

SYNAPTICS INC
Form DEF 14A
September 19, 2006

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**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 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 (Amendment No.)**

Filed by the Registrant ☐

Filed by a Party other than the Registrant ☐

Check the appropriate box:

- ☐ Preliminary Proxy Statement
- ☐ Confidential, For Use of the Commission Only (as permitted by Rule 14a-6(e)(2))
- ☐ Definitive Proxy Statement
- ☐ Definitive Additional Materials
- ☐ Soliciting Material Under Rule 14a-12

Synaptics Incorporated

(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.
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 - 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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**NOTICE OF ANNUAL MEETING OF STOCKHOLDERS
October 17, 2006**

The Annual Meeting of Stockholders of Synaptics Incorporated, a Delaware corporation, will be held at 11:00 a.m., on Tuesday, October 17, 2006, at the Network Meeting Center located at 5201 Great America Parkway, Santa Clara, California 95054 for the following purposes:

1. To elect two directors to serve for three-year terms expiring in 2009.
2. To ratify the appointment of KPMG LLP, an independent registered public accounting firm, as the independent auditor of our company for the fiscal year ending June 30, 2007.
3. To transact such other business as may properly come before the meeting or any adjournment or adjournments thereof.

The foregoing items of business are more fully described in the proxy statement accompanying this notice.

Only stockholders of record at the close of business on September 1, 2006 are entitled to notice of and to vote at the meeting.

All stockholders are cordially invited to attend the meeting in person. To assure your representation at the meeting, however, you are urged to mark, sign, date, and return the enclosed proxy as promptly as possible in the postage-prepaid envelope enclosed for that purpose. Any stockholder of record attending the meeting may vote in person even if the stockholder previously has returned a proxy.

Sincerely,

Santa Clara, California
September 19, 2006

Russell J. Knittel
Secretary

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SYNAPTICS INCORPORATED
3120 Scott Blvd., Suite 130
Santa Clara, California 95054

PROXY STATEMENT

VOTING AND OTHER MATTERS

General

The enclosed proxy is solicited on behalf of Synaptics Incorporated, a Delaware corporation, by our Board of Directors for use at our Annual Meeting of Stockholders to be held on Tuesday, October 17, 2006 at 11:00 a.m., or at any adjournment thereof, for the purposes set forth in this proxy statement and in the accompanying meeting notice. The meeting will be held at the Network Meeting Center located at 5201 Great America Parkway, Santa Clara, California 95054.

These proxy solicitation materials were first mailed on or about September 19, 2006 to all stockholders entitled to vote at the meeting.

Voting Securities and Voting Rights

Stockholders of record at the close of business on September 1, 2006, which we have set as the record date, are entitled to notice of and to vote at the meeting. On the record date, there were issued and outstanding 25,046,353 shares of our common stock, \$0.001 par value per share.

The presence, in person or by proxy, of the holders of a majority of the total number of shares of common stock outstanding constitutes a quorum for the transaction of business at the meeting. Each stockholder voting at the meeting, either in person or by proxy, may cast one vote per share of common stock held on all matters to be voted on at the meeting. Assuming that a quorum is present, the two persons receiving the highest number of for votes of our common stock present in person or represented by proxy at the meeting and entitled to vote (a plurality) will be elected as directors. Assuming that a quorum is present, the affirmative vote of a majority of the shares of our common stock present in person or represented by proxy at the meeting and entitled to vote is required for the ratification of the appointment of KPMG LLP, an independent registered public accounting firm, as the independent auditor of our company for the fiscal year ending June 30, 2007.

Votes cast by proxy or in person at the meeting will be tabulated by the election inspectors appointed for the meeting and will determine whether a quorum is present. The election inspectors will treat abstentions as shares that are present and entitled to vote for purposes of determining the presence of a quorum, but as unvoted for purposes of determining the approval of any matter submitted to the stockholders for a vote. If a broker indicates on the proxy that it does not have discretionary authority as to certain shares to vote on a particular matter, those shares will not be considered as present and entitled to vote with respect to that matter.

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Voting of Proxies

When a proxy is properly executed and returned, the shares it represents will be voted at the meeting as directed. If no specification is indicated, the shares will be voted (1) for the election of the nominees for director set forth in this proxy statement; (2) for the ratification of the appointment of KPMG LLP as the independent auditor of our company for the fiscal year ending June 30, 2007; and (3) as the persons specified in the proxy deem advisable on any such other matters as may come before the meeting.

Revocability of Proxies

Any stockholder giving a proxy may revoke the proxy at any time before its use by delivering to us either a written notice of revocation, by delivering to us a duly executed proxy bearing a later date, or by attending the meeting and voting in person.

Solicitation

We will bear the cost of this solicitation. In addition, we may reimburse brokerage firms and other persons representing beneficial owners of shares for expenses incurred in forwarding solicitation materials to such beneficial owners. Proxies also may be solicited by certain of our directors and officers, personally or by telephone or e-mail, without additional compensation.

Annual Report and Other Matters

Our 2006 Annual Report to Stockholders, which was mailed to stockholders with or preceding this proxy statement, contains financial and other information about our company, but is not incorporated into this proxy statement and is not to be considered a part of these proxy soliciting materials or subject to Regulations 14A or 14C or to the liabilities of Section 18 of the Securities Exchange Act of 1934. The information contained in the Compensation Committee Report on Executive Compensation, Audit Committee Report, and Performance Graph below shall not be deemed filed with the Securities and Exchange Commission (SEC) or subject to Regulations 14A or 14C or to the liabilities of Section 18 of the Exchange Act.

We will provide upon written request, without charge to each stockholder of record as of the record date, a copy of our Annual Report on Form 10-K for the fiscal year ended June 24, 2006 as filed with the SEC. Any exhibits listed in the Form 10-K report also will be furnished upon request at the actual expense we incur in furnishing such exhibits. Any such requests should be directed to our corporate secretary at our executive offices set forth in this proxy statement.

ELECTION OF DIRECTORS

Nominees

Our certificate of incorporation and bylaws provide that the number of directors shall be fixed from time to time by resolution of our Board of Directors. The directors are divided into three classes, with one class standing for election each year for a three-year term. The Board of Directors has nominated Keith B. Geeslin and Jeffrey D. Buchanan for election as Class 1 directors for three-year terms expiring in 2009 or until their successors have been elected and qualified.

Unless otherwise instructed, the proxy holders will vote the proxies received by them for the nominees named above. Messrs. Geeslin and Buchanan currently are directors of our company. In the event that either Mr. Geeslin or Mr. Buchanan is unable or declines to serve as a director at the time of the meeting, the proxies will be voted for any nominees designated by the current Board of Directors to fill the vacancies. It is not expected that either Mr. Geeslin or Mr. Buchanan will be unable or will decline to serve as a director.

The Board of Directors recommends a vote **for** the nominees named herein.

marketer of integrated microcontroller products, and several privately held companies.

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The Board of Directors held a total of seven meetings during fiscal 2006. The Audit Committee held five meetings during fiscal 2006. The Compensation Committee held a total of five meetings during fiscal 2006. The Nominations and Corporate Governance Committee held no meetings during the fiscal year ended June 24, 2006. Each of our directors attended at least 75% of the aggregate of (1) the total number of meetings of our Board of Directors held during fiscal 2006, and (2) the total number of meetings held by all committees of our Board of Directors on which such person served during fiscal 2006.

We encourage our directors to attend each annual meeting of stockholders. To that end, and to the extent reasonably practical, we generally schedule a meeting of our Board of Directors on the same day as our annual meeting of stockholders. Four of our directors attended our annual meeting of stockholders last year.

