

DIODES INC /DEL/  
Form DEF 14A  
April 12, 2012  
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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**SCHEDULE 14A**

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

**(Amendment No. )**

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material Pursuant to §240.14a-12

**DIODES 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.

(1) Title of each class of securities to which transaction applies:

(2) Aggregate number of securities to which transaction applies:

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

(4) Proposed maximum aggregate value of transaction:

(5) Total fee paid:

.. Fee paid previously with preliminary materials.

.. Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

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

(3) Filing Party:

(4) Date Filed:



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**DIODES INCORPORATED**

**Notice of Annual Meeting of Stockholders**

**To Be Held May 22, 2012**

**Notice is hereby given that the annual meeting (the Meeting ) of the stockholders of Diodes Incorporated (the Company ) will be held at the Company s executive offices, located at 4949 Hedgecoxe Road, Suite 200, Plano, Texas 75024, on Tuesday, May 22, 2012, at 10:00 a.m. (Central Time) for the following purposes:**

1. **Election of Directors.** To elect seven persons to the Board of Directors of the Company, each to serve until the next annual meeting of stockholders and until their respective successors have been elected and qualified. The Board of Directors nominees are: C.H. Chen, Michael R. Giordano, L.P. Hsu, Keh-Shew Lu, Raymond Soong, John M. Stich and Michael K.C. Tsai.
2. **Executive Compensation.** To approve the Company s executive compensation.
3. **Ratification of Appointment of Independent Registered Public Accounting Firm.** To ratify the appointment of Moss Adams LLP as the Company s independent registered public accounting firm for the year ending December 31, 2012.
4. **Other Business.** To transact such other business as properly may come before the Meeting or any adjournment or postponement thereof.

Only persons who were stockholders of record at the close of business on March 30, 2012 are entitled to notice of and to vote, in person or by proxy, at the Meeting or any adjournment or postponement thereof.

The proxy statement, which accompanies this Notice, contains additional information regarding the proposals to be considered at the Meeting, and stockholders are encouraged to read it in its entirety.

We have elected to provide access to our proxy materials by notifying you of the availability of our proxy statement and our fiscal 2011 Annual Report to Stockholders over the Internet at [www.proxyvote.com](http://www.proxyvote.com). Stockholders may also obtain a printed copy of the proxy materials free of charge by following the instructions provided in the Notice of Internet Availability of Proxy Materials that will be mailed to stockholders on or about April 12, 2012 or in the enclosed proxy statement.

As set forth in the enclosed proxy statement, proxies are being solicited by and on behalf of the Board of Directors of the Company. All proposals set forth above are proposals of the Board of Directors.

**Whether or not you plan to attend the Meeting, YOUR VOTE IS IMPORTANT. Please follow the instructions enclosed to ensure that your shares are voted. If you attend the Meeting, you may revoke your proxy and vote your shares in person. You may revoke your proxy at any time prior to its exercise at the Meeting.**

Dated at Plano, Texas, this 12th day of April, 2012.

By Order of the Board of Directors,

DIODES INCORPORATED

Richard D. White,

Secretary

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**Diodes Incorporated**

**4949 Hedgcoxe Road, Suite 200**

**Plano, Texas 75024**

**(972) 987-3900**

**PROXY STATEMENT**

**ANNUAL MEETING: MAY 22, 2012**

**GENERAL INFORMATION**

This proxy statement ( **Proxy Statement** ) is furnished in connection with the solicitation of proxies by the Board of Directors (the **Board** ) of Diodes Incorporated (the **Company** ) for use at the annual meeting (the **Meeting** ) of the stockholders of the Company to be held on Tuesday, May 22, 2012, at the Company's executive offices, located at 4949 Hedgcoxe Road, Suite 200, Plano, Texas 75024, at 10:00 a.m. (Central Time), and at any adjournment or postponement thereof. Only stockholders at the close of business on March 30, 2012 (the **Record Date** ) are entitled to notice of and to vote, in person or by proxy, at the Meeting or any adjournment or postponement thereof.

**Matters to be Considered at the Meeting:**

The matters to be considered and voted upon at the Meeting will be:

- 1. Election of Directors.** To elect seven persons to the Board, each to serve until the next annual meeting of stockholders and until their respective successors have been elected and qualified. The Board's nominees are: C.H. Chen, Michael R. Giordano, L.P. Hsu, Keh-Shew Lu, Raymond Soong, John M. Stich and Michael K.C. Tsai.
- 2. Executive Compensation.** To approve the Company's executive compensation.
- 3. Ratification of Appointment of Independent Registered Public Accounting Firm.** To ratify the appointment of Moss Adams LLP as the Company's independent registered public accounting firm for the year ending December 31, 2012.
- 4. Other Business.** To transact such other business as properly may come before the Meeting or any adjournment or postponement thereof.

**Voting Recommendations of the Board**

Our Board recommends that you vote your shares **FOR** each of the nominees to the Board, **FOR** the approval of executive compensation, and **FOR** the ratification of the appointment of Moss Adams LLP.

**Important Changes to Voting Shares Held in Street Name**

There have been important changes in how your shares held in street name by a brokerage firm may be voted in the election of directors or on executive compensation. Previously, if you were the beneficial owner of shares held in street name by a brokerage firm, bank, broker-dealer, or other similar organization, and you failed to instruct the organization as to how to vote such shares, the organization could, in its discretion, vote such shares in the election of directors or on executive compensation. Brokerage firms who are members of the New York Stock Exchange are no longer allowed to vote your shares held in street name in the election of directors or on executive compensation, if you fail to instruct the organization how to vote such shares. Therefore, it is very important that you provide instructions on how to vote any shares beneficially owned by you in street name.





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### **Internet Access to Proxy Materials**

Under rules adopted by the Securities and Exchange Commission (the SEC), we have elected to provide access to our proxy materials over the Internet at [www.proxyvote.com](http://www.proxyvote.com). Stockholders will not receive printed copies of the proxy materials unless they request them.

On or about April 12, 2012, a Notice of Internet Availability of Proxy Materials (the Notice) was sent to our stockholders of record and beneficial owners.

The Notice provides you with instructions regarding how to:

View our proxy materials for the Meeting on the Internet;

Request a printed copy of the proxy materials; and

Instruct us to send future proxy materials to you by mail or electronically by email on an ongoing basis. Choosing to receive future proxy materials by email will save us the cost of printing and mailing documents to you and will reduce the impact of our annual meetings on the environment. If you choose to receive future proxy materials by email, you will receive an email next year with instructions containing a link to those materials and a link to the proxy voting site. Your election to receive proxy materials by email will remain in effect until you terminate it.

The proxy materials include:

Notice of Annual Meeting of Stockholders;

This Proxy Statement; and

The 2011 Annual Report to Stockholders, which includes our audited consolidated financial statements. If you request printed copies of the proxy materials by mail, these materials will also include a proxy card.

### **How to Vote**

**Stockholder of Record.** If your shares are registered directly in your name with our transfer agent, Continental Stock Transfer & Trust Company, you are considered the stockholder of record with respect to those shares, and the Notice was sent directly to you by the Company.

If you are a stockholder of record, you may attend the Meeting and vote in person. You will be provided with a ballot at the Meeting.

If you do not wish to attend the Meeting and vote in person, you may vote by proxy. There are three ways to vote by proxy. You may vote by telephone by calling (800) 690-6903 and following the instructions provided. You may vote over the Internet at [www.proxyvote.com](http://www.proxyvote.com) by following the instructions provided. If you request and receive a printed copy of the proxy materials by mail, you can vote by mail by signing and dating the enclosed proxy card and either mailing it in the postage-paid envelope provided to the address stated on the proxy card or transmitting it by facsimile to the Inspector of Elections at 972-731-3510.

Telephone and Internet voting facilities for stockholders will be available 24 hours a day and will close at 11:59 p.m. (Eastern Time) on May 21, 2012. If a proxy is properly submitted and is not revoked, the proxy will be voted at the Meeting in accordance with the stockholder's instructions indicated on the proxy. If no instructions are indicated on the proxy, the proxy will be voted FOR the election of the Board's nominees, FOR the

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approval of executive compensation, FOR ratification of the appointment of Moss Adams LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2012, and in accordance with the recommendations of the Board as to any other matter that may properly be brought before the Meeting or any adjournment or postponement thereof.

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**Beneficial Owner of Shares Held in Street Name.** If your shares are held in an account at a brokerage firm, bank, broker-dealer, or other similar organization, then you are the beneficial owner of shares held in street name, and the Notice was forwarded to you by that organization. The organization holding your shares is considered the stockholder of record for purposes of voting at the Meeting. As a beneficial owner, you have the right to direct that organization on how to vote the shares held in your account by following the instructions provided. If you wish to attend the Meeting and vote in person, you must obtain a proxy executed in your favor from the organization that holds your shares.

Even if you plan to attend the Meeting, we recommend that you also submit your proxy or voting instructions so that your vote will be counted if you later decide not to attend the Meeting.

### **How to Change or Revoke Your Vote**

You may change your vote at any time before the vote at the Meeting. If you are a stockholder of record, you may change your vote by voting again by proxy over the Internet or telephone on a later date (only your last Internet or telephone proxy will be counted), or by filing a written revocation, or a duly executed proxy card bearing a later date, with the Company's Secretary at the Meeting or at our offices located at 4949 Hedgcoxe Road, Suite 200, Plano, Texas 75024 prior to the vote at the Meeting. You may also change your vote by attending the Meeting and voting in person. Attending the Meeting in person will not automatically revoke a previously granted proxy unless you vote again at the Meeting or file a written revocation with the Company's Secretary at or before the Meeting.

If you are a beneficial owner of shares held in street name, you may change your vote by submitting new voting instructions to the brokerage firm, bank, broker-dealer or other organization holding your shares by following the instructions they provided or, if you obtained a proxy in your favor from that organization, by attending the Meeting and voting in person.

### **Voting Rights**

The authorized capital of the Company consists of (i) 70,000,000 shares of common stock, par value \$0.66-2/3 per share ( Common Stock ), of which 45,501,984 shares were issued and outstanding on the Record Date and (ii) 1,000,000 shares of Preferred Stock, par value \$1.00 per share ( Preferred Stock ), none of which were issued and outstanding on the Record Date. The Common Stock and the Preferred Stock are collectively referred to as the Stock.

A majority of the shares of Common Stock issued and outstanding and entitled to vote at the Meeting, present either in person or by proxy, constitutes a quorum for the conduct of business at the Meeting. Votes withheld, abstentions and broker non-votes (as defined below) will be counted for the purpose of determining the presence of a quorum.

Each stockholder is entitled to one vote, in person or by proxy, for each share of Common Stock standing in his or her name on the books of the Company at the close of business on the Record Date on any matter submitted to the stockholders, except that in connection with the election of directors, each stockholder has the right to cumulate votes, provided that the candidates' names have been properly placed in nomination prior to commencement of voting, and a stockholder has given notice prior to commencement of voting of his or her intention to cumulate votes. If a stockholder has given such notice, all stockholders may cumulate their votes for all nominated candidates. Cumulative voting entitles a stockholder to give one candidate a number of votes equal to the number of directors to be elected multiplied by the number of shares of Common Stock owned by such stockholder, or to distribute such stockholder's votes on the same principle among as many candidates as the stockholder shall think fit. Discretionary authority to cumulate votes is hereby solicited by the Board, and the vote by proxy through the Internet, telephone or mail shall grant such authority.

In the election of directors, the candidates receiving the highest number of votes, up to the number of directors to be elected, shall be elected. Passage of the proposal to approve executive compensation requires that the number of votes FOR approval of executive compensation must exceed the number of votes AGAINST approval. Each proposal described in this Proxy Statement, other than the election of directors and the approval of the Company's executive compensation, requires the affirmative vote of the holders of a majority of the outstanding shares of Common Stock present, in person or by proxy, and entitled to vote on the proposal at the Meeting. Abstentions and broker non-votes will have no effect with respect to the election of directors or the approval of the Company's executive compensation. With respect to all other proposals submitted to the stockholders, abstentions will be included in the number of votes present and entitled to vote on that proposal and, accordingly, will have the effect of a vote AGAINST the proposal. However, broker non-votes with respect to any other such proposal submitted to the stockholders will not be counted as shares present and entitled to vote on that proposal and, accordingly, will not have any effect with respect to the approval of that proposal (other than to reduce the number of affirmative votes required to approve the proposal). The vote with respect to executive compensation is not binding on the Company, the Board or the Compensation Committee. However, the Board and the Compensation Committee will review the results of this vote and take it into consideration when making future decisions regarding executive



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compensation.

Of the shares of Common Stock outstanding on the Record Date, 8,365,778 (or approximately 18.4%) were held in the name of Lite-On Semiconductor Corporation. See Security Ownership of Certain Beneficial Owners and Management and Corporate Governance Certain Relationships and Related Transactions, for additional information about Lite-On Semiconductor Corporation and its subsidiaries and affiliates ( LSC ). On the Record Date, an additional 1,529,233 shares (or approximately 3.4%) were owned by directors and executive officers of the Company. LSC and each of the directors and executive officers have informed the Company that they will vote FOR the election of the nominees to the Board identified herein, FOR the approval of executive compensation, and FOR ratification of the appointment of Moss Adams LLP as the Company s independent registered public accounting firm.

Organizations holding Common Stock in street name who are members of a stock exchange are required by the rules of the exchange to transmit the proxy materials to the beneficial owner of the Common Stock and to solicit voting instructions with respect to the matters submitted to the stockholders. If the organization has not received instructions from the beneficial owner by the date specified in the statement accompanying such proxy materials, the organization may give or authorize the giving of a proxy to vote the Common Stock in its discretion as to some matters, but not as to certain other proposals, without specific instructions from the beneficial owner. When an organization is unable to vote a client s shares on a proposal, the missing votes are referred to as broker non-votes. If you hold Common Stock in street name and you fail to instruct the organization that holds your shares as to how to vote such shares, that organization may, in its discretion, vote such Common Stock

FOR ratification of the appointment of Moss Adams LLP as the Company s independent registered public accounting firm for the fiscal year ending December 31, 2012, but not with respect to the election of the nominees to the Board or with respect to the approval of the Company s executive compensation.

**Cost of Proxy Solicitation**

This proxy solicitation is made by the Board, and the Company will bear the costs of this solicitation, including the expense of preparing, assembling, printing and mailing this Proxy Statement and any other material used in this proxy solicitation. If it should appear desirable to do so to ensure adequate representation at the Meeting, officers and regular employees may communicate with stockholders of record, beneficial owners, banks, brokerage houses, custodians, nominees and others, by telephone, facsimile transmissions, telegraph, email or in person to request that the proxies be furnished. No additional compensation will be paid for these services to officers or employees of the Company. The Company will reimburse banks, brokerage houses, and other custodians, nominees and fiduciaries, for their reasonable expenses in forwarding proxy materials to their principals. The estimated cost for this proxy solicitation is approximately \$50,000.

**Other Business**

As of the date of this Proxy Statement, the Board knows of no business to be presented for consideration at the Meeting other than as stated in the Notice of Annual Meeting of Stockholders. However, if any other matters properly come before the Meeting, including a motion to adjourn the Meeting to another time or place, to solicit additional proxies in favor of the recommendation of the Board, the designated proxyholders will vote the shares represented by the proxies on such matters in accordance with the recommendation of the Board, and authority to do so is included in the proxy. Such authorization includes authority to appoint a substitute nominee or nominees to the Board s nominees identified herein where death, illness or other circumstances arise which prevent any such nominee from serving in such position and to vote such proxy for such substitute nominee. Dr. Keh-Shew Lu and Richard D. White, the designated proxyholders (the Proxyholders ), are members of the Company s management.

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The following table sets forth the beneficial ownership of Common Stock as of the Record Date by each person known to the Company to be the beneficial owner of five percent (5%) or more of the outstanding shares of Common Stock (other than depositories).

