primary purpose of the nominations committee is to recommend to the board of directors the persons to be nominated for election as directors at any meeting of stockholders; develop and recommend to the board of directors a set of corporate governance principles applicable to CEVA and to oversee the evaluation of the board of directors and management. The members of the nominations committee are Zvi Limon and Sven-Christer Nilsson. Mr. Nilsson serves as the chairman of the nominations committee. The nominations committee acted once by unanimous written consent during calendar 2010. All members of the nominations committee are independent, as defined by the NASDAQ listing standards.

Audit Committee

The audit committee s responsibilities include:

- appointing, approving the compensation of, and assessing the independence of our independent auditor;

- overseeing the work of our independent auditor, including through the receipt and consideration of certain reports from independent auditors;

- evaluating the performance of and assessing the qualifications of the independent auditors;

- reviewing and discussing with management and the independent auditors our annual and quarterly financial statements and related disclosures;

- monitoring our internal control over financial reporting, disclosure controls and procedures and code of business conduct and ethics;

- discussing our risk management policies;

establishing policies regarding hiring employees from the independent auditor and procedures for the receipt and retention of accounting related complaints and concerns;

meeting independently with our internal auditing staff, independent auditors and management; and

preparing the audit committee report required by SEC rules.

Our board of directors has determined that we do not currently have an audit committee financial expert as defined by SEC rules serving on our audit committee. It is difficult for companies of our size to identify and retain an audit committee financial expert. Each member of our audit committee has demonstrated that he is capable of (i) understanding generally accepted accounting principles (GAAP) and financial statements, (ii) assessing the general application of GAAP principles in connection with the accounting for estimates, accruals and reserves,

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(iii) analyzing and evaluating financial statements, (iv) understanding internal controls and procedures for financial reporting, and (v) understanding audit committee functions, all of which are attributes of an audit committee financial expert under the rule adopted by the SEC. Given the business experience and acumen of Messrs. Limon, Nilsson and Silver and their long standing service as members of our audit committee, our board of directors believes that they are qualified to carry out all duties and responsibilities of the audit committee, including meeting the financial sophistication standards of NASDAQ listing rules. We are committed to seeking an audit committee member to meet the SEC requirements for an audit committee financial expert, but we can provide no assurance that we will be successful in doing so.

Compensation Committee

The compensation committee's responsibilities include:

- determining the compensation of the executive officers, including the Chief Executive Officer;
- reviewing and making recommendations to the board with respect to our cash and equity incentive plans;
- reviewing and making recommendations to the board with respect to director compensation; and
- administering CEVA's equity incentive plans.

Nominations Committee

The nominations committee's responsibilities include identifying individuals qualified to become board members and recommending to the board the persons to be nominated for election as directors and to each of the board's committees. The nominations committee assists the board in all matters relating to the establishment, implementation and monitoring of policies and processes regarding the recruitment and nomination of candidates to the board and committees of the board, and the development, evaluation and monitoring of our corporate governance processes and principles. The committee also is responsible for developing, implementing and monitoring compliance of our code of business conduct and ethics, and corporate guidelines and making recommendations to the board of revisions to the code and the guidelines from time to time as appropriate.

Director Candidates

The process to be followed by the nominations committee to identify and evaluate director candidates includes requests to board members and others for recommendations, meetings from time to time to evaluate biographical information and background material relating to potential candidates and interviews of selected candidates by members of the committee and the board.

In considering whether to recommend any particular candidate for inclusion in our board's slate of recommended director nominees, the nominations committee only considers candidates who have demonstrated executive experience, have experience in an applicable industry, or significant high level experience in accounting, legal or an applicable technical field. Other criteria will include the candidate's integrity, business acumen, knowledge of our business and industry, age, experience, diligence, conflicts of interest and the ability to act in the interests of all stockholders. The nominations committee will not assign specific weights to particular criteria and no particular criterion is a prerequisite for each prospective nominee. We believe that the backgrounds and qualifications of our directors, considered as a group, should provide a composite mix of experience, knowledge and abilities that will allow the board to fulfill its responsibilities.

The nominations committee has adopted a policy of accepting recommendations from stockholders for consideration as potential director candidates. Stockholders who wish to submit a recommendation for potential director candidate for consideration should follow the procedures set forth under Stockholder Proposals for 2012 annual meeting and Nominations of Persons for Election to the Board of Directors. Assuming that appropriate biographical and background material has been provided on a timely basis, the committee will evaluate stockholder-recommended candidates by following substantially the same process, and applying substantially the same criteria, as it follows for candidates submitted by others. If the board determines to nominate a stockholder-recommended

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candidate and recommends his or her election, then his or her name will be included in our proxy materials for the next annual meeting.

Stockholders also have the right under our by-laws to directly nominate director candidates, without any action or recommendation on the part of the nominations committee or the board, by following the procedures set forth under Stockholder Proposals for 2012 annual meeting and Nominations of Persons for Election to the Board of Directors.

We have not received a director nominee recommendation from any stockholder (or group of stockholders) that beneficially owns more than five percent of our common stock.

Director Diversity

Our board of directors does not have a formal policy requiring the nominations committee to consider the diversity of directors in its nomination process. Nonetheless, our board values diversity and diversity is one of the factors considered by our nominations committee in the director identification and nomination process. The nominations committee seeks nominees with a broad diversity of experience, professions, education, skills, geographic representation and backgrounds. However, the nominations committee seeks to have a slate of candidates for election that represents a diverse set of views, experiences, and backgrounds.

Communicating with the Independent Directors

The board will give appropriate attention to written communications that are submitted by stockholders, and will respond if and as appropriate. The chairman of the nominations committee, with the assistance of our corporate secretary, is primarily responsible for monitoring communications from stockholders and for providing copies or summaries to the other directors as he considers appropriate.

Communications are forwarded to all directors if they relate to important substantive matters and include suggestions or comments that the chairman of the nominations committee or the corporate secretary considers to be important for the directors to know. In general, communications relating to corporate governance and long-term corporate strategy are more likely to be forwarded than communications relating to ordinary business affairs, personal grievances and matters as to which we tend to receive repetitive or duplicative communications.

Stockholders who wish to send communications on any topic to the board should address such communications to Board of Directors c/o Corporate Secretary, CEVA, Inc., 1943 Landing Drive, Mountain View, California 94043.

Code of Business Conduct and Ethics

Our board of directors adopted a code of business conduct and ethics. This code applies to all of our employees and is posted on the corporate governance section of our website at www.ceva-dsp.com. The code satisfies the requirements under the Sarbanes-Oxley Act of 2002, as well as NASDAQ rules applicable to issuers listed on the NASDAQ Global Market. The code, among other things, addresses issues relating to conflicts of interests, including internal reporting of violations and disclosures, and compliance with applicable laws, rules and regulations. The purpose of the code is to deter wrongdoing and to promote, among other things, honest and ethical conduct and to ensure to the greatest possible ex