Director Compensation

We pay each non-employee director an annual retainer of \$10,000 in cash or stock at the director's election, provided such election is made six months in advance of the annual retainer payment date. We also pay a fee of \$2,000 to each non-employee director for attendance at each board meeting in person and \$500 for attendance at each board meeting by teleconference as well as a fee of \$1,000 (or \$2,000 for the committee chair) for each committee meeting attended. In addition, non-employee directors are currently eligible to receive grants of options to purchase our common stock or deferred stock units under our 2001 incentive compensation plan, with the Chairman of the Board currently eligible to receive an annual grant of options to purchase 18,750 shares, or an equivalent annual grant of options and deferred stock units, and other non-employee directors currently eligible to receive an annual grant of options to purchase 12,500 shares, or an equivalent annual grant of options and deferred stock units. Newly elected non-employee directors receive an initial grant of options to purchase 50,000 shares of our common stock in lieu of any annual option grant during the first year of service. We reimburse non-employee directors for their expenses for attending board and committee meetings.

During fiscal 2006, we granted options to purchase shares of common stock and deferred stock units to the following non-employee directors: options to purchase 50,000 shares at an exercise price of \$19.56 were granted to Mr. Buchanan; options to purchase 14,062 shares at an exercise price of \$30.71 per share and 1,562 deferred stock units were granted to Mr. Faggin; options to purchase 9,375 shares at an exercise price of \$30.71 per share and 1,041 deferred stock units were granted to Mr. Geeslin; options to purchase 9,375 shares at an exercise price of \$30.71 per share and 1,041 deferred stock units were granted to Mr. Sanquini; and options to purchase 9,375 shares at an exercise price of \$30.71 per share and 1,041 deferred stock units were granted to Mr. Van Dell. Twenty-five percent of the options granted to each director will vest and become exercisable on the first anniversary of the date of grant, and options to purchase 1/48th of the total number of options granted to each director will vest and become exercisable each month thereafter. Twenty-five percent of the shares subject to the deferred stock units granted to each director will vest and become exercisable on January 31, 2007, and 1/16th of the total number of shares subject to the deferred stock units granted to each director will vest quarterly thereafter.

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EXECUTIVE COMPENSATION

The following table sets forth, for the fiscal periods indicated, the total compensation earned for services provided to us in all capacities by our Chief Executive Officer and our four next most highly compensated executive officers whose aggregate compensation exceeded \$100,000 during fiscal 2006, whom we refer to as the named executive officers.

SUMMARY COMPENSATION TABLE

Name and Principal Position	Annual Compensation (1)			Long-Term Compensation Awards		
	Year	Salary (\$)	Bonus (\$)	Restricted Stock Award(s) (#)(2)	Securities Underlying Options (#)(3)	All Other Compensation (\$)
Francis F. Lee President and Chief Executive Officer	2006	\$303,000	\$320,000	\$383,875	112,500	\$ 3,000(4)
	2005	295,000	770,000		200,000	28,534(5)
	2004	280,000	470,000		200,000	800(4)
Donald E. Kirby (6) Senior Vice President and General Manager PC Products	2006	\$236,000	\$141,000		60,000	\$ 2,800(4)
	2005	230,000	326,000		50,000	23,363(7)
	2004	221,000	200,000		50,000	651(4)
Russell J. Knittel Senior Vice President, Chief Financial Officer, Chief Administrative Officer, Secretary, and Treasurer	2006	\$230,000	\$155,000		60,000	\$ 2,900(4)
	2005	220,000	335,000		55,000	2,267(4)
	2004	210,000	210,000		55,000	1,050(4)
Clark F. Foy Vice President of Marketing	2006	\$203,000	\$ 93,000		60,000	\$ 2,814(4)
	2005	201,000	200,000		30,000	2,007(4)
	2004	200,000	115,000			525(4)
Thomas D. Spade Vice President of Worldwide Sales	2006	\$297,500			30,000	\$ 2,857(4)
	2005	422,800			30,000	16,597(8)
	2004	325,401			30,000	702(4)
Shawn P. Day, Ph. D. Vice President of Research and Development	2006	\$194,000	\$100,000		30,000	\$ 2,860(4)
	2005	190,000	218,000		25,000	64,484(9)
	2004	185,000	131,000		30,000	660(4)

(1) Executive officers received certain perquisites, the

options granted
was equal to the
fair market
value of our
common stock
on the date of
grant.

(4) Amounts shown
represent
matching
contributions to
our company's
401(k) Plan for
the specified
year.

(5) Amount shown
includes
\$26,384 of
accrued
vacation payout
and \$2,150 of
matching
contributions to
our company's
401(k) plan.

(6) Mr. Kirby
resigned from
his position as
Senior Vice
President and
General
Manager PC
Products
effective
March 31, 2006.

(7) Amount shown
includes
\$21,037 of
accrued
vacation payout
and \$2,326 of
matching
contributions to
our company's
401(k) plan.

(8)

Amount shown
includes
\$14,629 of
accrued
vacation payout
and \$1,968 of
matching
contributions to
our company's
401(k) plan.

- (9) Amount shown
includes
\$62,524 of
accrued
vacation payout
and \$1,960 of
matching
contributions to
our company's
401(k) plan.

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Option Grants

The table below provides information about the stock options granted to the named executive officers during fiscal 2006. These options were granted under our 2001 incentive compensation plan and have a term of 10 years. The options may terminate earlier if the optionholder stops providing services to us.

The percentage of total options in the table below was calculated based on options to purchase an aggregate of 1,585,184 shares of our common stock granted to our employees in fiscal 2006.

OPTION GRANTS IN LAST FISCAL YEAR

Name	Number of Securities Underlying Options	Individual Grants			Potential Realizable	
		Percent of Total Options Granted to Employees in Fiscal Year	Exercise Price(\$/Sh)	Expiration Date	Value at Assumed Annual Rates of Stock Price Appreciation for Option Term(2)	
	Granted(#)(1)				5%	10%
Francis F. Lee	112,500	7.1%	\$30.71	01/17/2016	\$2,172,752	\$5,506,181
Donald E. Kirby	60,000	3.8%	\$21.50	07/26/2015	\$ 811,274	\$2,055,928
Russell J. Knittel	60,000	3.8%	\$21.50	07/26/2015	\$ 811,274	\$2,055,928
Clark F. Foy	60,000	3.8%	\$21.50	07/26/2015	\$ 811,274	\$2,055,928
Thomas D. Spade	30,000	1.9%	\$21.50	07/26/2015	\$ 405,637	\$1,027,964
Shawn P. Day, Ph.D.	30,000	1.9%	\$21.50	07/26/2015	\$ 405,637	\$1,027,964

(1) Twenty-five percent of the options granted to each of the named officers will vest and become exercisable on the first anniversary of the date of grant, and 1/48th of the total number of options granted to each of the named officers will vest and become exercisable each month thereafter.

- (2) Potential gains are net of the exercise price, but before taxes associated with the exercise. Amounts represent hypothetical gains that could be achieved based on the assumed 5% and 10% stock price appreciation rates for the respective option grants if exercised at the end of the option term. The assumed 5% and 10% stock price appreciation rates are provided in accordance with the rules of the SEC and do not represent our estimate or projection of the future price of our company's common stock. Actual gains, if any, on stock option exercises will depend upon the future market prices of our common stock.

Option Exercises and Option Holdings

The following table describes, for the named executive officers, the number of shares acquired and the value realized upon exercise of stock options during fiscal 2006 and the exercisable and unexercisable options held by them as of June 24, 2006.

AGGREGATED OPTION EXERCISES IN LAST FISCAL YEAR AND FISCAL YEAR-END OPTION VALUES

	Shares Acquired on Exercise (#)	Value Realized (\$)	Number of Securities Underlying Unexercised Options at June 24, 2006		Value of Unexercised In-The-Money Options at June 24, 2006 (1)	
			Exercisable	Unexercisable	Exercisable	Unexercisable
Francis F. Lee	160,000	\$2,858,273	933,332	354,168	\$14,714,364	\$907,386
Donald E. Kirby			250,120	104,881	\$ 3,697,930	\$349,039
Russell J. Knittel	60,500	\$1,393,459	125,727	106,773	\$ 1,514,930	\$341,215
Clark F. Foy	25,000	\$ 511,781	64,875	75,625	\$ 778,954	\$496,456
Thomas D. Spade	33,214	\$ 715,841	38,752	55,625	\$ 365,579	\$187,106
Shawn P. Day, Ph. D.	15,000	\$ 343,052	97,395	52,605	\$ 1,304,355	\$171,345

(1) Calculated based upon the June 23, 2006 Nasdaq Global Select Market (formerly Nasdaq National Market) closing price of \$21.79 per share, multiplied by the number of in-the-money options held, less the aggregate exercise price for such options.