Name and Address of Beneficial Owner	Amount and Nature of Beneficial Ownership <sup>(1)</sup>	Percent of Class <sup>(2)</sup>
Lite-On Semiconductor Corporation ( LSC )		
9F. No. 233-2, Pao-Chiao Road, Hsin-Tien, Taipei-hsien 23115, Taiwan, R.O.C.	8,365,778 <sup>(3)</sup>	18.4%
FMR LLC		
82 Devonshire Street, Boston, Massachusetts 02109	5,925,638 <sup>(4)</sup>	13.0%
Brown Capital Management, LLC		
1201 N. Calvert Street, Baltimore, Maryland 21202	4,111,005 <sup>(5)</sup>	9.0%
BlackRock Inc.		
40 East 52nd Street, New York, New York 10022	2,604,527 <sup>(6)</sup>	5.7%
T. Rowe Price Associates, Inc. ( Price Associates )		
100 E. Pratt Street, Baltimore, Maryland 21202	2,457,562 <sup>(7)</sup>	5.4%
Lord, Abbett & Co. LLC ( Lord Abbett )		
90 Hudson Street, Jersey City, New Jersey 07302	2,324,900 <sup>(8)</sup>	5.1%

- (1) The named stockholder has sole voting power and investment power with respect to the shares listed, except as indicated below.
- (2) Percentage of Class is based on 45,501,894 shares outstanding as of the Record Date.
- (3) LSC is a public company listed on the Taiwan Stock Exchange Corporation and a member of the Lite-On Group of companies. See Corporate Governance Certain Relationships and Related Transactions for a discussion of the relationship among LSC, the Company and certain directors and executive officers of the Company.
- (4) Based solely on information provided by FMR LLC in a Schedule 13G/A filed with the SEC on February 14, 2012 reporting beneficial ownership of the Company's Common Stock. According to the Schedule 13G/A, neither FMR LLC, which is a parent holding company, nor Edward C. Johnson 3d, Chairman of FMR LLC, has the sole power to vote or direct the voting of the shares owned directly by the Fidelity Funds, which power resides with the Fidelity Funds Board of Trustees. Edward C. Johnson 3d and FMR LLC, through its control of Fidelity Management & Research Company, and the funds each has sole power to dispose of the 5,925,638 shares owned by the Fidelity Funds.
- (5) Based solely on information provided by Brown Capital Management, LLC in a Schedule 13G/A filed with the SEC on February 13, 2012 reporting beneficial ownership of the Company's Common Stock. According to the Schedule 13G/A, Brown Capital Management, LLC has sole voting power with respect to 2,521,287 shares, has sole dispositive power with respect to 4,111,005 shares and has neither shared voting power nor shared dispositive power with respect to any shares.
- (6) Based solely on information provided by BlackRock Inc. in a Schedule 13G/A filed with the SEC on February 13, 2012, reporting beneficial ownership of the Company's Common Stock. According to the Schedule 13G/A, BlackRock Inc. has sole voting power with respect to 2,604,527 shares, has sole dispositive power with respect to 2,604,527 shares and has neither shared voting power nor shared dispositive power with respect to any shares.





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- (7) Based solely on information provided by Price Associates, including a Schedule 13G filed with the SEC on February 14, 2012 reporting beneficial ownership of the Company's Common Stock, which are owned by various individual and institutional investors. According to the Schedule 13G, Price Associates has sole voting power with respect to 304,900 shares, has sole dispositive power with respect to 2,457,562 shares and has neither shared voting power nor shared dispositive power with respect to any shares. For purposes of the reporting requirements of the Securities Exchange Act of 1934, Price Associates is deemed to be a beneficial owner of the Company's Common Stock as reported in the Schedule 13G; however, Price Associates expressly disclaims that it is, in fact, the beneficial ownership of such Company's Common Stock as reported in the Schedule 13G.
- (8) Based solely on information provided by Lord Abbett in a Schedule 13G filed with the SEC on February 14, 2012 reporting beneficial ownership of the Company's Common Stock. According to the Schedule 13G, Lord Abbett has sole voting power with respect to 2,030,100 shares, has sole dispositive power with respect to 2,324,900 shares and has neither shared voting power nor shared dispositive power with respect to any shares.

The following table sets forth the beneficial ownership of Common Stock of the Company as of the Record Date by (i) each director and nominee of the Company, (ii) each Named Executive Officer ( NEO ) of the Company (as defined below), and (iii) all directors, nominees and executive officers of the Company as a group.

Name of Beneficial Owner	Amount and Nature of Beneficial Ownership <sup>(1)</sup>	Percent of Class <sup>(2) (3)</sup>
<b>Directors</b>		
Raymond Soong	652,813 <sup>(4)</sup>	1.4%
C.H. Chen	475,292 <sup>(4)</sup>	1.0%
Michael R. Giordano	122,563 <sup>(4)</sup>	*
L.P. Hsu	18,363 <sup>(4)</sup>	*
Keh-Shew Lu <sup>(5)</sup>	1,548,033 <sup>(4)(6)(7)</sup>	3.4%
John M. Stich	96,863 <sup>(4)(8)</sup>	*
Michael K.C. Tsai	3,975 <sup>(4)</sup>	*
<b>Executive Officers</b>		
Richard D. White	134,595 <sup>(4)</sup>	*
Mark A. King	233,725 <sup>(4)</sup>	*
Joseph Liu	399,724 <sup>(4)</sup>	*
Edmund Tang	96,956 <sup>(4)</sup>	*
All directors, nominees and executive officers of the Company as a group (16 individuals including those named above)	3,939,572 <sup>(7)(9)(10)</sup>	8.0%

\* Less than 1%.

- (1) The named stockholder has sole voting power and investment power with respect to the shares listed, except as indicated and subject to community property laws where applicable.

*(Footnotes continued on following page)*



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- (2) Under Rule 13d-3 of the Securities Exchange Act of 1934 (the Exchange Act), certain shares may be deemed to be beneficially owned by more than one person (for example, if a person shares the power to vote or the power to dispose of the shares). In addition, under Rule 13d-3(d)(1) of the Exchange Act, shares which the person (or group) has the right to acquire within sixty (60) days after the Record Date are deemed to be outstanding in calculating the beneficial ownership and the percentage ownership of the person (or group) but are not deemed to be outstanding as to any other person or group. As a result, the percentage of outstanding shares of any person as shown in this table does not necessarily reflect the person's actual ownership of voting power with respect to the number of shares of Common Stock actually outstanding at the Record Date.
- (3) Percentage of Class is based on 45,501,894 shares of the Common Stock of the Company outstanding as of the Record Date.
- (4) Includes the following shares of Common Stock that the named individual has the right to acquire within sixty (60) days after the Record Date by exercising stock options or the vesting of restricted stock units or restricted stock awards:

<b>Named Individual</b>	<b>Shares</b>
Raymond Soong	491,813
C.H. Chen	102,213
Michael R. Giordano	77,963
L.P. Hsu	5,213
Keh-Shew Lu	815,625
John M. Stich	71,713
Michael K.C. Tsai	2,525
Richard D. White	115,025
Mark A. King	233,725
Joseph Liu	285,176
Edmund Tang	84,675
<b>TOTAL</b>	<b>2,285,664</b>

- (5) Dr. Lu is a member of the Board and the President and Chief Executive Officer of the Company.
- (6) Includes 280,750 shares of Common Stock held in the name of Texastac Investments L.P. and the Lu Family Revocable Trust, and 23,750 shares of Common Stock held in the name of an UTMA (Custodial) Trust. Dr. Lu is the co-general partner of Texastac Investments L.P. and a co-trustee of the Lu Family Revocable Trust and UTMA (Custodial) Trust. He has voting and investment authority over these shares held.
- (7) Excludes 200,000 shares of Common Stock rights previously granted to Dr. Lu subject to certain performance criteria. Ultimately 600,000 shares of Common Stock as restricted stock awards will be granted to Dr. Lu in six equal annual installments of 100,000 shares, beginning April 14, 2010 and on each of the five subsequent anniversaries of such date, subject to certain performance criteria. See Executive Compensation Narrative to Summary Compensation Table and Plan-Based Awards Table Employment Agreements. The 600,000 shares of Common Stock as restricted stock awards to be granted in installments to Dr. Lu had a grant date fair value of \$11.7 million on April 14, 2010.
- (8) Includes 7,312 shares of Common Stock held in the name of Stich Family Holdings, LLC. Mr. Stich is a member of Stich Family Holdings, LLC and has voting and investment authority over these shares.

*(Footnotes continued on following page)*



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*(Footnotes continued from previous page)*

- (9) Includes 2,410,339 shares that the directors, nominees and executive officers have the right to acquire within sixty (60) days after the Record Date, by exercising stock options or the vesting of restricted stock units or restricted stock awards, but excludes an additional 737,488 shares that the directors, nominees and executive officers will have the right to acquire upon the exercise of stock options or restricted stock units or restricted stock awards, which may vest in installments more than sixty (60) days after the Record Date.
- (10) Includes 124,675 shares beneficially owned by executive officers other than NEOs.

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

The Company's Bylaws provide that the number of directors shall be determined from time to time by the Board, but may not be less than five nor more than seventeen. Currently, the Board has fixed the number of directors at seven. The Company's Bylaws further provide for the election of each director at each annual meeting of stockholders.

The persons nominated have been nominated for election to the Board to serve until the next annual meeting of stockholders and until their respective successors have been elected and qualified. All nominees are currently directors of the Company and have indicated their willingness to serve. Unless otherwise instructed, proxies will be voted in such a way as to elect as many of these nominees as possible under applicable voting rules. In the event that any of the nominees should be unable or unwilling to serve as a director, the proxy will be voted for the election of such substitute nominees, if any, as shall be designated by the Board. The Board has no reason to believe that any nominee will be unable or unwilling to serve. The seven nominees who receive the highest number of affirmative votes will be elected.

None of the nominees was selected pursuant to any arrangement or understanding, other than that with the directors of the Company acting within their capacity as such. There are no family relationships among directors of the Company as of the date hereof, and, except as set forth below, as of the date hereof, no directorships are now, or in the past five years have been, held by any director in a company that has a class of securities registered pursuant to Section 12 of the Exchange Act or subject to the requirements of Section 15(d) of the Exchange Act or any company registered as an investment company under the Investment Company Act of 1940.

The following table sets forth certain biographical information concerning the nominees of the Company as of the Record Date:

Nominees	Age	Position with the Company	Director Since
<b>Raymond Soong</b>	70	Director and Chairman of the Board	1992
<b>C.H. Chen</b>	68	Director and Vice Chairman of the Board	2000
<b>Michael R. Giordano</b>	65	Director	1990
<b>L.P. Hsu</b>	72	Director	2007
<b>Keh-Shew Lu</b>	65	President, Chief Executive Officer, and Director	2001
<b>John M. Stich</b>	70	Director	2000
<b>Michael K.C. Tsai</b>	58	Director	2010

**Raymond Soong** *Director and Chairman of the Board*  
Chair, Compensation Committee

Chair, Governance and Stockholder Relations Committee

Member, Risk Oversight Committee

Mr. Soong was appointed the Chairman of the Board of the Company in 1992. Mr. Soong is also the Chairman of the Board of LSC, Lite-On Technology Corporation, Silitech Technology Corporation, Leotek Technology Corporation and Lite-On IT Corporation and a board member of Actron Technology Corporation, Logah Technology Corporation and Co-Tech Copper Foil Corporation, each of which is a member or an affiliate of the Lite-On Group. In 1975, after serving as a senior engineer for RCA Corporation and as a chief engineer for Texas Instruments, Taiwan Limited ( TI Taiwan ), Mr. Soong, together with several of his co-workers, founded Taiwan Lite-On Electronic Co. Ltd. ( Taiwan Lite-On ), a manufacturer of electronic components and subsystems. Mr. Soong is a graduate of, and received an Honorary Doctorate from, the National Taipei University of Technology's Electronic Engineering Department and also received an Honorary Doctorate from National Chiao Tung University.

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As Chairman of the Boards of LSC, Lite-On Technology Corporation, Silitech Technology Corporation, Leotek Technology Corporation and Lite-On IT Corporation, Mr. Soong has significant board experience, which provides him valuable insight on Board management. With his background in the semiconductor industry as a senior engineer for RCA Corporation and as a chief engineer

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for TI Taiwan, Mr. Soong also brings extensive experience and knowledge of the semiconductor industry to the Board.

**C.H. Chen** *Director and Vice Chairman of the Board*  
Chair, Risk Oversight Committee

Mr. Chen was appointed the Company's Vice Chairman of the Board in June 2005. Mr. Chen is also the Chairman of the Board of Co-Tech Copper Foil Corporation and On-Bright Electronic Inc., Vice Chairman of the Board of LSC, and a board member of Lite-On Technology Corporation, Dynacard Corporation, and Actron Technology Corporation, each of which is a member or an affiliate of the Lite-On Group. Mr. Chen is also a board member of Kwong Lung Enterprise Co. Mr. Chen served as the Company's President and Chief Executive Officer from 2000 until 2005. From 1969 to 1990, Mr. Chen held various positions at Texas Instruments Incorporated (TI), most recently as the Vice President of TI Taiwan. In 1990, he left TI to found Dyna Image Corporation, which merged with LSC in 2000. Mr. Chen received his Bachelor of Science degree in Mechanical Engineering from National Taiwan University.

Mr. Chen has extensive experience in the semiconductor industry, particularly in Asia, including as a director of several Asian semiconductor companies. This experience provides the Board with a valuable perspective on the current and future trends and challenges in the semiconductor industry in Asia. As the Company's former President and Chief Executive Officer, Mr. Chen's deep understanding of the Company enables him to provide advice to the Board on matters concerning the daily operations of the Company.

**Michael R. Giordano** *Director*  
Chair, Audit Committee (Financial Expert)

Mr. Giordano, CIMA, joined the private-banking firm of UBS Financial Services, Inc. as Senior Vice President-Investment Consulting when UBS AG acquired PaineWebber, Inc. in 2000. PaineWebber, Inc. had acquired his previous employer, Kidder Peabody and Co., Inc., with whom he was employed since 1979. Mr. Giordano advises corporations, foundations, trusts, and municipal governments in investments and finance. Mr. Giordano also served as Chairman of the Board and the Chief Executive Officer of the Leo D. Fields Co. from 1980 to 1990, when GWC Holdings acquired it, and, from 2001 to 2003, served as a board member of Professional Business Bank, a publicly traded corporation. Formerly a captain and pilot in the United States Air Force, Mr. Giordano received his Bachelor's degree in Aerospace Engineering from California State Polytechnic University and his Master's degree in Business Administration (Management and Finance) from the University of Utah. Mr. Giordano also completed post-graduate work in International Investments at Babson College and is certified by the Investment Management Consultants Association. He is also certified by the John E. Anderson Graduate School of Management, University of California at Los Angeles as a Corporate Director, having demonstrated understanding of directorship and corporate governance.

Mr. Giordano is an experienced leader who has worked in the financial sector for more than 32 years and possesses the skills necessary to lead the Company's Audit Committee. As Senior Vice President-Investment Consulting with UBS Financial Services, Inc. and since 1979, he has advised numerous public and private, profit and non-profit organizations in investments and finance. Mr. Giordano's experience provides the Board with a wealth of knowledge in financial and accounting matters.

**L.P. Hsu** *Director*  
Member, Audit Committee

Member, Compensation Committee

Mr. Hsu has been Chairman of Philips Taiwan Quality Foundation since 2002, a board member of Winbond Electronics Corporation since 1999 and a board member of Vanguard International Semiconductor Corporation since 2003. He also currently serves as a consultant to Lite-On Technology Corporation and a supervisor member of Nuvoton Technology Corporation. Previously, he served as a board member of ZyXEL Communications Corporation from 2006 to 2009, a board member of Lite-On Technology Corporation from 2004 to 2006, the Supervisor of the Board at Delta Electronics from 2000 to 2003 and the Vice Chairman and board member at HannStar Display from 1998 to 2000. He also served as the Chief Executive Officer of HannStar Display in 2001, a board member of Taiwan Semiconductor Manufacturing Company Ltd. from 1991 to 2000 and the Executive Vice President of Philips Taiwan Limited from 1989 to 1998. Since 1998, Mr. Hsu has been an Esteemed Chair



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Lecturer and Adjunct Professor at the College of Management at National Chiao-Tung University in Taiwan, where he served as Associate Professor from 1971 to 1972. Mr. Hsu completed the International Executive Program at International Institute for Management Development (IMD) and the Advanced Management Program at Harvard Business School and holds a Bachelor's degree in Physics from National Cheng Kung University in

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Taiwan.

Having served as a senior executive at several technology companies, including as Chief Executive Officer of HannStar Display and Executive Vice President of Philips Taiwan Limited, Mr. Hsu has the experience to offer valuable insight to the Board on operational issues. Through his past and present services as a board member of several technology companies, including Taiwan Semiconductor Manufacturing Company Ltd., Lite-On Technology Corporation and Winbond Electronics Corporation, Mr. Hsu also has an understanding of the role of the Board in properly governing the Company. Having an extensive background in teaching business management at the National Chiao-Tung University in Taiwan, Mr. Hsu provides the Board with a rich knowledge of business management concepts and techniques.

**Keh-Shew Lu** *Director, President and Chief Executive Officer*  
Member, Risk Oversight Committee

Dr. Lu was appointed President and Chief Executive Officer of the Company in June 2005 after serving on the Board since 2001. Dr. Lu is also a board member of Lite-On Technology Corporation and Nuvoton Technology Corporation, two publicly held companies. Dr. Lu is the founding Chairman of the Asia American Citizens Council and a board member of the Texas Tech Foundation. From 2001 to 2005, Dr. Lu was a partner of the WK Technology Venture Fund. From 1998 to 2001, Dr. Lu served as Senior Vice President of TI and General Manager of Worldwide Mixed-Signal and Logic Products. His responsibilities included all aspects of the analog, mixed-signal and logic products for TI worldwide business, including design, process and product development, manufacturing and marketing. From 1996 to 1998, Dr. Lu was the manager of TI's worldwide memory business. In addition, he served as the President of TI Asia from 1994 to 1997 where he supervised all of TI activities in Asia, excluding Japan. Dr. Lu holds a Bachelor's degree in Electrical Engineering from the National Cheng Kung University in Taiwan, and a Master's degree and a Doctorate in Electrical Engineering from Texas Tech University.

Having worked in the semiconductor industry for more than 38 years and, particularly, having served in various managerial and senior executive capacities at TI, Dr. Lu possesses a wealth of semiconductor management experience. Dr. Lu also is very knowledgeable in the role and function of the Board as a result of serving for many years as a board member of several public and private companies. Since becoming the President and Chief Executive Officer of the Company, Dr. Lu has directed the Company's expansion through profitable growth and acquisitions, growing revenue at a compound annual growth rate (CAGR) of 20% from \$215 million in 2005 to \$635 million in 2011 and growing stockholders' equity from \$225 million in 2005 to \$634 million in 2011.

**John M. Stich** *Director*  
Member, Audit Committee

Member, Governance and Stockholder Relations Committee

Mr. Stich served as a board member of Spansion, Inc., a flash memory company, and as the chairman of the audit committee, a member of the nominating and corporate governance committee and a member of the compensation committee of that company from 2006 to 2010. He also serves in numerous non-profit organizations, including as a board member of the Japan America Society of Dallas/Fort Worth, a member of the Asian Studies Program Advisory Council at Southern Methodist University, a member of the Consular Corps of Dallas/Fort Worth, and a member of the Dallas-Taipei and Dallas-Sendai Sister City Committees. Mr. Stich was appointed as the Honorary Consul General of Japan at Dallas in 2004. From 2000 to 2006, he was the President and Chief Executive Officer of The Asian Network, a consulting business that helped high-technology companies establish and expand their business in Asia. Prior to this position, Mr. Stich was the Chief Marketing Officer for TI in Japan from 1994 to 1999, and Vice President of Semiconductors for TI Asia from 1991 to 1994. Mr. Stich joined TI in 1964 and has served in various management positions, including 24 years leading TI's Asian business growth while living in Taipei, Hong Kong and Tokyo. Mr. Stich received his Bachelor's degree in Electrical Engineering from Marquette University.

With decades of managerial experience at TI, primarily in semiconductor industry, Mr. Stich brings to the Board demonstrated management skills at senior levels. His position as the President and Chief Executive Officer of The Asian Network and his position as the Chief Marketing Officer for TI in Japan and Vice President-Semiconductors for TI Asia give Mr. Stich critical insight into marketing and product management of semiconductor products in Asia. He has served on the Board and the Audit Committee of the Company for the past 11 years. In addition, with service as chairman of the audit committee, as well as a member of both the nominating and corporate governance committee and the compensation committee, at Spansion Inc., Mr. Stich possesses valuable experience in accounting principles, financial reporting rules and regulations, corporate governance and director and executive compensation.



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**Michael K.C. Tsai**                      *Director*

Member, Compensation Committee

Member, Governance and Stockholder Relations Committee

Mr. Tsai has been a director of Powerchip Semiconductor Corp. since 1994 and its vice chairman since 2003. He also has been the chairman of the board of Maxchip Electronics Corp. since 2008, and currently serves as the chairman of the board of uPI Semiconductor Corp. and Zentel Electronics Corp. From 1991 to 1994, Mr. Tsai was the chairman of the board and the Chief Executive Officer of Elitegroup Computer Systems, Inc. From 1990 to 1994, he served as a board member and an investor representative of Tailink Venture Corp. He was the President and Chief Executive Officer of Esprit Systems, Inc. from 1989 to 1990. He held numerous executive positions in sales, marketing, planning and general management with the Acer Group from 1978 to 1988. Mr. Tsai began his career as an electronic design engineer with Tatung Corp. in 1977. Mr. Tsai received his Bachelor's degree in Control Engineering and Computer Science in 1975 from National Chiao-Tung University in Taiwan.

Mr. Tsai's decades of experience serving on the boards of numerous technology and semiconductor companies, and holding various management positions in companies in the technology and semiconductor industry, provide an insightful view of the semiconductor industry to the Board. Mr. Tsai also brings a range of boardroom experience and corporate governance knowledge to further strengthen the operation of the Board.

See Security Ownership of Certain Beneficial Owners and Management and Corporate Governance Certain Relationships and Related Transactions for a discussion of the relationships among Actron Technology Corporation, Co-Tech Copper Foil Corporation, Lite-On Technology Corporation, LSC, Liteon-IT Corp., and the Company.

**The Board unanimously recommends that you vote FOR each of the seven nominees to the Board set forth above.**

**Table of Contents****CORPORATE GOVERNANCE****Committees of the Board**

The Board has four standing committees: the Audit Committee, the Compensation Committee, the Governance and Stockholder Relations Committee and the Risk Oversight Committee (the Committees). Each committee consists of two or more directors who serve at the discretion of the Board. The Board usually makes committee and committee chair assignments annually at its meeting immediately following the Company's annual meeting of stockholders. The current composition of each committee is as follows:

Directors	Audit Committee	Compensation Committee	Governance and Stockholder Relations Committee	Risk Oversight Committee
<b>Raymond Soong</b> <sup>(1)</sup>		Chair	Chair	Member
<b>C. H. Chen</b> <sup>(1)</sup>				Chair
<b>Michael R. Giordano</b> <sup>(1)</sup>	Chair <sup>(2)</sup>			
<b>L.P. Hsu</b> <sup>(1)</sup>	Member	Member		
<b>Keh-Shew Lu</b>				Member
<b>John M. Stich</b> <sup>(1)</sup>	Member		Member	
<b>Michael K.C. Tsai</b> <sup>(1)</sup>		Member	Member	

(1) Independent director (as determined by the Board under the rules of NASDAQ and, in the case of members of the Audit Committee, the rules of the SEC).

(2) Qualifies as audit committee financial expert as the term is defined in Item 407(d)(5) of Regulation S-K promulgated under the Exchange Act.

**Director Independence.** The Board has determined that six of the seven current directors are independent directors as shown in the above table, and as the term independent director is defined under the rules of NASDAQ. The Board also has determined that each member of its Audit Committee, Compensation Committee and Governance and Stockholder Relations Committee meets applicable independence requirements as prescribed by NASDAQ and the SEC.

**Audit Committee.** The Audit Committee makes recommendations to the Board regarding the engagement of the Company's independent registered public accounting firm, reviews the plan, scope and results of the audit, reviews the Company's policies and procedures with the Company's management concerning internal accounting and financial controls, and reviews changes in accounting policy and the scope of the non-audit services, which may be performed by the Company's independent registered public accounting firm. The Audit Committee also monitors policies to prohibit unethical, questionable or illegal activities by the Company's employees. The Audit Committee Report section of this Proxy Statement describes in more detail the Audit Committee's responsibilities, particularly with regard to the Company's financial statements and its interactions with the Company's independent registered public accounting firm.

The Board has determined that each member of the Audit Committee is independent, as that term is defined under the rules of NASDAQ and the SEC, and is able to read and understand fundamental financial statements. The Board also has determined that Mr. Giordano qualifies as an audit committee financial expert as defined under the rules of the SEC.

**Compensation Committee.** The Compensation Committee makes recommendations to the Board regarding compensation, benefits and incentive arrangements for the Chief Executive Officer and other officers and key employees of the Company. The Compensation Committee also administers the Company's 1993 Incentive Stock Option Plan (1993 ISO Plan), the 2001 Omnibus Equity Incentive Plan (2001 Incentive Plan) and the Company's 401(k) profit sharing plan (the 401(k) Plan). The Board has determined that each member of the Compensation Committee is independent as that term is defined under the rules of NASDAQ.



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**Governance and Stockholder Relations Committee.** The principal purposes of the Governance and Stockholder Relations Committee (the Governance Committee ) are to help ensure that the Board (i) identifies individuals qualified to become members of the Board, consistent with criteria approved by the Board, and (ii) selects the nominees for the next annual meeting of stockholders. The Board has determined that each member of the Governance Committee is independent as that term is defined under the rules of NASDAQ.

**Risk Oversight Committee.** The Risk Oversight Committee assists the Board in overseeing the Company's risk management process by (i) overseeing the Company's efforts to align its management of risks with its strategic objectives, (ii) overseeing the establishment and implementation of a risk oversight framework, and (iii) reviewing the effectiveness of the risk oversight framework in the identification, assessment, monitoring, management and disclosure of significant risks. The Risk Oversight Committee's assistance provides a reasonable assurance that processes are in place to identify, assess, monitor, manage and disclose risks that may have a material adverse effect on the achievement of the Company's strategic objectives.

**Charters of the Committees.** All four Committees operate pursuant to written charters, which are available on the Company's website, at [www.diodes.com](http://www.diodes.com), in the Investors Corporate Governance section.

The charter of the Audit Committee was revised in 2012. The revised charter of the Audit Committee is attached to this Proxy Statement as [Appendix A](#).

### **Meetings of the Board and Committees**

The following table represents the number of meetings and actions taken by written consent of the Board and committees in 2011:

	<b>Meetings Held</b>	<b>Action by Written Consent</b>
Board	4	4
Audit Committee	6	1
Compensation Committee	2	2
Governance Committee	2	1
Risk Oversight Committee	3	1

Each person who was a director of the Company or a member of a committee was present for at least 75% of the meetings of the Board and all such committees held during 2011.

It is the policy of the Company to require Board members to attend the annual meetings of stockholders, if practicable. With the exception of Mr. Soong, each director attended the 2011 annual meeting of stockholders.

### **Board Leadership Structure**

The Chairman of the Board conducts each Board meeting and sets the agenda of each Board meeting after consulting with the Chief Executive Officer and members of the Board. The Chairman of the Board also has the responsibility, in conjunction with the Chief Executive Officer, to establish effective communications with the Company's stakeholders, including stockholders, customers, employees, communities, suppliers, creditors, government entities and corporate partners. The Vice Chairman of the Board has the responsibility to assist the Chairman of the Board in fulfilling these responsibilities.

Although the Board has no policy requiring the separation of the position of the Chairman of the Board and the position of the Chief Executive Officer of the Company, each position is currently held by a different person. Since the early 1990s, the Board has chosen to separate these positions because the Board believes that each position is meant to oversee different tasks. The Chairman of the Board should devote his time to managing the affairs of the Board and, along with fellow members of the Board, to overseeing the Chief Executive Officer and the senior management of the Company. The Chief Executive Officer should devote his time to managing the daily business operations of the Company along with senior management of the Company. The Board currently believes that the separation of the position of the Chairman of the Board and the Chief Executive Officer of the Company is the best solution to govern the Company efficiently.





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### **Nominating Procedures and Criteria and Board Diversity**

Among its functions, the Governance Committee considers and approves nominees for election to the Board. In addition to the candidates proposed by the Board or identified by the Governance Committee, the Governance Committee considers candidates for director suggested by stockholders provided such recommendations are made in accordance with the procedures set forth under Proposals of Stockholders and Stockholder Nominations for 2013 Annual Meeting. Stockholder nominations that comply with these procedures and meet the criteria outlined below will receive the same consideration that the Governance Committee's nominees receive.

Essential criteria for all candidates considered by the Governance Committee include the following:

integrity and a commitment to ethical behavior;

personal maturity and leadership skills in industry, education, the professions, or government;

independence of thought and willingness to deal directly with difficult issues;

fulfillment of the broadest definition of diversity, seeking diversity of thought; and

broad business or professional experience, with an understanding of business and financial affairs, and the complexities of business organizations.

In evaluating candidates for certain Board positions, the Governance Committee evaluates additional criteria, including the following:

renowned technologist with scientific accomplishment in engineering, chemistry, solid state physics or electronics;

senior management experience and expertise, especially from leadership roles in semiconductor, information technology or electronics corporations;

financial or accounting expertise, generally and as necessary to fulfill the financial requirements of the SEC and NASDAQ regulations;

leadership experience in other industries to help the Company better understand the care-about in key, targeted industries; and

experience in investment banking, commercial lending or other financing activities.

In selecting nominees for the Board, the Governance Committee evaluates the general and relevant specialized criteria set forth above prior to commencement of the recruitment process, determines whether a nominee fulfills the independent requirements of the SEC and the NASDAQ, evaluates recommendations received from other existing members of the Board, reviews the education of the nominee, evaluates the quality of experience and achievement of the nominee, reviews the nominee's current or past membership on other companies' boards, determines that the nominee has the ability and the willingness to spend the necessary time required to function effectively as a director. In particular, except in extraordinary circumstances, no director shall serve on the board of more than four other public companies, and determines that the nominee has a genuine interest in representing the stockholders and the interests of the Company overall.

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If the Governance Committee is evaluating a nominee for re-election, the Governance Committee will review the nominee's performance, including the following: availability for and attendance at meetings, contribution to Board processes such as information gathering and decision making, accessibility for communications with other directors and management, participation in committee activities, depth of knowledge of the Company and its industry, the Company's performance during the nominee's previous term, in light of the role played by the Board and the nominee in guiding management, and any specialized expertise or experience that has contributed or may contribute to the functioning of the Board or the success of the Company.

The Governance Committee believes that the Board should include individuals with a broad range of relevant professional expertise, experience and education and reflect the diversity and cultural and geographical perspectives of the Company's employees, customers and suppliers.

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The Governance Committee, as well as the full Board, has recommended the Board's nominees for election at the Meeting. Stockholders have not proposed any candidates for election at the Meeting.

### **Director Resignation**

Under the Company's director resignation policy, promptly following the receipt of the final report from the Inspector of Elections relating to an election of directors of the Company (other than elections in which the number of nominees exceeds the number of directors to be elected), any nominee who receives a greater number of votes withheld from his election than votes for his election, will tender his resignation for consideration by the Board. Subject to certain conditions, the Governance Committee will meet to consider the tendered resignation and make recommendation to the Board concerning the action, if any, to be taken with respect to the director's resignation.

The Board will consider and act upon the Governance Committee's recommendation with 90 days of certification of the vote at the Meeting. In considering the director's resignation, the Governance Committee and the Board will consider all factors they deem relevant, including, without limitation, the underlying reason for the vote result, if known, the director's contributions to the Company during his tenure, and the director's qualifications. The Board may accept the resignation, refuse the resignation, or refuse the resignation subject to such conditions designed to cure the underlying cause as the Board may impose. Within four business days of the decision regarding the tendered resignation, the Company will file with the SEC a report on Form 8-K disclosing the decision with respect to the resignation, describing the deliberative process and, if applicable, the specific reasons for rejecting the tendered resignation.

### **Communications with Directors**

You may communicate with the chair of our Audit Committee, our Compensation Committee, our Governance Committee or our Risk Oversight Committee, or with our independent directors individually or as a group, by writing to any such person or group c/o Richard D. White, Secretary, Diodes Incorporated, 4949 Hedgcoxe Road, Suite 200, Plano, Texas 75024.

Communications are distributed to the Board, or to any individual director, depending on the facts and circumstances set forth in the communication. In that regard, the Board has requested that certain items that are unrelated to the duties and responsibilities of the Board should be excluded, including, but not limited to, the following: junk mail and mass mailings; product complaints; product inquiries; new product suggestions; résumés and other forms of job inquiries; surveys; and business solicitations or advertisements. In addition, material that is unduly hostile, threatening, illegal or similarly unsuitable will not be distributed, provided that any communication that is not distributed will be made available to any independent director upon request.

Communications that include information better addressed by the Company's ethics and compliance hotline, supervised by the Audit Committee at (866) 913-2994, will be delivered to the Audit Committee.