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Employment Agreements

We have no written employment contracts with our executive officers or directors. We do have, however, Change of Control and Severance Agreements described below or signed terms-and-conditions agreements with certain employees. We offer our employees a 401(k) match and an employee stock purchase plan, as well as medical, dental, vision, life, and disability insurance benefits. Our executive officers and other key personnel are eligible to receive incentive bonuses and are eligible to receive stock-based awards under our incentive compensation plans.

Severance Policy

We maintain a severance policy for certain executive officers designated by our Board of Directors and who have completed at least one full year of employment with our company. Under the policy, we will pay base salary and targeted bonus and maintain benefits following a termination of employment without cause for one year in the case of the Chief Executive Officer and six months in the case of the other designated executive officers, and will continue to vest stock options for one year in the case of the Chief Executive Officer and six months in the case of the other designated executive officers unless the options provide otherwise. In the event of death, we will pay to the estate of the executive the executive's base salary and targeted bonus for one year in the case of the Chief Executive Officer and 50% of the base salary and targeted bonus in the case of the other designated executive officers. Messrs. Lee and Knittel currently are subject to the severance policy.

Change of Control and Severance Agreements

We are a party to a Change of Control and Severance Agreement with each of Francis F. Lee, Thomas J. Tiernan, and Russell J. Knittel. The agreements become effective upon a change of control of our company as defined in the agreements. Under the agreements, each of the executives has agreed to remain employed by our company or its successor for a rolling one-year period after a change of control upon the same terms and conditions that existed immediately prior to the change of control and to refrain from competing with our company during the term of employment and while any severance payments are being made. The agreements provide for the payment by our company, for one year after termination of employment by our company without good cause or by the executive for good reason, as defined in the agreements, or by the executive for any reason during the 30-day period following the first anniversary of the change of control, of compensation equal to the greater of two times the average of the base salary and bonus for the two years prior to such termination or the base salary and targeted bonus for the fiscal year in which such termination occurs in the case of Mr. Lee and the greater of the average of the base salary and bonus for the two years prior to such termination or the base salary and targeted bonus for the fiscal year in which such termination occurs in the case of Messrs. Tiernan and Knittel. In the case of such termination, the agreements also provide for the continuation of insurance coverage on the executive and the executive's family for two years in the case of Mr. Lee and one year in the case of Messrs. Tiernan and Knittel. In addition, the agreements provide for the continuation of base salary payments and benefit coverage for the executive's family for a period of 12 months after the death of the executive and for the payment in the event of disability of a lump sum equal to the greater of two times the average of the base salary and bonus for the two fiscal years prior to such termination or the executive's base salary and targeted bonus for the fiscal year in which such termination occurs in the case of Mr. Lee and the greater of the average of the base salary and bonus for the two fiscal years prior to such termination or the executive's base salary and targeted bonus for the fiscal year in which such termination occurs in the case of Messrs. Tiernan and Knittel. The agreements provide that in the event of a change of control 50% of unvested options vest immediately and the remaining 50% of unvested options vest immediately if the executive is terminated by our company without good cause or by the executive for good reason. All vested options, including those vesting under the terms of the agreements, will be exercisable during their full term in the event of a change of control.

In addition, Mr. Lee currently holds options to purchase 33,334 shares that provide for acceleration of vesting upon a change of control in accordance with the terms of his option agreement, which predated his Change of Control and Severance Agreement with us.

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Indemnification Under our Certificate of Incorporation and Bylaws and Indemnification Agreements

Our certificate of incorporation provides that no director will be personally liable to our company or its stockholders for monetary damages for breach of a fiduciary duty as a director, except to the extent such exemption or limitation of liability is not permitted under the Delaware General Corporation Law. The effect of this provision in the certificate of incorporation is to eliminate the rights of our company and its stockholders, either directly or through stockholders' derivative suits brought on behalf of our company, to recover monetary damages from a director for breach of the fiduciary duty of care as a director except in those instances described under the Delaware General Corporation Law. In addition, we have adopted provisions in our bylaws and entered into indemnification agreements that require us to indemnify our directors, officers, and certain other representatives of our company against expenses and certain other liabilities arising out of their conduct on behalf of our company to the maximum extent and under all circumstances permitted by law. Indemnification may not apply in certain circumstances to actions arising under the federal securities laws.

1996 Stock Option Plan

Our 1996 stock option plan provides for the grant of incentive stock options to employees, including employee directors, and of nonstatutory stock options to employees, directors, and consultants. The purposes of the 1996 stock option plan are to attract and retain the best available personnel, to provide additional incentives to our employees and consultants, and to promote the success of our business. The 1996 stock option plan was originally adopted by our Board of Directors in December 1996 and approved by our stockholders in November 1996. The 1996 stock option plan provides for the issuance of options and rights to purchase up to 5,380,918 shares of our common stock. Unless terminated earlier by the Board of Directors, the 1996 stock option plan will terminate in December 2006. As of June 24, 2006, options to purchase 1,222,989 shares of our common stock were outstanding under the 1996 stock option plan and 3,833,684 shares had been issued upon exercise of outstanding options.

2000 Nonstatutory Stock Option Plan

Our 2000 nonstatutory stock option plan provides for the grant of nonstatutory stock options to employees and consultants. The purposes of the 2000 nonstatutory stock option plan are to attract and retain the best available personnel, to provide additional incentives to our employees and consultants, and to promote the success of our business. The 2000 nonstatutory stock option plan was adopted by our Board of Directors in September 2000. The 2000 nonstatutory stock option plan provides for the issuance of options to purchase up to 200,000 shares of our common stock. Unless terminated earlier by the Board of Directors, the 2000 nonstatutory stock option plan will terminate in September 2010. As of June 24, 2006, options to purchase 55,334 shares of our common stock were outstanding under the 2000 nonstatutory stock option plan and 107,082 shares had been issued upon exercise of outstanding options.

2001 Incentive Compensation Plan

Our 2001 incentive compensation plan is designed to attract, motivate, retain, and reward our executives, employees, officers, directors, and independent contractors, by providing such persons with annual and long-term performance incentives to expend their maximum efforts in the creation of stockholder value. The 2001 incentive compensation plan was adopted by our Board of Directors in March 2001 and approved by our stockholders in November 2001. Under the 2001 incentive compensation plan, an aggregate of 2,414,826 shares of common stock as of the end of fiscal 2006 may be issued pursuant to the granting of options to acquire common stock, the direct granting of restricted common stock and deferred stock, the granting of stock appreciation rights, or the granting of dividend equivalents. On the first day of each calendar quarter, an additional number of shares equal to 1 1/2% of the total number of shares then outstanding will be added to the number of shares that may be subject to the granting of awards. As of June 24, 2006, options to purchase 4,529,688 shares of our common stock and 38,280 deferred stock units were outstanding under the 2001 incentive compensation plan and 1,332,877 shares had been issued upon exercise of outstanding options.

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2001 Employee Stock Purchase Plan

Our 2001 employee stock purchase plan is designed to encourage stock ownership in our company by our employees, thereby enhancing employee interest in our continued success. The plan was adopted by our Board of Directors in February 2001 and approved by our stockholders in November 2001. One million shares of our common stock were initially reserved for issuance under the plan. An annual increase is made equal to the lesser of 500,000 shares, 1% of all shares of common stock outstanding, or a lesser amount determined by the Board of Directors. As of June 24, 2006, there were 613,371 shares reserved for issuance under the plan. During fiscal 2006, 93,020 shares of common stock were issued under the plan.

401(k) Retirement Savings Plan

In July 1991, we adopted a 401(k) retirement savings plan for which our employees generally are eligible. The plan is intended to qualify under Section 401(k) of the Internal Revenue Code, so that contributions to the plan by employees or by us and the investment earnings on the contributions are not taxable to the employees until withdrawn. Our contributions are deductible by us when made. Our employees may elect to reduce their current compensation by an amount equal to the maximum of 25% of total annual compensation or the annual limit permitted by law and to have those funds contributed to the plan. We provide matching funds of 20% of the employee's contribution up to a maximum of \$2,800.

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COMPENSATION COMMITTEE REPORT ON EXECUTIVE COMPENSATION

Introduction

The Compensation Committee of the Board of Directors of our company consists exclusively of non-employee directors. The committee is responsible for reviewing and establishing compensation practices, executive salary levels, and variable compensation programs, both cash-based and equity-based. The committee generally reviews base salary levels for executive officers at the beginning of each fiscal year and sets actual bonuses at the end of each fiscal year based upon individual executive performance and the performance of our company.

Richard L. Sanquini is the Chairman of the committee, and Federico Faggin and Keith B. Geeslin are the other committee members.

Philosophy

Our executive compensation program seeks to provide a level of compensation that is competitive with companies similar in both size and industry. The committee obtains the comparative data used to assess competitiveness from a variety of resources. Actual total compensation levels may differ from competitive levels in surveyed companies as a result of annual and long-term company performance, as well as individual performance. The committee uses its discretion to establish executive compensation when, in its judgment, external, internal, or an individual's circumstances warrant.

Compensation Program

The primary components of executive compensation consist of base salary, annual incentive bonuses, and stock-based awards.

Base Salary

The committee establishes salaries for executive officers based on the overall performance of our company, an evaluation of individual executive performance, and industry data. The committee makes final decisions on any adjustments to the base salary for executives in conjunction with the recommendations of the Chief Executive Officer. The committee's evaluation of the recommendations of the Chief Executive Officer considers the same factors outlined above and is subjective, with no particular weight assigned to any one factor. Base salaries for the executive officers were increased in fiscal 2006 to an extent reflecting market factors.

Annual Incentive Bonuses

Annual bonuses are intended to provide incentive compensation to key officers and employees who contribute substantially to the success of our company. The granting of such awards is based upon the achievement of company performance objectives and predefined individual performance objectives. Individual performance objectives are developed for every senior level manager and key employee early in each fiscal year. After the first half of the year and upon the close of each fiscal year, executive management and the committee conduct an assessment of company and individual performance achieved versus company and individual performance objectives. This assessment may include individual responsibility, performance, and compensation level. Simultaneously, the Board of Directors conducts an assessment of our company's overall performance to date, which may include the achievement of sales, operating income, and other performance criteria. The combination of these factors determines any incentive bonuses to be paid.

Based on both individual performances and the assessment of our company's overall performance in fiscal 2006, bonuses were awarded to our named executive officers as set forth under Executive Compensation Summary Compensation Table.

Stock-Based Awards

Our company grants stock-based awards, including stock options and deferred stock units, periodically to our employees to provide additional incentive to work to maximize long-term total return to stockholders. Under each incentive compensation plan, the Board of Directors is specified to act as the plan administrator, although the

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Board of Directors has authorized the Compensation Committee to make decisions regarding grants of stock-based awards to senior officers and employees of and consultants to our company. In general, stock options are granted to employees at the onset of employment. If, in the opinion of the plan administrator, the outstanding service of an existing employee merits an increase in the number of options held, however, the plan administrator may elect to issue additional stock-based awards, such as additional options or deferred stock units, to that employee. The vesting period on grants is generally four years for newly hired employees. The vesting schedule is generally 25% on the first anniversary of the grant date and 1/48th of the total shares each month thereafter in order to encourage holders to continue in the employ of our company. Certain officers and key employees may sometimes have longer vesting schedules with vesting starting two or more years after the grant date. In fiscal 2006, the issuance of stock options and deferred stock units to certain executive officers and other employees was authorized, including those to our named executive officers as set forth under Executive Compensation Summary Compensation Table.

Benefits

Our company provides various employee benefit programs to executive officers, including medical, dental, vision, life, and disability insurance benefits, a 401(k) retirement savings plan, and an employee stock purchase plan. These benefits are generally available to all employees of our company.

Chief Executive Officer Compensation

The committee considers the same factors outlined above for other executive officers in evaluating the base salary and other compensation of Francis F. Lee, the Chief Executive Officer of our company. The committee's evaluation of Mr. Lee's base salary is subjective, with no particular weight assigned to any one factor. Based upon an assessment of individual and overall company performance in fiscal 2006, the committee determined that Mr. Lee would receive a \$320,000 bonus for fiscal 2006.

Compliance with Internal Revenue Code Section 162(m)

Section 162(m) of the Internal Revenue Code generally disallows a tax deduction to public companies for compensation in excess of \$1 million paid to each of any publicly held corporation's chief executive officer and four other most highly compensated executive officers. Qualifying performance-based compensation is not subject to the deduction limit if certain requirements are met. Our company structures the performance-based portion of the compensation of executive officers in a manner that complies with Section 162(m).

This report has been furnished by the Compensation Committee to the Board of Directors.

Richard L. Sanquini, Chairman

Federico Faggin

Keith B. Geeslin

COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION

Our Compensation Committee consists of Messrs. Faggin, Geeslin, and Sanquini. No interlocking relationship exists between any member of our Board of Directors or our Compensation Committee and any member of the Board of Directors or Compensation Committee of any other company.

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AUDIT COMMITTEE REPORT

The Board of Directors has appointed an Audit Committee consisting of three directors. The current members of the Audit Committee are Jeffrey D. Buchanan, Richard L. Sanquini, and W. Ronald Van Dell. Each of the committee members is independent of our company and management, as that term is defined in Nasdaq rules.

The primary responsibility of the committee is to assist the Board of Directors in fulfilling its responsibility to oversee management's conduct of our company's financial reporting process, including overseeing the financial reports and other financial information provided by our company to governmental or regulatory bodies (such as the SEC), the public, and other users thereof; our company's systems of internal accounting and financial controls; and the annual independent audit of our company's financial statements.

Management has the primary responsibility for the financial statements and the reporting process, including the systems of internal controls. The independent auditor is responsible for auditing the financial statements and expressing an opinion on the conformity of those audited financial statements with accounting principles generally accepted in the United States.

In fulfilling its oversight responsibilities, the committee reviewed and discussed the audited financial statements with management and the independent auditor. The committee discussed with the independent auditor the matters required to be discussed by Statement of Auditing Standards No. 61. This included a discussion of the auditor's judgments as to the quality, not just the acceptability, of our company's accounting principles and such other matters as are required to be discussed with the committee under generally accepted auditing standards. In addition, the committee received from the independent auditor written disclosures and the letter required by Independence Standards Board Standard No. 1. The committee also discussed with the independent auditor the auditor's independence from management and our company, including the matters covered by the written disclosures and letter provided by the independent auditor, and considered the compatibility of non-audit services with auditor independence.

The committee discussed with the independent auditor the overall scope and plans for its audits. The committee met with the independent auditor, with and without management present, to discuss the results of its audit, its consideration of our company's internal controls, and the overall quality of the financial reporting. The committee held five meetings with management of our company, all of which were attended by the independent auditor of our company, with respect to the company's financial statements and audit or quarterly review procedures.

Based on the reviews and discussions referred to above, the committee recommended to the Board of Directors, and the board approved, that the audited financial statements be included in our company's Annual Report on Form 10-K for the year ended June 24, 2006 for filing with the SEC. The committee also has selected the company's independent auditor of our company.

The Board of Directors has adopted a written charter for the Audit Committee. A copy of that charter is included as Appendix A to this proxy statement.

The report has been furnished by the Audit Committee of the Board of Directors.

Jeffrey D. Buchanan, Chairman

Richard L. Sanquini

W. Ronald Van Dell

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SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Section 16(a) of the Exchange Act requires our directors, officers, and persons that own more than 10% of a registered class of our company's equity securities to file reports of ownership and changes in ownership with the SEC. Directors, officers, and greater than 10% stockholders are required by SEC regulations to furnish our company with copies of all Section 16(a) forms they file.