**Table of Contents****Executive Officers of the Company**

None of the executive officers was selected pursuant to any arrangement or understanding, other than that with the executive officers of the Company acting within their capacity as such. Executive officers serve at the discretion of the Board. The following table sets forth certain biographical information concerning the Company's executive officers as of the Record Date:

Name	Age	Position with the Company
<b>Keh-Shew Lu</b> <sup>(1)(2)</sup>	65	President, Chief Executive Officer and Director
<b>Richard D. White</b> <sup>(1)</sup>	64	Chief Financial Officer, Secretary and Treasurer
<b>Mark A. King</b> <sup>(1)</sup>	53	Senior Vice President, Sales and Marketing
<b>Joseph Liu</b> <sup>(1)</sup>	69	Senior Vice President, Operations
<b>Hans Rohrer</b>	63	Senior Vice President, Business Development
<b>Clemente Beltran</b>	42	Vice President, Corporate Supply Chain/Planning, Outsourcing and Quality
<b>Colin Greene</b>	55	Europe President and Vice President, Europe Sales and Marketing
<b>Julie Holland</b>	50	Vice President, Worldwide Analog Products
<b>Edmund Tang</b> <sup>(1)</sup>	64	Vice President, Corporate Administration
<b>Francis Tang</b>	57	Vice President, Worldwide Discrete Products

(1) These five executive officers are the Company's NEOs. See Compensation Discussion and Analysis Introduction.

(2) See Election of Directors for biographical information regarding Dr. Keh-Shew Lu.

**Richard D. White** *Chief Financial Officer, Secretary and Treasurer*

Mr. White was appointed the Company's Chief Financial Officer in May 2009. From 2006 to 2009, he served as Senior Vice President, Finance. Mr. White has 32 years of senior level finance experience, including 25 years at TI, where he served as Vice President of Finance and Production Planning for MOS memory, Controller for TI's Asia Pacific Division in Singapore, and various other financial positions in the United States, France and Germany. From 1999 to 2005, he served as the Chief Financial Officer for Optisoft, Inc., and from 2005 to 2006, he served as a Partner of Tatum, LLC. Mr. White, a licensed certified public accountant, holds a Bachelor's degree in Electrical Engineering from Oklahoma State University and an MBA from the University of Michigan.

**Mark A. King** *Senior Vice President, Sales and Marketing*

Mr. King was appointed to his current position in 2005. He previously served as the Company's Vice President, Sales and Marketing from 1998 to 2005 and Vice President, Sales from 1991 to 1998. Prior to joining the Company, Mr. King served for nine years in various sales management positions at Taiwan Lite-On. Mr. King holds a Bachelor's degree in Business Administration from the University of Arizona.

**Joseph Liu** *Senior Vice President, Operations*

Mr. Liu was appointed to his current position in 2000. He previously served as the Company's Vice President, Far East Operations from 1998 to 2000, Vice President, Operations from 1994 to 1998, Chief Financial Officer, Secretary and Treasurer from 1990 to 1998 and Vice President, Administration from 1990 to 1994. Prior to joining the Company, Mr. Liu held various management positions with TI Taiwan since 1970, including Planning Manager, Financial Planning Manager, Treasury Manager, Cost Accounting Manager and General Accounting Manager, including a one-year assignment in TI Dallas from 1979 to 1980. He was the Controller of TI Asia in Singapore and Hong Kong from 1981 to 1986, Financial Planning Manager of TI Latin America Division (for TI Argentina, TI Brazil and TI Mexico) in Dallas from 1986 to 1989 and

Chief Coordinator of Strategic Business Systems for TI Asia

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Pacific Division in Dallas from 1989 to 1990. Mr. Liu holds an Executive MBA from Pepperdine University.

**Hans Rohrer** *Senior Vice President, Business Development*

Mr. Rohrer was appointed to his current position in 2008. He previously served as the Chief Executive Officer of Zetex plc from 2006 until it was acquired by the Company in June 2008. He began his career in research and development at Diehl Data Systems before working at TI from 1976 to 1980, where he held a variety of engineering and marketing positions. From 1980 to 1998, Mr. Rohrer held several senior managerial positions at National Semiconductor Corporation ( NSM ) and led NSM 's European organization from 1990 to 1998 as vice president and general manager. From 1998 to 2002, Mr. Rohrer served as President of Taiwan Semiconductor Manufacturing Company Limited ( TSMC ) Europe. Mr. Rohrer was the President and Chief Executive Officer of Acuid Corporation from 2002 until joining Zetex plc in 2006. Mr. Rohrer holds a Master 's degree in Electronics from Aalen University and received further business and management education from Stanford University and INSEAD.

**Clemente Clay Beltran** *Vice President, Corporate Supply Chain/Planning, Outsourcing and Quality*

Mr. Beltran was appointed to his current position in December 2011. Prior to joining the Company, he served as Vice President of Business Development in 2011 for Semtech Corporation after serving as its Vice President of Worldwide Operations from 2006 to 2010. Prior to Semtech, Mr. Beltran served as Director of Worldwide Operations Planning and Backend Operations for Intersil Corporation from 2002 to 2006. He served as Director of Operations for Elantec Semiconductor, Inc., a manufacturer of analog integrated circuits from 1999 until that company was acquired by Intersil in 2002. He holds a BS in Mathematics from UCLA, as well as an MBA from Pepperdine University.

**Colin Greene** *Europe President and Vice President, Europe Sales and Marketing*

Mr. Greene was appointed to his current position in 2008 upon the Company 's acquisition of Zetex plc. From 1997 to 2008, Mr. Greene held several management positions with Zetex. He served on the Zetex Board as an executive director from March 2004 until joining the Company and served as Director of Marketing from March 2004 to December 2004 and thereafter as Chief Operating Officer. Prior to Zetex, he spent ten years with NSM, most recently as European Marketing Manager for all analog products. Mr. Greene holds a Bachelor 's degree with honors in Electrical Engineering from Aston University.

**Julie Holland** *Vice President, Worldwide Analog Products*

Ms. Holland joined the Company in 2008. She previously spent over 20 years at TI where she held several key management roles, last serving as Director and General Manager of the Connectivity Solutions business unit prior to her departure in 2007. Her responsibilities included leading business and technical teams in the United States, Asia and Japan in the development, production and marketing of multiple analog and interface product lines. Prior to joining the Connectivity Solutions business unit, Ms. Holland served at TI as Director, Worldwide Bus Solutions from 2000 to 2001 and as Director, Computer Peripheral and Control Products from 1997 to 1999. She earned Bachelor 's degrees in Physics and Mathematics at Northwestern University and a Master 's degree in Engineering Management at Southern Methodist University. She is an alumna of Leadership America and Leadership Texas, and was named a Fellow of the International Women 's Forum Leadership Foundation.

**Edmund Tang** *Vice President, Corporate Administration*

Mr. Tang was appointed to his current position in 2006. He has 31 years of managerial and engineering experience, including 25 years at TI, where he last served as its Vice President and global memory quality manager of the world-wide MOS memory operation from 1997 to 2001, and prior to that he was TI 's Vice President and General Manager of Asia memory operations. From 2002 to 2006, Mr. Tang served as the Asia President of FSI International Inc. ( FSI ), a global supplier of wafer cleaning and processing technology, responsible for FSI 's business in Taiwan, Singapore, South Korea, and China. Mr. Tang holds a Bachelor 's degree in Electrical Engineering from the National Cheng Kung University in Taiwan and a Master 's degree in Electrical Engineering from Southern Methodist University.

**Francis Tang**

*Vice President, Worldwide Discrete Products*

Mr. Tang was appointed to his current position in 2006. He previously served as the Company's Global Product Manager since 2005. From 2002 until joining the Company, Mr. Tang served as general manager of T2 Microelectronics in Shanghai, China where he managed complex mixed-signal SOC product development. From 1996 to 2001, Mr. Tang was the senior strategic marketing director for Acer Labs, Inc. USA, and prior to that, he was employed by NSM for 17 years, where he held various management positions in analog and mixed-signal circuit design, applications and strategic marketing. Mr. Tang holds a Master's degree in

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Electrical Engineering from University of Missouri Rolla.

**COMPENSATION OF DIRECTORS**

The following table sets forth the compensation paid to each director, who is not a NEO, for service in 2011:

Name (a)	Fees Earned or Paid in Cash (\$)(b)	Stock Awards (\$)(1)(2) (c)	Option Awards (\$) (1)(2) (d)	Non-Equity Incentive Plan Compensation (\$)(e)	Changes in Pension Value and Nonqualified Deferred Compensation Earnings (\$)(f)	All Other Compensation (\$)(g)	Total (\$) (h)
<b>Raymond Soong</b>	80,000	628,015					708,015
<b>C.H. Chen</b>	80,000	429,387					509,387
<b>Michael R. Giordano</b>	100,000	125,603					225,603
<b>L.P. Hsu</b>	90,000	125,603					215,603
<b>John M. Stich</b>	90,000	125,603					215,603
<b>Michael K.C. Tsai</b>	80,000	125,603					205,603

- (1) These amounts reflect the value determined by the Company for accounting purposes for these awards and do not reflect whether each director has actually realized benefit from the awards. The value of the equity awards in column (c) and (d) is based on the grant date fair value calculated in accordance with the amount recognized for financial statement reporting purposes. Pursuant to SEC rules, the amounts shown exclude the impact of estimated forfeitures related to service-based vesting conditions. Amounts reported for stock awards include restricted stock units ( RSUs ) and are calculated by multiplying the number of shares subject to the award by the closing price of the Company's Common Stock on the grant date. Amounts reported for stock options are determined using the Black-Scholes-Merton option-pricing model. This model was developed to estimate the fair value of traded options, which have different characteristics than employee stock options, and changes to the subjective assumptions used in the model can result in materially different fair value estimates. See Note 13, Share-Based Compensation, to the Company's audited financial statements for the fiscal year ended December 31, 2011, included in the Company's Annual Report on Form 10-K filed with the SEC, for a further discussion of the relevant valuation assumptions used in calculating grant date fair value.
- (2) Under the Company's director compensation plan in 2011, each non-employee director listed in the table above was granted an award of 4,300 RSUs on May 26, 2011, except Mr. Raymond Soong, Chairman of the Board, and Mr. C.H. Chen, Vice Chairman of the Board, who were granted awards of 21,500 and 14,700 RSUs, respectively, on May 26, 2011. Each of these awards to the Company's non-employee directors, except Mr. Soong and Mr. Chen, had a grant date fair value of \$125,603. Awards to Mr. Soong and Mr. Chen had grant date fair values of \$628,015 and \$429,387, respectively.



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The following table shows the aggregate number of shares underlying outstanding restricted stock units and outstanding stock options held by non-employee directors as of December 31, 2011:

Name	Restricted Stock Units (#)	Stock Options (#)
<b>Raymond Soong</b>	64,750	465,750
<b>C.H. Chen</b>	44,325	84,375
<b>Michael R. Giordano</b>	12,950	113,875
<b>L.P. Hsu</b>	12,950	
<b>John M. Stich</b>	12,950	66,500
<b>Michael K.C. Tsai</b>	8,650	

Since 2007, each non-employee director of the Company has received a quarterly retainer of \$20,000, the Chairman of the Audit Committee has received an additional \$5,000 quarterly retainer, and each other member of the Audit Committee has received an additional \$2,500 quarterly retainer.

In addition, the following amounts of RSUs, which vest in four equal annual installments commencing on the first anniversary of the date of grant, were granted in 2011 to each non-employee director:

Chairman of the Board: 21,500 shares;

Vice Chairman: 14,700 shares; and

All other directors: 4,300 shares.

The Board may modify such compensation in the future.

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**COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION**

During fiscal 2011, the Compensation Committee consisted of three directors: Raymond Soong (Chairman), L.P. Hsu, and Michael K.C. Tsai. During 2011, no executive officer of the Company served on the compensation committee (or equivalent) of the Board of Directors of another entity whose executive officer(s) served on the Company's Compensation Committee or Board.

**Report of the Audit Committee**

*The Report of the Audit Committee of the Board shall not be deemed incorporated by reference by any general statement incorporating by reference this Proxy Statement into any filing under the Securities Act of 1933 or under the Securities Exchange Act of 1934, except to the extent that the Company specifically incorporates this information by reference and shall not otherwise be deemed filed under such Acts.*

**AUDIT COMMITTEE REPORT**

The Board maintains an Audit Committee comprised of three of the Company's directors, Michael R. Giordano (Chairman), L.P. Hsu and John M. Stich. Each member of the Audit Committee meets the independence and experience requirements of the NASDAQ and the independence requirements of the SEC. Mr. Giordano qualifies as an audit committee financial expert as defined under the rules of the SEC. The Audit Committee assists the Board in monitoring the accounting, auditing and financial reporting practices of the Company.

Management is responsible for the preparation of the Company's financial statements and financial reporting process, including its system of internal controls. In fulfilling its oversight responsibilities, the Audit Committee:

reviewed and discussed with management the audited financial statements contained in the Company's Annual Report on Form 10-K for fiscal 2011; and

obtained from management their representation that the Company's financial statements have been prepared in accordance with accounting principles generally accepted in the United States.

The independent registered public accounting firm is responsible for performing an audit of the Company's financial statements in accordance with the auditing standards generally accepted in the United States and expressing an opinion on whether the Company's financial statements present fairly, in all material respects, the Company's financial position and results of operations for the periods presented and conform with accounting principles generally accepted in the United States. In fulfilling its oversight responsibilities, the Audit Committee:

discussed with the independent registered public accounting firm the matters required to be discussed by Statement on Auditing Standards No. 61, as amended ( "Communication with Audit Committees" ); and

received and discussed with the independent registered public accounting firm the written disclosures and the letter from the independent registered public accounting firm required by the Public Company Accounting Oversight Board as currently in effect ( "Independence Discussions with Audit Committees" ), and reviewed and discussed with independent registered public accounting firm whether the rendering of the non-audit services provided by them to the Company during fiscal 2011 was compatible with their independence.

The Audit Committee operates under a written charter, most recently amended in 2012, which was adopted by the Board and is assessed annually for adequacy by the Audit Committee. The Audit Committee held six (6) meetings during fiscal 2011, and took action by written consent on one (1) occasion.

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In performing its functions, the Audit Committee acts only in an oversight capacity. It is not the responsibility of the Audit Committee to determine that the Company's financial statements are complete and accurate, are presented in accordance with accounting principles generally accepted in the United States or present fairly the results of operations of the Company for the periods presented or that the Company maintains appropriate internal controls. Nor is it the duty of the Audit Committee to determine that the audit of the Company's financial statements has been carried out in accordance with generally accepted auditing standards or that the Company's auditors are independent. Based upon the reviews and discussions described above, and the report of the independent registered public accounting firm, the Audit Committee has recommended to the Board, and the Board has approved, that the audited financial statements be included in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2011 for filing with the SEC. The Audit Committee also has recommended, and the Board also has approved, the selection of Moss Adams LLP as the Company's independent registered public accounting firm for the fiscal year ending December 31, 2012.

Dated: April 12, 2012

THE AUDIT COMMITTEE

Michael R. Giordano, Chairman

L.P. Hsu

John M. Stich

## **Code of Ethics**

The Company has adopted a Code of Ethics applicable to the principal executive officer, principal financial officer, principal accounting officer, or persons performing similar functions of the Company. The Code of Ethics is available on the Company's website at [www.diodes.com](http://www.diodes.com) in the Investors Corporate Governance section. The Company intends to disclose future amendments to, or waivers from, certain provisions of the Code of Ethics applicable to senior financial executives on the Company's website within four business days following the date of such amendment or waiver.

## **Certain Relationships and Related Transactions**

### *Policy Regarding Related Person Transactions*

The Audit Committee has adopted a written policy (the "Policy") to review any transaction (a "related person transaction") in which the Company was, or is to be, a participant and in which any director, executive officer, nominee for director or beneficial owner of more than five percent (5%) of the outstanding shares of Common Stock of the Company, or any immediate family member of any such person, has a direct or indirect material interest. The Policy requires the following:

the Audit Committee shall review any proposed agreement or arrangement relating to a related person transaction or series of related person transactions, and any proposed amendment to any such agreement or arrangement;

the Audit Committee shall establish standards for determining whether the transactions covered by such proposed agreement or arrangement are on terms no less favorable to the Company than could be obtained from an unrelated third party ( "fair" to the Company );

before the Company enters into any such proposed agreement or arrangement, and at least annually thereafter, the Company's internal audit department shall report to the Audit Committee whether the transactions covered by such agreement or arrangement are fair to the Company under the standards established by the Audit Committee;

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the Audit Committee shall make all reasonable efforts (taking into account the cost thereof to the Company) to cancel or to renegotiate any such agreement or arrangement which is not so determined to be fair to the Company; and

the Company will disclose any related person transactions required to be disclosed by the rules promulgated by the SEC, in the manner so required.