Based solely upon our review of the copies of such forms received by us during the fiscal year ended June 24, 2006, and written representations that no other reports were required, we believe that each person who, at any time during such fiscal year, was a director, officer, or beneficial owner of more than 10% of our common stock complied with all Section 16(a) filing requirements during such fiscal year.

PERFORMANCE GRAPH

The following line graph compares cumulative total stockholder returns for the period from our initial public offering through fiscal 2006 for (1) our common stock, (2) the Nasdaq Composite Index, and (3) the Nasdaq Computer Index. The graph assumes an investment of \$100 on January 29, 2002, the date on which our common stock began trading on Nasdaq as a result of our initial public offering. The calculations of cumulative stockholder return on the Nasdaq Composite Index and the Nasdaq Computer Index include reinvestment of dividends. The calculation of cumulative stockholder return on our common stock does not include reinvestment of dividends because we did not pay dividends during the measurement period. Historical performance is not necessarily indicative of future performance.

COMPARISON OF 53 MONTH CUMULATIVE TOTAL RETURN

Among Synaptics Incorporated, The Nasdaq Composite Index, and The Nasdaq Computer Index

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The following table sets forth certain information regarding the beneficial ownership of our common stock on September 1, 2006 by (1) each director; (2) the named executive officers as set forth under Executive Compensation ; (3) all directors and executive officers as a group; and (4) each person or entity known by us to beneficially own or to exercise voting or dispositive control over more than 5% of our common stock.

Name of Beneficial Owner	Shares Beneficially Owned	
	Number (1)	Percent (2)
Directors and Executive Officers:		
Francis F. Lee (3)	1,212,148	4.7%
Federico Faggin (4)	1,076,424	4.3%
Donald E. Kirby (5)	295,249	1.2%
Clark F. Foy (6)	89,874	*
Russell J. Knittel (7)	159,752	*
Thomas D. Spade (8)	55,207	*
Shawn P. Day, Ph.D. (9)	177,874	*
Keith B. Geeslin (10)	61,197	*
Richard L. Sanquini (11)	19,446	*
W. Ronald Van Dell (12)	26,231	*
Jeffrey D. Buchanan (13)	13,541	*
All directors and executive officers as a group (13 persons) (14)	3,278,087	12.1%
5% Stockholders:		
FMR Corp. (15)	3,721,612	14.9%
D.E. Shaw Valence Portfolios, L.L.C. (16)	2,040,482	8.1%
Raj Rajaratnam and affiliates (17)	1,925,831	7.7%
Level Global Overseas Master Fund, Ltd. (18)	1,425,000	5.7%
T. Rowe Price Associates, Inc. (19)	1,391,750	5.6%

* Less than 1%.

(1) Except as otherwise indicated, each person named in the table has sole voting and investment power with respect to all common stock beneficially owned, subject to applicable community property laws. Except as otherwise

indicated, each person may be reached care of our company at 3120 Scott Blvd., Suite 130, Santa Clara, California 95054. The numbers percentages shown include the shares of common stock actually owned as of September 1, 2006 and the shares of common stock that the identified person or group had the right to acquire within 60 days of such date.

- (2) The percentages shown are calculated based on 25,046,353 shares of common stock outstanding on September 1, 2006. In calculating the percentage of ownership, all shares of common stock that the identified person or group had the right to acquire within 60 days of September 1, 2006 upon the

exercise of
options are
deemed to be
outstanding for
the purpose of
computing the
percentage of
the shares of
common stock
owned by that
person or group,
but are not
deemed to be
outstanding for
the purpose of
computing the
percentage of
the shares of
common stock
owned by any
other person or
group.

- (3) Includes 4,000
shares held by
Mr. Lee's
daughter, 8,000
shares held by
Mr. Lee as
custodian for his
children, 29,502
shares held by
Francis F. Lee
and Evelyn C.
Lee as
Co-Trustees of
the Lee 1999
Living Trust,
88,749 shares
held by Evelyn
C. Lee, Trustee
of the Evelyn
Lee 2002
Irrevocable
Trust, 90,433
shares held by
Francis F. Lee,
Trustee of the
Francis Lee
2002
Irrevocable

Trust, and
983,330 shares
issuable upon
exercise of
vested stock
options. Mr. Lee
disclaims
beneficial
ownership of
the shares held
by his daughter,
and this proxy
statement shall
not be deemed
to be an
admission that
Mr. Lee is the
beneficial owner
of these shares
for any purpose.

- (4) Includes
207,866 shares
issuable upon
exercise of
vested stock
options.
- (5) Includes
267,811 shares
issuable upon
exercise of
vested stock
options.

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- (6) Represents
89,874 shares
issuable upon
exercise of vested
stock options.
- (7) Includes 154,727
shares issuable
upon exercise of
vested stock
options.
- (8) Includes 827
shares held by
Mr. Spade and
his spouse as
trustees of the
Spade Family
Trust and 54,376
shares issuable
upon exercise of
vested stock
options.
- (9) Includes 109.186
shares issuable
upon exercise of
vested stock
options.
- (10) Includes 49,999
shares issuable
upon exercise of
vested stock
options.
- (11) Includes 711
shares held by
Mr. Sanquini as
trustee of the
Sanquini 2002
Living Trust,
3,000 shares held
by Mr. Sanquini's
spouse as trustee
of the Sanquini
2002 Living
Trust, and 15,727
shares issuable

upon exercise of
vested stock
options.

(12) Includes 25,520
shares issuable
upon exercise of
vested stock
options.

(13) Represents
13,541 shares
issuable upon
exercise of vested
stock options.

(14) Includes
2,063,100 shares
issuable upon
exercise of vested
stock options.

(15) The information
is as reported on
Schedule 13G as
filed with the
SEC on May 10,
2006. The
address of FMR
Corp. is 82
Devonshire
Street, Boston,
MA 02109. Of
the shares,
3,681,912 are
owned by various
individual and
institutional
investors for
which Fidelity
Management &
Research
Company, a
wholly owned
subsidiary of
FMR Corp.
(Fidelity) serves
as an investment
adviser with
power to direct
investments

and/or sole power to vote the securities. For purposes of the Securities Exchange Act of 1934, Fidelity is deemed to be a beneficial owner of such shares, however, Fidelity expressly disclaims that it is, in fact, the beneficial owner of such shares.

- (16) The information is as reported on Amendment No. 1 to Schedule 13G as filed with the SEC on July 3, 2006. The address of D.E. Shaw & Co., L.P. and affiliates is 120 W. 45th Street, Tower 45, 39th Floor, New York, NY 10036. All of the shares are owned by D.E. Shaw Valence Portfolios, L.L.C. D.E. Shaw & Co., Inc. is the general partner of D.E. Shaw & Co., L.P., which in turn is the managing member and investment adviser of D.E. Shaw Valence Portfolios, L.L.C. Mr. David E. Shaw, as the

President and sole shareholder of D.E. Shaw & Co., Inc., may be deemed to have shared power to vote or direct the vote of, and the shared power to dispose or direct the disposition of, all of the shares described and, therefore, Mr. Shaw may be deemed to be the beneficial owner of such shares. Mr. Shaw disclaims beneficial ownership of such shares.