### *Relationships and Transactions*

The Audit Committee reviews all related party transactions for potential conflict of interest situations on an ongoing basis, in accordance with such procedures as the Audit Committee may adopt from time to time. We believe that all related party transactions are on terms no less favorable to us than could be obtained from unaffiliated third parties.

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We conduct business with one related company: LSC. LSC is our largest stockholder and is a member of the Lite-On Group of companies. C.H. Chen, our former President and Chief Executive Officer and current Vice Chairman of our Board, is also Vice Chairman of LSC and Lite-On Technology Corporation. Mr. Chen is the Vice Chairman of Dynacard Corporation, a board member of Lite-On Technology Corporation, the Chairman of Co-Tech Copper Foil Corporation, the Chairman of On-Bright Electronic Inc., and a board member of Actron Technology Corporation, each of which is a member or an affiliate of the Lite-On Group. In addition, Raymond Soong, the Chairman of our Board, is the Chairman of LSC and is also the Chairman of Liteon-IT Corp. and Lite-On Technology Corporation, a significant shareholder of LSC. Mr. Soong also serves on the board of Actron Technology Corporation and Co-Tech Copper Foil Corporation, both of which are affiliates of the Lite-On Group. Dr. Keh-Shew Lu, our President and Chief Executive Officer and a member of our Board, is also a board member of Lite-On Technology Corporation. L.P. Hsu, a member of our Board, serves as a consultant to Lite-On Technology Corporation and was previously a board member of Lite-On Technology Corporation. The Company considers its relationship with LSC to be mutually beneficial, and the Company plans to continue its strategic alliance with LSC.

We also conduct business with one significant company, Keylink International (B.V.I) Inc., and its subsidiaries and affiliates ( Keylink ). Keylink is our 5% joint venture partner in our Shanghai manufacturing facilities.

In addition, we also conduct business with another related party company, Eris Technology Corporation ( Eris ), a publicly traded company listed as an Emerging Stock on the Taiwan OTC Exchange (TWO) that provides design, manufacturing and after-market services for diode products. We own approximately 30% of Eris' outstanding common stock as of December 31, 2011.

We sold products to LSC totaling 1%, 1% and 2% of our net sales for the years ended December 31, 2011, 2010 and 2009, respectively. Also for the years ended December 31, 2011, 2010 and 2009, 5%, 7% and 6%, respectively, of our net sales were from semiconductor products purchased from LSC for subsequent sale, making LSC one of our largest suppliers. We also rent warehouse space in Hong Kong with a lease term that ended March 2011 from a member of the Lite-On Group. During 2010, our warehouse in Hong Kong was moved to a separate facility managed by a third party and therefore, we did not renew the lease. For the years ended December 31, 2011, 2010 and 2009, we paid an entity of the Lite-On Group \$0.1 million, \$0.2 million and \$0.8 million, respectively, for leasing warehouse space in Hong Kong and providing warehouse services.

We sell products to, and purchase inventory from, companies owned by Keylink. We sold products to companies owned by Keylink, totaling 2%, 3% and 3% of net sales for the years ended December 31, 2011, 2010 and 2009, respectively. Also for the years ended December 31, 2011, 2010 and 2009, 1%, 2% and 1%, respectively, of our net sales were from semiconductor products purchased from companies owned by Keylink. In addition, our subsidiaries in China lease our Shanghai manufacturing facilities from, and subcontract a portion of their manufacturing process (metal plating and environmental services) to, Keylink. We also pay a consulting fee to Keylink. The aggregate amounts for these services for the years ended December 31, 2011, 2010 and 2009 were \$17 million, \$14 million and \$11 million, respectively.

We subcontract to Eris the assembly and test of some of our wafers and also purchase finished goods not sourced from our wafers. With respect to assembly and test fees and finished goods purchases, we paid Eris approximately \$16 million, \$18 million and \$13 million for the years ended December 31, 2011, 2010 and 2009, respectively.

See *Risk Factors* *We receive a portion of our net sales from three customers, which all are related parties. In addition, two of these customers are large external suppliers. The loss of these customers or suppliers could harm our business, results of operations and financial condition.* in Part I, Item 1A and Note 14 of *Notes to Consolidated Financial Statements* of our Annual Report on Form 10-K filed with the SEC for additional information.

Notwithstanding these relationships and transactions, the Board has determined that each of Messrs. Chen, Hsu and Soong is independent under the rules of the NASDAQ and the SEC.

Mr. Kevin Chou, the son-in-law of Dr. Keh-Shew Lu, the Company's President, Chief Executive Officer and a member of the Board has been employed by the Company as a Senior Financial Analyst since August 2009. In 2011, the Company paid Mr. Chou \$109,150 in base salary and \$8,500 in discretionary bonus, as well as awarded him 1,200 restricted stock units, which vest in four equal annual installments.

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**Compliance with Section 16(a) of the Securities Exchange Act of 1934**

Under Section 16(a) of the Exchange Act, the Company's directors, executive officers and any persons holding ten percent (10%) or more of the Common Stock are required to report their ownership of Common Stock and any changes in that ownership to the SEC and to furnish the Company with copies of such reports.

Specific due dates for these reports have been established by the SEC, and the Company is required to report any failure to file on a timely basis. Based solely upon review of copies of reports filed by the Company's directors and executive officers with the SEC during the most recent fiscal year ended December 31, 2011, all reports required to be filed in fiscal 2011 were filed on a timely basis.

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**PROPOSAL TWO**

**EXECUTIVE COMPENSATION**

At the Meeting, the stockholders are being asked to approve the compensation of the NEOs as disclosed below pursuant to the compensation disclosure rules of the SEC, including the information in Compensation Discussion and Analysis and in the Summary Compensation Table and other related tables and narrative disclosure below in Executive Compensation.

At the Company's 2011 annual meeting of the stockholders, the Company's stockholders voted in favor of providing stockholders an advisory vote on the approval of the compensation of the Company's NEOs on an annual basis.

As discussed below, our executive compensation programs are designed to attract, retain and motivate executives who are critical to our long-term growth and profitability. Under these programs, our executives are incentivized to achieve Company performance goals and individual objectives established by the Compensation Committee, without encouraging undue or unreasonable risk-taking.

The Compensation Committee reviews our executive compensation programs annually to ensure they align executive compensation with the interests of our stockholders and current market practices. Please see Compensation Discussion and Analysis and Executive Compensation for information about our executive compensation programs, including information about the fiscal 2011 compensation of the NEOs.

This proposal, commonly known as a "say-on-pay" proposal, gives our stockholders the opportunity to express their views on the compensation of our NEOs. This vote is not intended to address any specific item of compensation, but rather the overall compensation of our NEOs and the executive compensation philosophy and decisions described in Compensation Discussion and Analysis and Executive Compensation.

This vote is advisory and is not binding on the Company, the Board or the Compensation Committee. However, the Board values the opinions of our stockholders and will review the result of the vote and take it into consideration when making future decisions regarding executive compensation.

**THE BOARD UNANIMOUSLY RECOMMENDS A VOTE FOR THE APPROVAL OF THE COMPENSATION OF OUR NAMED EXECUTIVE OFFICERS AS DISCLOSED IN COMPENSATION DISCUSSION AND ANALYSIS AND EXECUTIVE COMPENSATION.**

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

This Compensation Discussion and Analysis explains the Company's compensation objectives and philosophy, as well as how and why executive officers' compensation decisions were made in 2011 for each person who served as the Company's principal executive officer or principal financial officer during 2011 and the Company's three other most highly compensated executive officers (collectively, the "NEOs"). This section also explains how the compensation of NEOs is aligned with the interests of the Company's stockholders and is intended to place in perspective the executive compensation information contained in the tables that follow this discussion.

During 2011, our NEOs were:

Dr. Keh-Shew Lu, President and Chief Executive Officer and a member of the Board;

Richard D. White, Chief Financial Officer, Secretary and Treasurer;

Mark A. King, Senior Vice President of Sales and Marketing;

Joseph Liu, Senior Vice President of Operations; and

Edmund Tang, Vice President of Corporate Administration.

**Executive Summary***2011 Financial Performance*

The Company achieved record net sales in 2011, including achieving its twenty-first consecutive year of profitability notwithstanding an industry-wide slowdown in global sales. The following table summarizes the Company's key financial results for 2011 compared to 2010:

(in millions, except per share and stock price)

	2011	2010	Change
Net sales	\$ 635.3	\$ 612.9	3.6%
Gross profit	\$ 193.7	\$ 224.9	(13.9)%
Gross profit margin	30.5%	36.7%	(6.2)%
Net income <sup>(1)</sup>	\$ 50.7	\$ 76.7	(33.9)%
Net income per diluted share	\$ 1.09	\$ 1.68	(35.1)%
Cash flow from operations	\$ 61.7	\$ 118.0	(47.7)%
Stock price (at year end)	\$ 21.30	\$ 26.99	(21.1)%
Stock price (average)	\$ 25.02	\$ 20.27	23.4%

(1) Throughout this Proxy Statement, the Company refers to the GAAP title "NET INCOME attributable to Common Stockholders" as "Net income."

During the first quarter of 2011, the Company's net sales were stronger than typical first quarter seasonal patterns, assisted by increased demand in tablets, notebooks, smartphones and LED TVs. The Company saw strong demand in Europe and Asia, while North America revenue declined



sequentially from fourth quarter of 2010.

Starting in May 2011, the Company began to see a slowdown in the global markets, in particular the consumer and computing markets. This weakness accelerated in the last several weeks of the second quarter, affecting several of the Company's customers that build product for the U.S. and European markets.

During the third quarter of 2011, the Company continued to see broad weakness across global markets that accelerated throughout the quarter. Despite this softness, the Company was able to execute its strategy of gaining market share by shifting the

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product mix to lower margin products to utilize the Company's installed capacity.

During the fourth quarter of 2011, the broad weakness across global markets continued to impact all of the Company's market segments. Nevertheless, past design win momentum and new product initiatives enabled further market share gains.

### *2011 Operating Achievements*

The Company achieved key strategic objectives during 2011, including:

Achieving record revenues of \$635 million, an increase of 3.6% compared to 2010;

Increasing revenue by 3.6% compared to a 6.3% decrease in the Company's serviceable available market (SAM);

Shipping approximately 29 billion units, an increase of 6.1% compared to 2010;

Redeeming its outstanding 2.25% Convertible Senior Notes, thereby reducing annual interest expense by \$2.3 million and amortization of debt discount by \$6.0 million;

Reducing selling, general and administrative expenses as a percentage of net sales from 14.5% in 2010 to 14.2% in 2011;

Increasing investment in research and development from 4.2% of net sales in 2010 to 4.3% in 2011;

Reducing total operating expenses from 19.6% in 2010 to 19.2% in 2011;

Reducing its effective tax rate from 19.3% in 2010 to 16.0% in 2011; and

Increasing working capital 9.7% from \$289 million at year-end 2010 to \$317 million at year-end 2011.

### *Best Practices*

The following policies and procedures reinforce the Company's compensation objectives and philosophy described below:

**Provide Limited Change-in-Control Benefits.** We provide limited change-in-control severance benefits to Company's executive officers and do not provide any related tax gross-ups.

**Utilized Long-Term Equity Awards.** In 2011, the Compensation Committee continued its use of time-based RSUs, restricted stock awards (RSAs) and stock options as a significant portion of long-term equity incentive compensation. The Compensation Committee believes that time-based RSUs, RSAs and stock options are an appropriate equity vehicle for the Company's executive officers because such RSUs align executive officers' interests with the interests of stockholders by providing value only if pre-established time-based vesting requirements are satisfied.

**Emphasized Variable Compensation.** In 2011, the Compensation Committee continued its practice of awarding the majority of total direct compensation to NEOs in the form of variable compensation that is performance based. Variable compensation is tied to the achievement of performance goals or stock price appreciation and includes elements such as annual incentive bonuses, stock options, RSAs and RSUs. For a

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summary of the variable compensation for each NEO, please see Executive Compensation Summary Compensation Table.

In 2009, the Company and Dr. Lu entered into an employment agreement, which provides a portion of his compensation in RSAs that would only be realized upon the achievement of a specific performance goal for the Company. Further details of the employment agreement between the Company and Dr. Lu are described under Executive Compensation Narrative to Summary Compensation Table and Plan-Based Awards Table Employment Agreements.

### *Pay-for-Performance*

The Company's executive compensation program is designed to align executive compensation with Company and individual performance on both a short and long-term basis. The majority of the Company's target total direct compensation is in the form of variable compensation, comprised of annual incentive bonuses, stock options, RSAs and RSUs, which aligns executive compensation with stockholders interests by tying a significant majority of total direct compensation to the achievement of performance goals or

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stock price appreciation. Variable compensation means the executive officers will not realize all the value unless performance goals, the majority of which are directly tied to the Company performance, are achieved (for annual incentive bonuses) or the Company's stock price appreciates (for stock options, RSAs and RSUs).

### *Risk Considerations*

We have designed our total direct compensation mix to encourage the Company's executive officers to take appropriate risks aimed at improving Company performance and driving long-term stockholder value. We believe that the design and objectives of the Company's executive compensation program provide an appropriate balance of incentives for executive officers and thereby avoids inappropriate risks. In this regard, our executive compensation program includes, among other things, the following design features:

A balanced mix of fixed versus variable compensation and cash-based versus equity-based compensation;

Variable compensation based on a variety of performance goals, including Company and individual performance goals;

Compensation Committee discretion to lower annual incentive award amounts;

A balanced mix of short-term and long-term incentives; and

Time-based vesting requirements for RSUs, RSAs and stock options.

The Compensation Committee has assessed our compensation objectives, philosophy, and forms of compensation and benefits for employees of the Company, including executive officers, and has concluded that the Company's compensation practices and policies do not create risks that are reasonably likely to have a material adverse effect on the Company.

### **Compensation Objectives and Philosophy**

The objective of the Company's compensation program is to promote the continued profitability and growth of the Company for the benefit of its stockholders.

The Company's compensation philosophy is to attract, retain and motivate executives critical to the Company's long-term growth and profitability. This compensation consists primarily of base salaries, cash bonuses, equity awards and benefits.

The Compensation Committee (the Committee) determines the Company's compensation philosophy and forms of compensation and benefits for NEOs and all other executive officers. The Committee operates under a written charter approved by the Board. A copy of the charter is available at [www.diodes.com](http://www.diodes.com) in the Investors Corporate Governance section. The Company currently has ten executive officers including the Chief Executive Officer.

In support of this compensation philosophy, the Company generally believes that:

The total compensation of NEOs and all other executive officers should be competitive (*i.e.*, in approximately the 50<sup>th</sup> percentile) with the total compensation paid by other companies of similar size to their executive officers with comparable duties in the semiconductor industry;

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Base salaries should only be a portion of the total compensation and may generally be lower than the median (*i.e.*, lower than the 50<sup>th</sup> percentile) base salaries paid by such other companies; and

Cash bonuses and equity awards should be used to motivate NEOs and all other executive officers to achieve specific strategic and performance objectives established by the Board and to align the NEOs' and all other executive officers' interests with those of the Company's stockholders.

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### **How the Company's Compensation Program Operates**

In fiscal 2011, the Committee continued to apply the compensation objectives and philosophy described above in determining the compensation of the NEOs and all other executive officers.

#### *Annual Evaluation Procedures*

The Committee determines the compensation for all the executive officers, including the NEOs. The Committee meets in executive sessions at the beginning of each fiscal year to (i) evaluate the performance of the NEOs and all other executive officers during the prior fiscal year; (ii) determine their annual bonuses, if any, for the prior fiscal year; (iii) establish overall performance goals and objectives, if any, for the current fiscal year; and (iv) establish the formula for determining the total executive bonus pool for the current fiscal year. The Committee meets again in executive session mid-year to (i) set the NEOs' and all other executive officers' base salaries for the next 12 months; and (ii) consider and approve any equity incentive compensation. The Committee may meet from time to time during the year to assess the adequacy of the Company's compensation for all executive officers. For a discussion of the criteria used by the Committee to evaluate the performance of NEOs in 2011, see "Compensation Discussion and Analysis - How and Why Executive Compensation Decisions Were Made."