- (17) The information is as reported on Amendment No. 1 to Schedule 13G as filed March 24, 2006. Of these shares, 314,044 are owned by Galleon Advisors, L.L.C., and the remaining shares are owned by various entities affiliated with Mr. Rajaratnam as follows:
- (i) 119,450 shares are held by Galleon Captains Partners, L.P.,
 - (ii) 431,465 shares are held by Galleon Captains

Offshore, Ltd.,
 (iii) 106,494
 shares are held
 by Galleon
 Technology
 Partners II, L.P.,
 (iv) 428,506
 shares are held
 by Galleon
 Technology
 Offshore, Ltd.,
 (v) 10,000 shares
 are held by
 Galleon
 Explorers
 Partners, L.P.,
 (vi) 40,000
 shares are held
 by Galleon
 Explorers
 Offshore, Ltd.,
 (vii) 78,100
 shares are held
 by Galleon
 Communications
 Partners, L.P.,
 (viii) 181,900
 shares are held
 by Galleon
 Communications
 Offshore, Ltd.,
 (ix) 25,000
 shares are held
 by Galleon
 Diversified Fund,
 Ltd., (x) 153,298
 shares are held
 by Galleon
 Buccaneer s
 Offshore, Ltd.,
 and (xi) 37,574
 shares are held
 by Galleon Fleet
 Fund, Ltd.
 Pursuant to the
 partnership
 agreement of
 Galleon Captain s
 Partners, L.P.,
 Galleon
 Technology

Partners II, L.P.,
 Galleon
 Explorers
 Partners, L.P.,
 and Galleon
 Communications
 Partners, L.P.,
 Galleon
 Management,
 L.P. and Galleon
 Advisors, L.L.C.
 share all
 investment and
 voting power
 with respect to
 the securities
 held by Galleon
 Captain s
 Partners, L.P.,
 Galleon
 Technology
 Partners II, L.P.,
 Galleon
 Explorers
 Partners, L.P.,
 and Galleon
 Communications
 Partners, L.P.
 Pursuant to an
 investment
 management
 agreement,
 Galleon
 Management,
 L.P. has all
 investment and
 voting power
 with respect to
 the securities
 held by Galleon
 Captains
 Offshore, Ltd.,
 Galleon
 Technology
 Offshore, Ltd.,
 Galleon
 Communications
 Offshore, Ltd.,
 Galleon
 Explorers
 Offshore, Ltd.,

Galleon
Buccaneer s
Offshore, Ltd.,
and Galleon Fleet
Fund. Raj
Rajaratnam, as
the managing
member of
Galleon
Management,
L.L.C., controls
Galleon
Management,
L.L.C., which, as
the general
partner of
Galleon
Management,
L.P., controls
Galleon
Management,
L.P. Raj
Rajaratnam, as
the managing
member of
Galleon
Advisors, L.L.C.,
also controls
Galleon
Advisors, L.L.C.
The shares
reported herein
by Raj
Rajaratnam,
Galleon
Management,
L.P., Galleon
Management,
L.L.C., and
Galleon
Advisors, L.L.C.
may be deemed
beneficially
owned as a result
of the purchase
of such shares by
Galleon Captain s
Partners, L.P.,
Galleon Captain s
Offshore, Ltd.,
Galleon

Technology
Partners II, L.P.,
Galleon
Technology

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Offshore, Ltd.,
Galleon
Explorers
Partners, L.P.,
Galleon
Explorers
Offshore, Ltd.,
Galleon
Communications
Partners, L.P.,
Galleon
Communications
Offshore, Ltd.,
Galleon
Buccaneer s
Offshore, Ltd.,
and Galleon Fleet
Fund, Ltd., as the
case may be.
Each of Raj
Rajaratnam,
Galleon
Management,
L.P., Galleon
Management,
L.L.C., and
Galleon
Advisors, L.L.C.
disclaims any
beneficial
ownership of the
shares reported
herein, except to
the extent of any
pecuniary interest
therein. The
address of
Galleon
Management,
L.P. is 135 East
57th Street, 16th
Floor, New York,
NY 10022. The
address for
Mr. Rajaratnam
and the other
affiliates is c/o
Galleon
Management,

L.P., 135 East
57th Street, 16th
Floor, New York,
NY 10022.

- (18) The information is as reported on Schedule 13G as filed with the SEC on February 2, 2006. The shares are held by Level Global Overseas Master Fund, Ltd. Pursuant to an investment management agreement, Level Global Investors, L.P. shares all voting and investment powers with respect to the securities held by Level Global Overseas Master Fund, Ltd. Level Global, L.L.C. acts as the general partner of Level Global Investors, L.P. David Ganek controls Level Global Investors, L.P. and Level Global, L.L.C. The address for Level Global Overseas Master Fund, Ltd. is c/o Citco Fund Services (Bermuda) Limited, Washington Mall West, 2nd Floor, 7 Reid Street, Hamilton HM11,

Bermuda. The address for Level Global Investors, L.P., Level Global, L.L.C., and Mr. Ganek is 537 Steamboat Road, Suite 400, Greenwich, CT 06830.

- (19) The information is as reported on Amendment No. 3 to Schedule 13G as filed with the SEC on February 13, 2006. The address of T. Rowe Price Associates, Inc. is 100 E. Pratt Street, Baltimore, MD 21202. The shares are owned by various individual and institutional investors for which T. Rowe Price Associates, Inc. (Price Associates) serves as an investment adviser with power to direct investments and/or sole power to vote the shares. For purposes of the Securities Exchange Act of 1934, Price Associates is deemed to be a beneficial owner of such shares,

however, Price Associates expressly disclaims that it is, in fact, the beneficial owner of such shares.

RATIFICATION OF APPOINTMENT OF INDEPENDENT AUDITOR

Our Audit Committee has appointed KPMG LLP, an independent registered public accounting firm, to audit the consolidated financial statements of our company for the fiscal year ending June 30, 2007 and recommends that stockholders vote in favor of the ratification of such appointment. In the event of a negative vote on such ratification, the Audit Committee will reconsider its selection. We anticipate that representatives of KPMG LLP will be present at the meeting, will have the opportunity to make a statement if they desire, and will be available to respond to appropriate questions.

The Audit Committee has considered whether the provision of non-audit services by KPMG LLP is compatible with maintaining KPMG LLP's independence.

Fees

The aggregate fees billed to our company by KPMG LLP, for the fiscal years ended June 24, 2006 and June 25, 2005, were as follows:

	2006	2005
Audit Fees	\$ 896,000	\$ 810,000
Audit-Related Fees (1)	38,000	165,000
Tax Fees (2)	93,965	316,068
All Other Fees		
Total fees	\$ 1,027,965	\$ 1,291,068

(1) Includes fees associated with the review by and the issuance of KPMG LLP's consent in connection with our registration statement on Form S-3, including amendments thereto, and statutory audits of certain of our subsidiaries located outside the United States.

(2) Includes fees for professional services

rendered by
KPMG LLP
with respect to
tax preparation
and compliance
and tax
consulting. The
fees for tax
preparation and
compliance
were \$89,540
and \$157,325 in
fiscal 2006 and
2005,
respectively.

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Audit Committee Pre-Approval Policies

The charter of our Audit Committee provides that the duties and responsibilities of our Audit Committee include the pre-approval of all audit, audit-related, tax, and other services permitted by law or applicable SEC regulations (including fee and cost ranges) to be performed by the independent auditor of our company. Any pre-approved services that will involve fees or costs exceeding pre-approved levels will also require specific pre-approval by the Audit Committee. Unless otherwise specified by the Audit Committee in pre-approving a service, the pre-approval will be effective for the 12-month period following pre-approval. The Audit Committee will not approve any non-audit services prohibited by applicable SEC regulations or any services in connection with a transaction initially recommended by the independent auditor, the purpose of which may be tax avoidance and the tax treatment of which may not be supported by the Internal Revenue Code and related regulations.

To the extent deemed appropriate, the Audit Committee may delegate pre-approval authority to the Chairman of the Audit Committee or any one or more other members of the Audit Committee provided that any member of the Audit Committee who has exercised any such delegation must report any such pre-approval decision to the Audit Committee at its next scheduled meeting. The Audit Committee will not delegate to management the pre-approval of services to be performed by the independent auditor.

Our Audit Committee requires that the independent auditor of our company, in conjunction with our Chief Financial Officer, be responsible for seeking pre-approval for providing services to us and that any request for pre-approval must inform the Audit Committee about each service to be provided and must provide detail as to the particular service to be provided.

DEADLINE FOR RECEIPT OF STOCKHOLDER PROPOSALS

Stockholder proposals that are intended to be presented by stockholders at the annual meeting of stockholders for the fiscal year ending June 30, 2007 must be received by us no later than May 22, 2007, in order to be included in the proxy statement and form of proxy relating to such meeting.

Pursuant to Rule 14a-4 under the Exchange Act, we intend to retain discretionary authority to vote proxies with respect to stockholder proposals for which the proponent does not seek to have us include the proposed matter in the proxy statement for the annual meeting to be held during calendar 2007, except in circumstances where (1) we receive notice of the proposed matter no later than July 19, 2007, and (2) the proponent complies with the other requirements set forth in Rule 14a-4.

OTHER MATTERS

We know of no other matters to be submitted to the meeting. If any other matters properly come before the meeting, it is the intention of the persons named in the enclosed proxy card to vote the shares they represent as our Board of Directors may recommend.

Dated: September 19, 2006

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No member of the Committee shall receive directly or indirectly any consulting, advisory, or other compensatory fees from the Company other than (1) director's fees for service as a director of the Company, including reasonable compensation for serving on Board committees and regular benefits that other directors receive; and (2) a pension or similar compensation for past performance, provided that such compensation is not conditioned on continued or future service to the Company. In addition, no member of the Committee may be an affiliate of the Company or any subsidiary of the Company whether by being an officer or owning more than 10 percent of the Company's voting securities.

Qualifications

All members of the Committee shall be able to read and understand fundamental financial statements (including a company's balance sheet, income statement, and cash flow statement) and at least one member either must have past employment experience in finance or accounting, requisite professional certification in accounting, or any other comparable experience or background that results in the member's financial sophistication (including being or having been a chief executive officer, chief financial officer, or other senior officer with financial oversight responsibilities) or be an audit committee financial expert under the requirements of the SEC. Committee members may enhance their familiarity with finance and accounting by participating in educational programs conducted by the Company or by an outside organization.

Appointment and Removal

The members of the Committee shall be appointed by the Board of Directors. A member shall serve until such member's successor is duly elected and qualified or until such member's earlier resignation or removal. The members of the Committee may be removed, with or without cause, by a majority vote of the Board of Directors.

Chairman

Unless a Chairman is elected by the full Board of Directors, the members of the Committee shall designate a Chairman by the majority vote of the full Committee membership. The Chairman will chair all regular sessions of the Committee and set the agendas for Committee meetings.

Delegation to Subcommittees

In fulfilling its responsibilities, the Committee shall be entitled to delegate any or all of its responsibilities to a subcommittee of the Committee.

Meetings

The Committee shall meet as frequently as circumstances dictate. The Chairman of the Committee or a majority of the members of the Committee may call meetings of the Committee. Any one or more of the members of the Committee may participate in a meeting of the Committee by means of conference call or similar communication device by means of which all persons participating in the meeting can hear each other.

All non-management directors who are not members of the Committee may attend meetings of the Committee, but may not vote. In addition, the Committee may invite to its meetings any director, member of management of the Company, and such other persons as it deems appropriate in order to carry out its responsibilities. The Committee may also exclude from its meetings any persons it deems appropriate.

As part of its goal to foster open communication, the Committee shall periodically meet separately with each of management, the director of the internal auditing department, if any, and the independent auditor to discuss any matters that the Committee, the independent auditor, or the internal auditor, if any, believe would be appropriate to discuss privately. In addition, the Committee should meet with the independent auditor and management periodically to review the Company's financial statements in a manner consistent with that outlined in this Charter.

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Duties and Responsibilities

The Committee shall carry out the duties and responsibilities set forth below. These functions should serve as a guide with the understanding that the Committee may determine to carry out additional functions and adopt additional policies and procedures as may be appropriate in light of changing business, legislative, regulatory, legal, or other conditions. The Committee shall also carry out any other duties and responsibilities delegated to it by the Board of Directors from time to time related to the purposes of the Committee outlined in this Charter. The Committee may perform any functions it deems appropriate under applicable law, rules, or regulations, the Company's by-laws, and the resolutions or other directives of the Board, including review of any certification required to be reviewed in accordance with applicable law or regulations of the SEC.

In discharging its oversight role, the Committee is empowered to study or investigate any matter of interest or concern that the Committee deems appropriate. In this regard and as it otherwise deems appropriate, the Committee shall have the authority, without seeking Board approval, to engage and obtain advice and assistance from outside legal and other advisors as it deems necessary to carry out its duties. The Committee also shall have the authority to receive appropriate funding, as determined by the Committee, in its capacity as a committee of the Board of Directors, from the Company for the payment of compensation to any accounting firm engaged for the purpose of preparing or issuing an audit report or performing other audit, review, or attest services for the Company; to compensate any outside legal or other advisors engaged by the Committee; and to pay the ordinary administrative expenses of the Committee that are necessary or appropriate in carrying out its duties.

The Committee shall be given full access to the Company's internal auditor, if any, Board of Directors, corporate executives, and independent auditor as necessary to carry out these responsibilities. While acting within the scope of its stated purpose, the Committee shall have all the authority of the Board of Directors, except as otherwise limited by applicable law.

Notwithstanding the foregoing, the Committee is not responsible for certifying the Company's financial statements or guaranteeing the independent auditor's report. The fundamental responsibility for the Company's financial statements and disclosures rests with management and the independent auditor. It also is the job of the Chief Executive Officer and senior management, rather than that of the Committee, to assess and manage the Company's exposure to risk.

Documents/Reports Review

1. Discuss with management and the independent auditor, prior to public dissemination, the Company's annual audited financial statements and quarterly financial statements, including the Company's disclosures under Management's Discussion and Analysis of Financial Condition and Results of Operations and discuss with the independent auditors the matters required to be discussed by Statement of Auditing Standards No. 61.
2. Discuss with management and the independent auditor, prior to the Company's filing of any quarterly or annual report, (a) whether any significant deficiencies in the design or operation of internal control over financial reporting exist that could adversely affect the Company's ability to record, process, summarize, and report financial data; (b) the existence of any material weaknesses in the Company's internal control over financial reporting; and (c) the existence of any fraud, whether or not material, that involves management or other employees who have a significant role in the Company's internal controls over financial reporting.
3. Discuss with management and the independent auditor the Company's earnings press releases (paying particular attention to the use of any pro forma or adjusted non-GAAP information), as well as financial information and earnings guidance provided to analysts and rating agencies.
4. Discuss with management and the independent auditor the Company's major financial risk exposures, the guidelines and policies by which risk assessment and management is undertaken, and the steps management has taken to monitor and control risk exposure.

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Independent Auditors

5. Appoint, retain, compensate, evaluate, and terminate any accounting firm engaged by the Company for the purpose of preparing or issuing an audit report or performing other audit, review, or attest services for the Company and, in its sole authority, approve all audit engagement fees and terms as well as all non-audit engagements with the accounting firm.
6. Oversee the work of any accounting firm engaged by the Company for the purpose of preparing or issuing an audit report or performing other audit, review, or attest services for the Company, including resolving any disagreements between management and the independent auditor regarding financial reporting.
7. Pre-approve, or adopt procedures to pre-approve, all audit, audit related, tax, and other services permitted by law or applicable SEC regulations (including fee and cost ranges) to be performed by the independent auditor. Any pre-approved services that will involve fees or costs exceeding pre-approved levels will also require specific pre-approval by the Committee. Unless otherwise specified by the Committee in pre-approving a service, the pre-approval will be effective for the 12-month period following pre-approval. The Committee will not approve any non-audit services prohibited by applicable SEC regulations or any services in connection with a transaction initially recommended by the independent auditor, the purpose of which may be tax avoidance and the tax treatment of which may not be supported by the Internal Revenue Code and related regulations.
8. To the extent it deems it appropriate, delegate pre-approval authority to the Chairman of the Committee or any one or more other members of the Committee provided that any member of the Committee who has exercised such delegation must report any such pre-approval decisions to the Committee at its next scheduled meeting. The Committee will not delegate the pre-approval of services to be performed by the independent auditor to management.
9. Require that the independent auditor, in conjunction with the Chief Financial Officer, be responsible for seeking pre-approval for providing services to the Company and that any request for pre-approval must inform the Committee about each service to be provided and must provide detail as to the particular service to be provided.
10. Inform each accounting firm engaged for the purpose of preparing or issuing an audit report or to perform audit, review, or attest services for the Company that such firm shall report directly to the Committee.
11. Review, at least annually, the qualifications, performance, and independence of the independent auditor. In conducting its review and evaluation, the Committee should do the following:
 - a. At least annually, obtain and review a report by the Company's independent auditor describing (i) the auditing firm's internal quality-control procedures; (ii) any material issues raised by the most recent internal quality-control review, or peer review, of the auditing firm, or by any inquiry or investigation by governmental or professional authorities, within the preceding five years, respecting one or more independent audits carried out by the auditing firm, and any steps taken to deal with any such issues; and (iii) all relationships between the independent auditor and the Company.
 - b. Ensure the rotation of the lead (or coordinating) audit partner at least every five years, and consider whether there should be regular rotation of the audit firm itself.
 - c. Confirm with the independent auditor that the lead (or coordinating) audit partner, the concurring (or reviewing) audit partner, and each other active audit engagement team partner satisfies the rotation requirements of Rule 2-01(c)(6) of Regulations S-X.
 - d.