#### *Management's Role in Determining Executive Compensation*

The Committee discusses with, and takes into consideration the recommendations of, the Chief Executive Officer concerning the annual evaluation of the NEOs and other executive officers, except for matters related to the Chief Executive Officer's own evaluation and compensation. The Committee also periodically receives reports and recommendations from outside compensation consultants. The Chief Executive Officer has a role in determining executive compensation because he evaluates employee performance, recommends performance goals and objectives, and recommends salary levels, bonuses and incentive awards of the executive officers and the NEOs, other than himself.

#### *Compensation Consultant*

The Committee's charter enables the Committee to retain independent consulting firms to assist in the evaluation of the NEOs' and all other executive officers' compensation, and provides the Committee with the sole authority to approve the consulting firm's fees and other retention terms. In the second quarter of fiscal 2010, Radford Surveys and Consulting ( "Radford" ) was retained to provide information concerning the compensation practices of companies within the semiconductor industry of comparable size to the Company.

Radford works with the Company's management, including the Company's Chief Executive Officer, to review programs that support the Company's business objectives while carrying out its duties for the Committee. Radford does not provide any other services to the Company other than those services for which it has been retained. The Committee intends to update the executive compensation competitive assessment (the "Survey" ) at least every three years with the assistance of Radford or another comparable consulting firm. The Committee's reason for revising the Survey at least every three years as opposed to every year is because the Committee does not believe that the executive compensation benchmark or the comparable companies are likely to have significant changes every one or two years.

#### *Comparable Companies and Market Positioning*

The Committee reviews data concerning the pay practices among semiconductor companies of similar size to the Company. Although this data provides the Committee with a general frame of reference, the Committee does not target the compensation of any NEO or other executive officer at a specific percentile of the compensation paid by comparable companies. The Committee referred to 2010 Survey prepared by Radford when the Committee reviewed and approved executive compensation for 2011.

Radford selected the companies for the 2010 Survey (the "Peer Group" ) based on revenues and market capitalization in the semiconductor industry. The Peer Group was composed of semiconductor companies or similar technology companies in the United States with annual revenue ranging from \$200 million to \$1.5 billion and market capitalization ranging from \$300 million to \$3 billion and with whom the Company competes for executive talent (the "Peer Group Criteria" ). Radford also provided the executive compensation data of four additional companies that did not fit within the Peer Group Criteria. These four companies were Texas Instruments Incorporated, ON Semiconductor Corporation, Maxim Integrated Products, Inc. and STMicroelectronics N.V. Radford, however, did not include these four companies in the 2010 Survey.

The 2010 Survey compared the compensation paid to the following eight executive officers of the Company in 2010 with those occupying similar positions in the 25 companies in the Peer Group: Chief Executive Officer; Chief Financial Officer; Senior



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Vice President, Operations; Senior Vice President, Sales and Marketing; Vice President, Corporate Administration; Vice President, Worldwide Discrete Products; Vice President, Worldwide Analog Products; and Europe President and Vice President, Europe Sales and Marketing.

The Peer Group consisted of the following:

Applied Micro Circuits Corporation	Conexant Systems, Inc.	Cree, Inc.
Cypress Semiconductor Corporation	DSP Group, Inc.	Fairchild Semiconductor International, Inc.
Integrated Device Technology, Inc.	International Rectifier Corporation	Intersil Corporation
IXYS Corporation	Lattice Semiconductor Corporation	Linear Technology Corporation
Micrel, Incorporated	Microchip Technology Incorporated	Microsemi Corporation
OmniVision Technologies, Inc.	PMC-Sierra, Inc.	RF Micro Devices, Inc.
Semtech Corporation	Silicon Laboratories Inc.	Silicon Storage Technology, Inc.
Skyworks Solutions, Inc.	Standard Microsystems Corporation	TriQuint Semiconductor, Inc.
Zoran Corporation		

The 2010 Survey compared the base salary, target bonus, target total cash, long-term incentives, and total direct compensation of each of the Company's eight executive officers in 2010 to the amounts given for the most comparable position in the Peer Group based on the 2010 Radford High Technology Total Direct Compensation Survey. The 2010 Survey placed a compensation premium of 15% on the Company's Vice President, Corporate Administration, and a compensation discount of 20% on the Company's Senior Vice President, Operations, to reflect the additional responsibilities of the Vice President, Corporate Administration, and the reduction of responsibilities of the Senior Vice President, Operations.

In the 2010 Survey, base salary is the annual salary that each of the Company's executive officers receives from the Company, and target bonus is the annual bonus that each of the Company's executive officers receives from the Company. The target total cash is defined as the sum of base salary plus target bonus. Long-term incentives is defined as the sum of the Black-Scholes-Merton value of stock option grants and the value of restricted stock unit grants. Dr. Lu's grant of 600,000 shares of restricted stock, which is part of his employment agreement with the Company and subject to certain performance criteria, was not included in the 2010 Survey's comparison of the long-term incentives provided by the Company with those of the Peer Group. Total direct compensation is defined as the sum of target total cash plus long-term incentives.

The 2010 Survey showed that:

base salary for the Company's executive officers was consistently below the 25<sup>th</sup> percentile of the Peer Group;

target bonus for the Company's executive officers was consistently above the 75<sup>th</sup> percentile of the Peer Group;

target total cash for the Company's executive officers was consistently at the 50<sup>th</sup> percentile of the Peer Group;

long-term incentive value for the Company's executive officers was consistently at the 75<sup>th</sup> percentile of the Peer Group; and

total direct compensation for the Company's executive officers was consistently at the 50<sup>th</sup> percentile of the Peer Group.

The 2010 Survey also analyzed the companies in the Peer Group for the number of employees, revenues, net income, stock price, total common shares outstanding and market capitalization. The 2010 Survey showed that among the companies in the Peer Group, the Company ranked:

in the seventy-eighth percentile for the number of employees;



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in the forty-first percentile for annual revenue;

in the sixty-first percentile for annual net income;

in the forty-second percentile for the trailing twelve months revenue;

in the sixty-first percentile for the trailing twelve months net income;

in the seventy-ninth percentile for the stock price;

in the twelfth percentile for the total common stock outstanding; and

in the forty-first percentile for company market capitalization.

The 2010 Survey concluded that the Company's executive compensation was approximately in-line with the Company's executive compensation philosophy as described above.

**Table of Contents****Elements of Executive Compensation**

At the Company's 2011 annual meeting of the stockholders, the Company provided stockholders an advisory vote on approving the Company's executive compensation for 2011 (the Say-On-Pay Advisory Vote). The stockholders approved the executive compensation program and the executive compensation paid to the Company's NEOs for 2011 by a vote of approximately 85.6%. The Compensation Committee did not make any changes to the executive compensation program as a result of the favorable Say on Pay Advisory Vote.

During 2011, the Company's compensation for NEOs and other executive officers consisted of the components listed in the table below, which provides a brief description of the principal elements of compensation, how performance is factored into each element of compensation, and the primary objectives served by each element of compensation. A description of each of these elements is discussed in more detail in Compensation Discussion and Analysis - How and Why Executive Compensation Decisions Were Made below.

Element	Principal Elements of Executive Compensation		Primary Objectives
	Description	Performance Considerations	
Base Salary	Fixed cash payment with annual adjustment	Based on workload, level of responsibilities, experience and individual performance	Attract and retain talent  Recognize career experience and individual performance
Bonus	Discretionary cash incentive <sup>(1)</sup>	Amount of award based on workload, level of responsibilities and contributions to the achievement of the Company's performance	Provide basic compensation Attract and retain talent  Promote and reward contributions to the Company's performance
Equity Awards <sup>(2)</sup>	Stock options	Value of equity awards directly linked with long-term performance of the Company's stock price.	Align interests of the executive officers with stockholder interests
	RSAs		Attract and retain talent
	RSUs		
Additional Benefits and Perquisites	Automobile allowance	Not applicable	Provide reasonable security to allow executive officers to perform at their best
	Deferred compensation plan		Provide competitive benefits and perquisites to executive officers

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Employee assistance  
program

Promote health and well being of  
executive officers

Health, dental, vision, life,  
accidental death and  
dismemberment, business  
travel accident, and  
long-term and short-term  
disability insurance

Retirement plans

*(Footnotes continued on following page)*

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- (1) The Committee reviews and establishes the executive bonus pool criteria at the beginning of each fiscal year. In 2011, the executive bonus pool was based on a calculation, which compares the Company's revenue growth to growth in the Company's SAM and the Company's actual profitability to the Company's calculated profitability based on a profit fall-through factor. No bonus shall be paid out of the executive bonus pool if the Company's actual performance in revenue and net income growth, as determined under the executive bonus pool calculation, is less than 80% of the prior year's performance.
- (2) Equity awards may be made pursuant to the Company's 2001 Omnibus Equity Incentive Plan. See Executive Compensation Narrative to Summary Compensation Table and Plan-Based Awards Table 2001 Omnibus Equity Incentive Plan for further details.

The Committee favors compensating the Company's executive officers in the form of bonuses and equity awards rather than in the form of base salaries so as to more closely align the interests of the Company with the interests of stockholders. The Committee does not allocate between cash and non-cash compensation and between short-term and long-term compensation based on specific percentages. Instead, the Committee believes that the total compensation package for each executive officer of the Company should be generally in-line with the prevailing market.

The following table shows all compensation elements as percentages of total compensation for each NEO for 2011 and 2010:

Name	Title	Year	Base Salary (%)	Bonus (%)	Equity Awards <sup>(1)</sup> (%)	Additional Benefits and Perquisites (%)	Total (%)
<b>Keh-Shew Lu</b>	President and Chief Executive Officer	2011	9.2	16.2	73.8	0.8	100
		2010	10.1	30.0	59.4	1.1	100
<b>Richard D. White</b>	Chief Financial Officer, Secretary and Treasurer	2011	15.5	17.6	64.6	2.3	100
		2010	16.1	32.5	48.8	3.2	100
<b>Mark A. King</b>	Senior Vice President, Sales and Marketing	2011	18.0	14.7	64.7	2.6	100
		2010	18.9	29.3	48.9	3.5	100
<b>Joseph Liu</b>	Senior Vice President, Operations	2011	29.3	20.0	48.5	2.2	100
		2010	28.3	34.3	34.7	3.3	100
<b>Edmund Tang</b>	Vice President, Corporate Administration	2011	16.2	17.1	65.2	1.5	100
		2010	18.4	34.5	45.2	2.7	100

- (1) These percentages reflect portions of NEO's total compensation based on the grant date fair value of these equity awards and do not reflect whether each NEO has actually realized a financial benefit from these equity awards. The value of the equity awards is calculated in accordance with the amount recognized for financial statement reporting purposes. Pursuant to SEC rules, the percentages shown above as the portion of a NEO's total compensation attributable to equity awards, exclude the impact of estimated forfeitures related to service-based vesting conditions. Amounts reported for RSUs and RSAs are calculated by multiplying the number of shares subject to the award by the closing price of the Company's Common Stock on the grant date. Amounts reported for stock options are determined using the Black-Scholes-Merton option-pricing model. This model was developed to estimate the fair value of traded options, which have different characteristics than employee stock options, and changes to the subjective assumptions used in the model can result in materially different fair value estimates. See Note 13, Share-Based Compensation, to the Company's audited financial statements for the fiscal year ended December 31, 2011, included in the Company's Annual Report on Form 10-K filed with the SEC, for a further discussion of the relevant

valuation assumptions used in calculating grant date fair value.

**Table of Contents****How and Why Executive Compensation Decisions Were Made**

When making individual compensation decisions for NEOs, the Committee takes many factors into account, including the executive officer's experience, responsibilities, management abilities and job performance, the performance of the Company as a whole, current market conditions and pay levels for similar positions at comparable companies. These factors are considered by the Committee in a subjective manner without any specific formula or weighting.

For fiscal 2011, the major factors that influenced the Committee's executive compensation decisions for NEOs were:

The challenges faced by the global economy and the semiconductor industry in 2011;

The Company's current and projected financial performance;

The Company's achievement of strategic objectives; and

Executive retention.

For a discussion of the Company's 2011 financial performance and achievement of strategic objectives, see Compensation Discussion and Analysis Executive Summary.

***Base Salaries***

In line with the Committee's compensation philosophy, executive officers receive a relatively small portion of their total compensation in the form of base salaries. The 2010 Survey showed that the Company executive officers' base salaries are consistently less than the 25th percentile of the base salaries paid to officers with comparable duties by similar size companies in the semiconductor industry.

In determining the Company executive officers' base salaries, the Committee considers each executive officer's scope of responsibility, level of experience, individual performance, and past and potential contribution to the Company's business, as well as the Company's performance and the current year's change in the cost of living. The Committee did not assign any particular formula or weight to the foregoing factors. To ensure that the base salaries are adequate and consistent with the Company's compensation philosophy, the Committee may also periodically review independent surveys of executive compensation, such as the 2010 Survey, and compare the executive officers' base salaries to amounts paid to officers with comparable duties by similar size companies in the semiconductor industry. In addition, the Committee discusses and takes into consideration the recommendation of the Chief Executive Officer regarding each executive officer's base salary, other than the Chief Executive Officer's own base salary.

The following table shows each NEO's base salary for fiscal 2010 and 2011 and the percentage change in NEOs' base salaries from fiscal 2010 to 2011. In fiscal 2011, the Committee increased NEOs' base salaries, which are summarized as follows:

Name	2010 Base Salary (\$)	2011 Base Salary (\$)	Change (%)
<b>Keh-Shew Lu</b>	397,000	409,000	3.0
<b>Richard D. White</b>	202,000	211,000	4.5
<b>Mark A. King</b>	238,000	245,000	2.9
<b>Joseph Liu</b>	253,000	253,000	0.0
<b>Edmund Tang</b>	196,000	205,000	4.6

<b>Total</b>	<b>1,286,000</b>	<b>1,323,000</b>	<b>2.9</b>
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**Table of Contents***Bonuses*

The Committee believes that bonuses should be a component of the total compensation of the executive officers to reward executive officers for their contributions to the Company's revenue and profitability and achievement of Company and individual objectives. Each of the NEOs is eligible to receive bonuses at the discretion of the Committee.

The Committee first determines the executive bonus pool criteria at the beginning of each fiscal year and then allocates the executive bonus pool among the executive officers at the end of each fiscal year.

The aggregate amount of the executive bonus pool available for distribution to executive officers for 2011 was based on a calculation, which compares the Company's revenue growth to the growth of the Company's SAM and the Company's actual profitability to the Company's calculated profitability based on a profit-fall through factor. No bonus shall be paid out of the executive bonus pool if the Company's actual performance in revenue and net income growth, as determined under the executive bonus pool calculation, is less than 80% of the prior year's performance.

At the end of 2011, the Committee, in its discretion, allocated a portion of the executive bonus pool among the executive officers based on the workload and areas of responsibilities of each executive officer during 2011 and the Committee's assessment of the contributions made by each executive officer to the achievement of the Company's financial and strategic objectives, all as more completely described below for each NEO. For 2011, the executive bonus pool was \$3,810,340 of which the Committee awarded \$1,932,800 to executive officers, including \$1,548,800 to the NEOs.

The following table shows each NEO's share of the executive bonus pool for 2010 and 2011 and the percentage change in such bonuses from 2010 to 2011:

<b>Name</b>	<b>2010 Bonus (\$)</b>	<b>2011 Bonus (\$)</b>	<b>Change (%)</b>
Keh-Shew Lu	1,190,000	720,000	(39.5)
Richard D. White	413,000	240,000	(41.9)
Mark A. King	371,000	200,000	(46.1)
Joseph Liu	310,000	172,800	(44.3)
Edmund Tang	372,000	216,000	(41.9)
<b>Total</b>	<b>2,656,000</b>	<b>1,548,800</b>	<b>(41.7)</b>

The Committee's decision to substantially decrease the NEOs' 2011 executive bonuses was due primarily as a response to the economic slowdown during the second half of 2011, which negatively affected the Company's financial performance for 2011. For a discussion of the Company's 2011 financial performance and operating achievements, see Compensation Discussion and Analysis Executive Summary.

*Fiscal 2012 Executive Bonus Pool*

At the beginning of 2012, the Committee decided to use substantially the same criteria used in 2011 for determining the executive bonus pool. At the end of 2012, the Committee in its discretion will allocate the executive bonus pool among the executive officers based on the workload and areas of responsibilities of each executive officer during 2012 and the Committee's assessment of the contributions made by each executive officer to the achievement of the Company's financial and strategic objectives.

*Equity Awards*

The Committee believes that equity awards should be a significant component of the total compensation of the executive officers to align executive officers' compensation to the Company's long-term performance, encourage executive officers to make value-enhancing decisions for the benefit of stockholders, and encourage the retention of their talents over time.



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Under the Company's 2001 Incentive Plan, the Company may grant any type of equity award whose value is derived from the value of the Common Stock of the Company, including, but not limited to, shares of Common Stock, stock options, stock appreciation rights and RSUs. Each of the NEOs is eligible to receive equity awards. Historically, equity awards have been delivered primarily in the form of stock options; however, since 2006, RSUs have also been granted from time to time to encourage long-term retention.

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**Why We Use Stock Options.** The Committee believes that stock options are an appropriate equity vehicle for a portion of long-term incentive compensation for the Company's executive officers because stock options are performance-based, providing value only if the Company's stock price increases over time, which aligns the executive officers' interests with the long-term interests of stockholders. We do not grant discounted stock options.

**Why We Use RSUs.** The Committee believes that RSUs are an appropriate equity vehicle for a portion of long-term incentive compensation for the Company's executive officers because RSUs align executive officers' interests with the interests of stockholders by focusing executive officers on long-term company performance. The value of RSUs increases if the Company's stock price increases and the value of RSUs decreases if the stock price declines. RSUs also serve to retain executive officers as RSUs have a more stable value because executive officers will receive some economic value (if time-based vesting requirements are met) even if the stock price declines or stays flat (as value is realized upon vesting).

The Committee's policy is to award stock options and RSUs annually in recognition of each executive officer's current and potential contributions to the Company. The exercise price of stock options granted to date has been no less than the fair market value of the Common Stock of the Company as of the date of grant. To encourage retention, stock options and RSUs generally vest in four equal annual installments on the first four anniversary dates of the date of grant. Decisions made by the Committee regarding the timing and size of subsequent awards take into consideration the Company's and the individual's performance, allocation between cash and non-cash components of the executive compensation, and the size, term and value of awards made in prior years. The Committee has not established formal guidelines for the size of individual stock awards to the NEOs.

The following table shows the number of shares subject to stock options granted in 2010 and 2011 and grant date fair value for each NEO, and the percentage change in such shares and such value between 2010 and 2011:

Name	2010 Option Awards (#)	2011 Option Awards (#)	Change (%)	2010 Option Awards (\$)	2011 Option Awards (\$)	Change (%)
<b>Keh-Shew Lu</b>	196,000	196,000	0.0	2,328,480	3,283,000	41.0
<b>Richard D. White</b>	39,000	38,500	-1.3	463,320	644,875	39.2
<b>Mark A. King</b>	39,000	38,500	-1.3	463,320	644,875	39.2
<b>Joseph Liu</b>	17,000	17,000	0.0	201,960	284,750	41.0
<b>Edmund Tang</b>	28,000	35,300	26.1	332,640	591,275	77.8
<b>Total</b>	<b>319,000</b>	<b>325,300</b>	<b>2.0</b>	<b>3,789,720</b>	<b>5,448,775</b>	<b>43.8</b>

The following table shows the number of shares subject to RSUs granted in 2010 and 2011 and grant date fair value for each NEO, and the percentage change in such shares and such value between 2010 and 2011:

Name	2010 Stock Awards (#)	2011 Stock Awards (#)	Change (%)	2010 Stock Awards (\$)	2011 Stock Awards (\$)	Change (%)
<b>Keh-Shew Lu</b>						
<b>Richard D. White</b>	7,800	8,000	2.6	150,384	233,680	55.4
<b>Mark A. King</b>	7,800	8,000	2.6	150,384	233,680	55.4
<b>Joseph Liu</b>	5,600	4,600	-17.9	107,968	134,366	24.4
<b>Edmund Tang</b>	7,800	8,000	2.6	150,384	233,680	55.4

<b>Total</b>	<b>29,000</b>	<b>28,600</b>	<b>-1.4</b>	<b>559,120</b>	<b>835,406</b>	<b>49.4</b>
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As discussed previously, the total compensation of the executive officers is significantly influenced by the cash bonuses and equity awards. In determining equity awards in 2011, the Committee took particular notice of the fact that the Company's stock price of \$28.07 on May 26, 2011 (the NEOs' 2011 equity compensation grant date) was 45.6% higher than the Company's stock price of

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\$19.28 on May 24, 2010 (the NEOs' 2010 equity compensation grant date). Although the increased stock price resulted in a higher grant date fair value for each equity award granted in 2011 compared to 2010, the Committee decided that the number of shares of Common Stock subject to the equity awards granted to executive officers of the Company in 2011 should stay about the same as in 2010. This reflects a shift of total compensation of the Company's executive officers in 2011 from cash compensation towards equity compensation. In addition to the shift toward equity compensation, Mr. Liu's equity compensation for 2011 was further adjusted downward to reflect a shift of his responsibility to other executive officers.

The Committee determined each NEO's equity awards after reviewing his personal performance, his overall compensation, the Company's performance, the Company's stock performance, and the size, term and value of the stock options and RSUs awarded to each NEO in prior years.

*Additional Benefits and Perquisites*

NEOs and all other executive officers are entitled to reimbursement for all reasonable and documented business expenses and paid time off in accordance with the Company's policies. Certain NEOs are also provided additional benefits and perquisites. For fiscal 2011, the Company provided the following benefits and perquisites to the NEOs:

<b>Benefits</b>	<b>Description</b>	<b>Who Qualifies</b>
Automobile Allowance	\$1,300 per month for the President and Chief Executive Officer	Certain NEOs
	\$1,000 per month for certain NEOs	
Health Insurance	Corporate group insurance	All NEOs
Dental Insurance	Corporate group insurance	All NEOs
Vision Insurance	Corporate group insurance	All NEOs
Employee Assistance Program	Corporate employee assistance program	All NEOs
Retirement Plans	401(k) Plan matching contributions of \$1 for every \$2 contributed by the participant up to 6% (3% maximum matching) of the participant's eligible payroll (subject to regulations of the Internal Revenue Service)	All NEOs
	Discretionary 401(k) contribution, the amount of which is to be determined each year. For 2011, no discretionary contribution was made.	
Deferred Compensation Plan	Defer receipt of a portion of salary, cash bonus, equity or other specified compensation	All NEOs
	Discretionary contribution made by the Company. For 2011, no discretionary contributions were made.	
Life Insurance	Corporate group life insurance in the amount of \$700,000	All NEOs
Accidental Death and Dismemberment	Insured in the amount of \$700,000	All NEOs
Business Travel Accident Insurance	\$1,000,000 for accidental death and dismemberment	All NEOs

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\$500,000 for permanent total disability

\$500 per week for up to 52 weeks of accident total disability

Short-Term Disability  
Insurance

After elimination period of 7 days, 66-2/3% of weekly earnings are paid to a maximum of All NEOs  
\$3,750 per week.

Long-Term Disability  
Insurance

After elimination period of 180 days, 66-2/3% of basic monthly earnings to a maximum of All NEOs  
\$15,000 per month (and the duration of such benefit is based on such NEO's age on the date  
of his/her disability.)

The additional benefits and perquisites, if any, provided to NEOs for fiscal 2011 accounted for a nominal amount of the NEO's total compensation. The Committee believes that these benefits and perquisites are consistent with the Committee's philosophy

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to provide a competitive compensation package.

*Post-Termination and Change in Control Payments*

The Committee believes that a change in control transaction could create uncertainty regarding the continued employment of the Company's executive officers. This is because many change in control transactions result in significant organizational changes, particularly at the senior executive level. In order to encourage the Company's executive officers to remain employed with the Company during an important time when their continued employment in connection with, or following, a transaction is often uncertain, and to help keep the Company's executive officers focused on Company business rather than on their personal financial security, the Committee believes that providing certain of the Company's executive officers with severance benefits upon certain terminations of employment following an actual or potential change of control transaction, is in the best interests of the Company and its stockholders.

Dr. Lu entered into his current employment agreement with the Company on September 22, 2009. In the event his employment terminated by (a) the Company other than for cause (as defined), or (b) him for good reason (as defined), (i) the Company shall continue to pay or provide him the annual base salary during the period commencing on the effective date of such termination and ending on the first anniversary of such effective date, (ii) the Company shall pay him any amount payable under any executive bonus plan for the fiscal year in which such termination occurs, prorated to the date of the termination, (iii) the Company shall provide him continued participation in any group health plan or medical reimbursement plan on the terms existing on the date of termination for the period commencing on the effective date of such termination and ending 18 months thereafter, and (iv) all share-based compensation previously granted to him (including, but not limited to, all stock options, stock appreciation rights, restricted stock units and stock grants) shall continue to be governed by the applicable award agreement. However, if Dr. Lu's employment is terminated either by the Company other than for cause (as defined) or by Dr. Lu for good reason (as defined) and if Dr. Lu then obtains a new employment within one year from the date of his employment termination with the Company, the annual based salary payable by the Company to Dr. Lu shall be reduced by any amount received by him during such one year from his new employment. In the event that Dr. Lu's employment is terminated by (a) the Company for cause (as defined) or (b) him other than for good reason (as defined), (i) the Company shall promptly pay or provide to him the annual base salary, prorated through the date of termination and (ii) the Company shall pay him any amount payable under any executive bonus plan for the fiscal year in which such termination occurs, prorated to the date of the termination.

The Committee has not provided for a lump sum payment upon termination of Dr. Lu because the Committee believes that Dr. Lu's post termination and change in control payments are negotiated in the best interest of the Company.

Messrs. Liu and King entered into their current employment agreements with the Company on August 29, 2005. In the event employment is terminated by the Company without cause (as defined), the executive either may (a) commence a one-year paid leave of absence, or (b) forego such leave of absence and the benefits associated therewith. If the executive chooses to commence the leave of absence, the executive will, during that one year, continue as a full-time employee, entitled to receive all the benefits provided under the employment agreement. At the end of the leave of absence, the executive will continue to receive his base salary for one year, and all share-based compensation previously granted will continue to vest. The executives are subject to non-competition and non-solicitation provisions during the leave of absence and for one year after the end of the leave of absence. Upon termination or a change in control, all share-based compensation granted to the executive shall vest immediately and be exercisable for the full term thereof. If the executive chooses to forego such leave of absence, the vesting of any options or restricted stock awards awarded to the executive and his ability to exercise them, upon termination will be governed by the terms of the 2001 Incentive Plan and his stock option agreements.

Upon termination or a change in control, the vesting of Messrs. Liu and King's stock options and RSUs and ability to exercise such options will be governed by the terms of the 2001 Incentive Plan and their equity award agreements. The 2001 Incentive Plan generally provides that upon a change in control, all stock awards then outstanding shall vest immediately. For a further description of these arrangements, see Executive Compensation Potential Payments Upon Termination or Change in Control.

The Committee has not provided for a lump sum payment upon termination of Messrs. Liu and King, as the Committee believes that by providing Messrs. Liu and King with an option to commence a one-year leave of absence upon termination, the Company has the ability to work with each such executive to transition his duties and responsibilities in a productive manner. The Committee believes that these post-termination and change in control arrangements are an important part of overall compensation for certain of the Company's NEOs because these arrangements help to secure the continued employment and dedication of Messrs. Liu and King, notwithstanding any concern that they might have regarding their own continued employment prior to or following a change in control.

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### **Tax and Accounting Implications**

#### *Deductibility of Compensation*

Under Section 162(m) of the Internal Revenue Code of 1986, as amended (the "IRC Code"), a public company generally will not be entitled to a deduction for non-performance-based compensation paid to an executive officer to the extent such compensation exceeds \$1.0 million. Special rules apply for performance-based compensation, including the approval of the performance goals by the stockholders of the Company. The stockholders of the Company have approved each of the Company's incentive plans for the purpose of qualifying those plans under Section 162(m). To qualify for deductibility under Section 162(m), the performance goals must be established no later than 90 days from the beginning of the performance period.

Because the Committee retained discretion in the allocation of the executive bonus pool in 2011, the executive bonuses in 2011 were not performance-based. In order to maintain flexibility in compensating NEOs and other executive officers in a manner designed to promote the Company's goals, the Committee reserves the right to award future compensation that may not comply with Section 162(m) if it concludes that this is in the Company's best interests.

#### *Non-qualified Deferred Compensation*

On October 22, 2004, the American Jobs Creation Act of 2004 was signed into law, changing the tax rules applicable to non-qualified deferred compensation arrangements. Under the employment agreement for Dr. Lu, in the event his employment is terminated by the Company other than for cause (as defined), or by him for good reason (as defined), his share-based compensation previously granted to him (including, but not limited to, all stock options, stock appreciation rights, bonus units and stock grants) shall continue to be governed by the applicable award agreement. Under the employment agreements for Messrs. Liu and King, in the event employment is terminated by the Company, the executive may commence a one-year paid leave of absence. During the leave of absence, the executive's options remain exercisable. At the end of the leave of absence, all share-based compensation previously granted shall continue to vest and shall remain exercisable for the full term thereof. A more detailed discussion of the Company's non-qualified deferred compensation arrangements is provided under Executive Compensation Non-qualified Deferred Compensation.

#### *Accounting for Share-Based Compensation*

The Company uses the Black-Scholes-Merton option-pricing model to determine the fair value of stock options on the date of grant. Restricted stock grants are measured based on the fair market value of the underlying stock on the date of grant.

### **Conclusion**

The Committee believes that the Company's compensation program supports the Committee's compensation objective to promote the continued profitability and growth of the Company for its stockholders, and the Committee's compensation philosophy to attract, retain and motivate executives is critical to the Company's long-term growth and profitability.

The Committee believes that for fiscal 2011, the total compensation for each of the NEOs is competitive with the total compensation for NEOs with comparable duties at other companies of similar size, revenue and market capitalization in the semiconductor industry.

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**Report of the Compensation Committee**

*The Report of the Compensation Committee of the Board shall not be deemed incorporated by reference by any general statement incorporating by reference this Proxy Statement into any filing under the Securities Act of 1933 or under the Securities Exchange Act of 1934, except to the extent that the Company specifically incorporates this information by reference and shall not otherwise be deemed filed under such Acts.*

**COMPENSATION COMMITTEE REPORT**

The Compensation Committee of the Company has reviewed and discussed the Compensation Discussion and Analysis with the Company's management, and based on such review and discussions, the Compensation Committee recommended to the Board that the Compensation Discussion and Analysis be included in this Proxy Statement.

Dated: April 12, 2012

THE COMPENSATION COMMITTEE

Raymond Soong, Chairman

L.P. Hsu

Michael K.C. Tsai

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**Table of Contents****EXECUTIVE COMPENSATION**

The table below summarizes the compensation for each of the last three fiscal years of (1) each person who served as the Company's principal executive officer or the Company's principal financial officer during 2011, and (2) the Company's three other most highly compensated executive officers ranked by their total compensation in the table below (reduced by the amount in column (h)) (collectively, "NEOs").