Take into account the opinions of management and the Company’s internal auditors (or other personnel responsible for the internal audit function).

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Financial Reporting Process

12. In consultation with the independent auditor, management, and the internal auditor, if any, review the integrity of the Company's financial reporting processes, both internal and external. In that connection, the Committee should obtain and discuss with management and the independent auditor reports from management and the independent auditor regarding (a) all critical accounting policies and practices to be used by the Company and the related disclosure of those critical accounting policies under Management's Discussion and Analysis of Financial Condition and Results of Operations; (b) analyses prepared by management and/or the independent auditor setting forth significant financial reporting issues and judgments made in connection with the preparation of the financial statements, including all alternative treatments of financial information within generally accepted accounting principles that have been discussed with the Company's management, the ramifications of the use of the alternative disclosures and treatments, and the treatment preferred by the independent auditor; (c) all alternative treatments of financial statements within generally accepted accounting principles that have been discussed with the Company's management, the ramifications of the use of alternative disclosures and treatments, and the treatment preferred by the independent auditor; (d) major issues regarding accounting principles and financial statement presentations, including any significant changes in the Company's selection or application of accounting principles; (e) major issues as to the adequacy of the Company's internal controls and any specific audit steps adopted in light of material control deficiencies; (f) issues with respect to the design and effectiveness of the Company's disclosure controls and procedures, management's evaluation of those controls and procedures, and any issues relating to such controls and procedures during the most recent reporting period; (g) the effect of regulatory and accounting initiatives, as well as off-balance sheet structures on the financial statements of the Company; (h) any significant matters arising from any audit, including audit problems and difficulties, whether raised by management, the internal auditor, if any, and the independent auditor, relating to the Company's financial statements; and (i) any other material written communications between the independent auditor and the Company's management, including any management letter or schedule of unadjusted differences.
13. Review periodically the effect of regulatory and accounting initiatives, as well as off-balance sheet structures, on the financial statements of the Company.
14. Review with the independent auditor any audit problems or difficulties encountered and management's response thereto. In this regard, the Committee will regularly review with the independent auditor (a) any audit problems or other difficulties encountered by the auditor in the course of the audit work, including any restrictions on the scope of the independent auditor's activities or on access to requested information, and any significant disagreements with management and (b) management's responses to such matters. Without excluding other possibilities, the Committee may review with the independent auditor (i) any accounting adjustments that were noted or proposed by the auditor but were passed (as immaterial or otherwise), (ii) any communications between the audit team and the audit firm's national office respecting auditing or accounting issues presented by the engagement, and (iii) any management or internal control letter issued, or proposed to be issued, by the independent auditor to the Company.
15. Obtain from the independent auditor assurance that the audit of the Company's financial statements was conducted in a manner consistent with Section 10A of the Securities Exchange Act of 1934, which sets forth procedures to be followed in any audit of financial statements required under the Securities Exchange Act of 1934.
16. Discuss the scope of the annual audit and review the form of the opinion the independent auditor proposes to issue.
17. Review and discuss with management and the independent auditor the responsibilities, budget, and staffing of the Company's internal audit function, if any.

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Legal Compliance/General

18. Review periodically, with the Company's counsel, any legal matter that could have a significant impact on the Company's financial statements.
19. Discuss with management and the independent auditor the Company's guidelines and policies with respect to risk assessment and risk management. The Committee will discuss the Company's major financial risk exposures and the steps management has taken to monitor and control such exposures.
20. Set clear hiring policies for employees or former employees of the independent auditor. At a minimum, these policies will provide that any public accounting firm may not provide audit services to the Company if the Chief Executive Officer, Chief Financial Officer, Chief Accounting Officer, Controller, or any person serving in an equivalent position for the Company was employed by the audit firm and participated in any capacity in the audit of the Company within one year of the initiation of the current audit.
21. Establish procedures for (a) the receipt, retention, and treatment of complaints received by the Company regarding accounting, internal accounting controls, or auditing matters; and (b) the confidential, anonymous submission by employees of the Company of concerns regarding questionable accounting or auditing matters.
22. Unless specifically delegated by the Board of Directors to the Compensation Committee of the Board of Directors, review and approve all related party transactions (as specified in Item 404 of Regulation S-K) and review and make recommendations to the full Board of Directors, or approve, any contracts or other transactions with current or former executive officers of the Company, including consulting arrangements, employment agreements, change-in-control agreements, termination arrangements, and loans to employees made or guaranteed by the Company.
23. Review and reassess the adequacy of this Charter on an annual basis and recommend any changes to the Board of Directors.

Reports

24. Prepare all reports required to be included in the Company's proxy statement, pursuant to and in accordance with applicable rules and regulations of the SEC.
25. Report regularly to the full Board of Directors. In this regard, the Committee will review with the full board any issues that arise with respect to the quality or integrity of the Company's financial statements, the Company's compliance with legal or regulatory requirements, the performance and independence of the Company's independent auditor, and the performance of the internal audit function, if any.
26. The Committee shall provide such recommendations as the Committee may deem appropriate. The report to the Board of Directors may take the form of an oral report by the Chairman or any other member of the Committee designated by the Committee to make such report.
27. Maintain minutes or other records of meetings and activities of the Committee.

Limitation of Audit Committee's Role

With respect to the foregoing responsibilities and processes, the Committee recognizes that the Company's financial management, including the internal audit staff, if any, as well as the independent auditor have more time, knowledge, and detailed information regarding the Company than do Committee members. Consequently, in discharging its oversight responsibilities, the Committee will not provide or be deemed to provide any expertise or special assurance as to the Company's financial statements or any professional certification as to the independent auditors' work.

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While the Committee has the responsibilities and powers set forth in this Charter, it is not the duty of the Committee to plan or conduct audits or to determine that the Company's financial statements and disclosures are complete and accurate and are in accordance with generally accepted accounting principles and applicable rules and regulations. These are the responsibilities of management and the independent auditor. It also is not the duty of the Committee to conduct investigations or to assure compliance with laws and regulations and the Company's internal policies and procedures.

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**ANNUAL MEETING OF STOCKHOLDERS OF
SYNAPTICS INCORPORATED**

October 17, 2006

Please date, sign and mail
your proxy card in the
envelope provided as soon
as possible.

↓ Please detach along perforated line and mail in the envelope provided.↓

THE BOARD OF DIRECTORS RECOMMENDS A VOTE FOR THE ELECTION OF DIRECTORS AND FOR PROPOSALS AND RETURN PROMPTLY IN THE ENCLOSED ENVELOPE. PLEASE MARK YOUR VOTE IN BLUE OR BLACK INK.

Mark ☒ HERE IF YOU PLAN TO
ATTEND THE MEETING. ☐

To change the address
on your account, please
check the box at right
and indicate your new
address in the space
above. Please note that ☐
changes to the registered
name(s) on the account
may not be submitted
via this method.

Signature of Stockholder	Date:	Signature of Stockholder	Date:
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Note Please sign exactly as your name or names appear on this Proxy. When shares are held jointly, each holder should sign. When signing as executor, administrator, attorney, trustee or guardian, please give full title as such. If the signer is a corporation, please sign full corporate name by duly authorized officer, giving full title as such. If signer is a partnership, please sign in partnership name by authorized person.