**SUMMARY COMPENSATION TABLE**

Name and Principal Position (a)	Year (b)	Salary (\$ (c)	Bonus (\$ (2) (d)	Stock Awards (\$ (1) (e)	Option Awards (\$ (1) (f)	Non-Equity Incentive Plan Compensation (\$ (g)	Non-qualified Deferred Compensation (\$ (h)	Change in Pension Value and All Other Compensation (\$ (5) (i)	Total (\$ (j)
<b>Keh-Shew Lu (4)</b>	<b>2011</b>	<b>409,000</b>	720,000						
President and Chief Executive Officer	2010	397,000	1,190,000		2,328,480			44,720	3,960,200
	2009	343,000	780,000		2,086,800			31,749	3,241,549
<b>Richard D. White (3)</b>	<b>2011</b>	<b>211,000</b>	240,000	<b>233,680</b>	<b>644,875</b>				
Chief Financial Officer, Secretary and Treasurer	2010	202,000	413,000	150,384	463,320			40,697	1,269,401
	2009	170,000	300,000	135,450	423,000			30,508	1,058,958
<b>Mark A. King</b>	<b>2011</b>	<b>245,000</b>	200,000	<b>233,680</b>	<b>644,875</b>				
Senior Vice President, Sales and Marketing	2010	238,000	371,000	150,384	463,320			44,548	1,267,252
	2009	215,000	286,000	135,450	423,000			32,968	1,092,418
<b>Joseph Liu</b>	<b>2011</b>	<b>253,000</b>	172,800	<b>134,366</b>	<b>284,750</b>				
Senior Vice President, Operations	2010	253,000	310,000	107,968	201,960			29,583	902,511
	2009	248,000	286,000	135,450	376,000			15,628	1,061,078
<b>Edmund Tang</b>	<b>2011</b>	<b>205,000</b>	216,000	<b>233,680</b>	<b>591,275</b>				
Vice President, Corporate Administration	2010	196,000	372,000	150,384	332,640			28,586	1,079,610
	2009	163,000	230,000	99,330	225,600			15,748	733,678

- (1) These amounts reflect the value determined by the Company for accounting purposes for these awards and do not reflect whether each NEO has actually realized a financial benefit from the awards. The value of the equity awards in columns (e) and (f) is based on the grant date fair value calculated in accordance with the amount recognized for financial statement reporting purposes. The 2009 award values were recalculated from amounts shown in prior proxy statements to reflect grant date fair values as required by the SEC effective in 2010. Pursuant to SEC rules, the amounts shown exclude the impact of estimated forfeitures related to service-based vesting conditions. Amounts reported for RSUs and RSAs are calculated by multiplying the number of shares subject to the award by the closing price of the Company's Common Stock on the grant date. Amounts reported for stock options are determined using the Black-Scholes-Merton option-pricing model. This model was developed to estimate the fair value of traded options, which have different characteristics than employee stock options, and changes to the subjective assumptions used in the model can result in materially different fair value estimates. See Note 13, Share-Based Compensation, to the Company's audited financial statements for the fiscal year ended December 31, 2011, included in the Company's Annual Report on Form 10-K filed with the SEC, for a further discussion of the relevant valuation assumptions used in calculating grant date fair value. All equity awards vest in four equal annual installments.

(Footnotes continued on following page)

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- (2) Amounts earned under the Company's executive bonus plan. In 2011, 2010 and 2009, the Compensation Committee allocated the executive bonus pool based on the Compensation Committee's subjective assessment of the contribution made by each officer of the Company to the achievement of the Company's performance.
- (3) Mr. White served as the Company's Senior Vice President, Finance from 2006 to May 28, 2009.
- (4) Excludes 200,000 shares of Common Stock rights previously granted to Dr. Lu subject to certain performance criteria. Ultimately 600,000 shares of Common Stock as restricted stock awards will be granted to Dr. Lu in six equal annual installments of 100,000 shares, beginning April 14, 2010 and on each of the five subsequent anniversaries of such date, subject to certain performance criteria. See Executive Compensation Narrative to Summary Compensation Table and Plan-Based Awards Table Employment Agreements. The 600,000 shares of Common Stock as restricted stock awards to be granted in installments to Dr. Lu had a grant date fair value of \$11.7 million on April 14, 2010.
- (5) Certain of the Company's executive officers receive benefits in addition to salary, cash bonuses and share-based compensation, consisting of automobile allowance, group medical insurance, dental insurance, vision insurance, employee assistance program, contributions under the Company's retirement plans, deferred compensation plan, life insurance payable at the direction of the employee, accidental death and dismemberment insurance, business travel accident insurance, and short-term and long-term disability insurance. The amount shown in column (i) for All Other Compensation includes benefits summarized in the following table for each NEO:

Name	Year	Auto	Health	Retirement	Life and Disability	Total
		Allowance	Insurance	Plans	Insurance	
		(\$)	(\$)(1)	(\$)	(\$)(2)	(\$)(3)
<b>Keh-Shew Lu</b>	<b>2011</b>	<b>15,600</b>	<b>9,488</b>	<b>7,350</b>	<b>2,248</b>	<b>34,686</b>
	2010	15,600	9,321	17,150	2,648	44,719
	2009	15,600	5,681	7,350	3,118	31,749
<b>Richard D. White</b>	<b>2011</b>	<b>12,000</b>	<b>9,410</b>	<b>7,350</b>	<b>2,269</b>	<b>31,029</b>
	2010	12,000	9,398	17,150	2,149	40,697
	2009	12,000	8,415	7,350	2,744	30,509
<b>Mark A. King</b>	<b>2011</b>	<b>12,000</b>	<b>13,542</b>	<b>7,350</b>	<b>2,451</b>	<b>35,343</b>
	2010	12,000	13,037	17,150	2,362	44,549
	2009	12,000	10,705	7,350	2,912	32,967
<b>Joseph Liu</b>	<b>2011</b>		<b>9,488</b>	<b>7,350</b>	<b>2,094</b>	<b>18,932</b>
	2010		10,351	17,150	2,082	29,583
	2009		5,874	7,350	2,404	15,628
<b>Edmund Tang</b>	<b>2011</b>		<b>9,488</b>	<b>7,350</b>	<b>2,237</b>	<b>19,075</b>
	2010		9,321	17,150	2,115	28,586
	2009		5,681	7,350	2,717	15,748

- (1) Health Insurance consists of medical insurance, dental insurance, vision insurance and employee assistance program.
- (2) Life and Disability Insurance consists of life, accidental death and dismemberment, business travel accident, and short-term and long-term disability insurance.
- (3) The total does not include deferred compensation plan benefit value, which is immaterial.

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The following table sets forth certain information with respect to grants of awards to the NEOs under the Company's non-equity and equity incentive plans during 2011.

**GRANTS OF PLAN-BASED AWARDS**

Name (a)	Grant Date (b)	Estimated Future Payouts Under Non-Equity Incentive Plan Awards		Estimated Future Payouts Under Equity Incentive Plan Awards		All Other Stock Awards: Number of Shares of Stock or Units (#) (3) (i)	All Other Option Awards: Number of Securities Underlying Options (#) (3) (j)	Exercise or Base Price of Option Awards (\$/Sh) (k)	Grant Date Fair Value of Stock and Option Awards (\$) (2) (l)
		Threshold (\$ (c))	Target (\$ (1) (d))	Maximum (\$ (e))	Threshold (\$ (f))				
<b>Keh-Shew Lu (4)</b>	5/26/2011		952,000				196,000	29.21	3,283,000
<b>Richard D. White</b>	5/26/2011		330,400				38,500	29.21	644,875
	5/26/2011					8,000			233,680
<b>Mark A. King</b>	5/26/2011		296,800				38,500	29.21	644,875
	5/26/2011					8,000			233,680
<b>Joseph Liu</b>	5/26/2011		248,000				17,000	29.21	284,750
	5/26/2011					4,600			134,366
<b>Edmund Tang</b>	5/26/2011		297,600				35,300	29.21	591,275
	5/26/2011					8,000			233,680

- (1) Amounts shown in column (d) were to be made under the executive bonus program. Amounts shown are 80% of the 2010 discretionary cash bonuses approved by the Compensation Committee. If the executive bonus pool for 2011 was less than 80% of the executive bonus pool for 2010, no bonuses would be paid to any executive officer in 2011. See Compensation Discussion and Analysis How and Why Executive Compensation Decisions Were Made Bonuses.
- (2) These amounts reflect the value determined by the Company for accounting purposes for these awards and do not reflect whether each NEO has actually realized a financial benefit from the awards. Pursuant to SEC rules, the amounts shown exclude the impact of estimated forfeitures related to service-based vesting conditions. Grant date fair value reported for RSUs and RSAs is calculated by multiplying the number of shares subject to the award by the closing price of the Company's Common Stock on the grant date. Amounts reported for stock options are determined using the Black-Scholes-Merton option-pricing model. This model was developed to estimate the fair value of traded options, which have different characteristics than employee stock options, and changes to the subjective assumptions used in the model can result in materially different fair value estimates. See Note 13, Share-Based Compensation, to the Company's audited financial statements for the fiscal year ended December 31, 2011, included in the Company's Annual Report on Form 10-K filed with the SEC, for a further discussion of the relevant valuation assumptions used in calculating grant date fair value.
- (3) Awards shown in columns (i) and (j) were made under the 2001 Incentive Plan.
- (4) Excludes 200,000 shares of Common Stock rights previously granted to Dr. Lu subject to certain performance criteria. Ultimately 600,000 shares of Common Stock as restricted stock awards will be granted to Dr. Lu in six equal annual installments of 100,000 shares, beginning April 14, 2010 and on each of the five subsequent anniversaries of such date, subject to certain performance criteria. See Executive Compensation Narrative to Summary Compensation Table and Plan-Based Awards Table Employment Agreements. The 600,000 shares of Common Stock as restricted stock awards to be granted in installments to Dr. Lu had a grant date fair value of \$11.7 million on April 14, 2010.

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### **Narrative to Summary Compensation Table and Plan-Based Awards Table**

#### **Employment Agreements**

On September 22, 2009, the Company entered into an employment agreement with Dr. Lu pursuant to which he is entitled to (i) an annual base salary of \$409,000, as adjusted for 2011, subject to such periodic increases, if any, as the Board may determine; (ii) a grant of 100,000 shares of the Common Stock of the Company on each of April 14, 2010, 2011, 2012, 2013, 2014 and 2015 on the terms and conditions set forth in the Stock Award Agreement described below; (iii) participation in any executive bonus plan sponsored by the Company; (iv) reimbursement of any and all reasonable and documented business expenses; (v) paid vacation in accordance with the vacation policy for employees in general; (vi) participation in all plans or programs sponsored by the Company for employees in general, including, but not limited to, participation in any group health plan, medical reimbursement plan, life insurance plan, pension and profit sharing plan, or stock option plan; (vii) a life insurance policy with a death benefit in an amount equal to that existing on the date of this employment agreement (\$700,000), payable as directed by the employee; and (viii) a disability insurance policy in the maximum insurable amount. Employment is at will and may be terminated by either the Company or the employee at any time. This employment agreement also provides for payments upon termination and change in control, as described further under **Executive Compensation** **Potential Payments Upon Termination or Change in Control**.

On September 22, 2009, the Company and Dr. Lu also entered into a stock award agreement that provides that (i) the Company will grant Dr. Lu 100,000 shares of Common Stock on each of April 14, 2010, 2011, 2012, 2013, 2014 and 2015; (ii) each such installment would vest only if the Company achieved a specified amount of net sales; (iii) upon the termination of employment, the Company's obligation to grant any subsequent installment would terminate; and (iv) any granted shares would be automatically forfeited and returned to the Company if employment is terminated before the Company achieves the specified amount of net sales, except in the case of death or Disability (as defined) in which case the granted shares would be fully vested on the date of death or Disability.

On August 29, 2005, the Company entered into employment agreements with Messrs. Liu and King, pursuant to which they are entitled to (i) an annual base salary (subject to increase from time to time in the discretion of the Board) of \$253,000 and \$245,000, respectively, as adjusted for 2011; (ii) participation in any executive bonus plan; (iii) reimbursement for all reasonable and documented business expenses; (iv) paid vacation in accordance with the vacation policy for employees generally; (v) participation in all plans provided to employees in general; (vi) a life insurance policy in the amount in effect on the date of the agreement; and (vii) a disability insurance policy in the maximum insurable amount. Employment is at will and may be terminated by either the Company or the employee at any time. The employee (i) is prohibited from disclosing the Company's trade secrets, engaging in any competitive activity (as defined) or soliciting the Company's current or, in some cases, former employees or independent contractors, during his employment and for the two years following the beginning of the leave of absence described below under **Potential Payments Upon Termination or Change in Control** if his employment is terminated without cause (as defined), and (ii) acknowledges that all tangible items related to the Company are its exclusive property. The employment agreements also provide for payments upon termination and change in control, as described further under **Executive Compensation** **Potential Payments Upon Termination or Change in Control**.

#### **Executive Bonus Plan**

For a description of the Company's executive bonus plan, including the amount granted to NEOs in 2011 and 2010, and the methods for determining the executive bonus pool and allocating that pool among the executive officers, see **Compensation Discussion and Analysis** **How and Why Executive Compensation Decisions Were Made** *Bonuses*.

#### **1993 ISO Plan**

The 1993 ISO Plan provided for the grant of incentive stock options within the meaning of Section 422 of the IRC, to purchase shares of the Company's Common Stock. Options granted under the 1993 ISO Plan are not transferable, except by will or the laws of descent or distribution. A vested but unexercised option is normally exercisable for 90 days after termination of employment, other than by death or retirement. In the event of death, unvested options are accelerated to maturity. An option granted under the 1993 ISO Plan may not be priced at less than 100% of fair market value of the shares on the date of grant and expires ten years from the date of grant. As of the Record Date, 3,640,888 shares had been issued on the exercise of options granted, and 13,838 shares were subject to options outstanding, under the 1993 ISO Plan. The 1993 ISO Plan expired on May 10, 2003, and, therefore, no additional options can be granted under this plan.

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**Table of Contents****2001 Omnibus Equity Incentive Plan**

**General.** The purpose of the 2001 Incentive Plan is to encourage ownership in the Company by key personnel whose long-term employment is considered essential to the Company's continued progress and, thereby, align participants' and stockholders' interests. Among other types of awards, stock options, stock awards, including restricted stock and restricted stock units, and cash awards, may be granted under the 2001 Incentive Plan. Options granted under the 2001 Incentive Plan may be either incentive stock options, as defined in Section 422 of the IRC, or non-qualified stock options.

As of the Record Date, 9,532,638 shares have been issued pursuant to awards granted under the 2001 Incentive Plan, 4,947,607 shares were subject to awards outstanding under the 2001 Incentive Plan, and 3,152,339 shares were available for issuance under awards that may be granted under the 2001 Incentive Plan.

For information concerning the grant of awards during fiscal 2011 to the NEOs, the exercise of stock options, RSUs or RSAs during fiscal 2011 by the Name Executive Officers, and unexercised stock options, RSUs and RSAs held by NEOs as of December 31, 2011, see Executive Compensation Grants of Plan-Based Awards, Executive Compensation Option Exercises and Stock Vested and Executive Compensation Outstanding Equity Awards at Fiscal Year-End.

**Administration.** The 2001 Incentive Plan is administered by the Compensation Committee. Subject to the provisions of the 2001 Incentive Plan, the Compensation Committee has a wide degree of flexibility in determining the terms and conditions of awards and the number of shares to be issued pursuant thereto, including conditioning the receipt or vesting of awards upon the achievement by the Company of specified performance criteria. The expenses of administering the 2001 Incentive Plan are borne by the Company.

**Share Limit.** The maximum total number of shares with respect to which aggregate stock awards may be granted (and maximum number of shares that may be issued pursuant to incentive stock options) is 10,883,217 shares. If awards granted under the 2001 Incentive Plan expire, are canceled or otherwise terminate without being exercised, the gross number of common shares not purchased pursuant to the award again becomes available for issuance under the 2001 Incentive Plan. Each issuance of shares, other than pursuant to stock options or stock appreciation rights, shall count as 1.52 shares against the maximum share issuance limit. With respect to the settlement of stock appreciation rights and the exercise of stock options, the gross number of shares subject to the settlement/exercise shall count against the maximum share issuance limit.

**Eligibility.** Employees, directors and consultants of the Company or its subsidiaries are eligible to receive awards under the 2001 Incentive Plan although only employees can receive incentive stock option grants.

**Types of Awards.** The 2001 Incentive Plan authorizes the Compensation Committee to enter into any type of arrangement with an eligible recipient that, by its terms, involves or might involve the issuance of Common Stock or any other security or benefit with a value derived from the value of Common Stock. Awards are not restricted to any specified form or structure and may include, without limitation, sales or bonuses of stock, restricted stock, stock options, reload options, stock appreciation rights, restricted units, phantom stock, dividend equivalents, performance units or performance shares. An award may consist of one such security or benefit or two or more of them in tandem or in the alternative.

Stock appreciation rights entitle a participant to receive a payment equal in value to the difference between the fair market value of a share of stock on the date of exercise of the stock appreciation right over the fair market value of a share on the date of grant of the stock appreciation right. The amount due the holder of a stock appreciation right may be paid in cash, in shares of common stock, or in a combination of both. Stock options and stock appreciation rights may not be repriced without the approval of the stockholders. In addition, the exercise price per share of Common Stock purchasable under a stock option may not be less than 100% of the fair market value of the Common Stock on the date of grant of such stock option.

A restricted stock award is the grant of shares of common stock with a purchase price determined by the Compensation Committee (including zero), and which may be subject to a substantial risk of forfeiture until specific conditions or goals are met. Conditions may be based on continuing employment or achieving performance goals. A restricted unit is a bookkeeping entry that represents the equivalent of a share of our common stock. The amount due the holder of a restricted unit that has vested may be paid in cash, in shares of common stock, or in a combination of both.

An award granted under the 2001 Incentive Plan may include a provision accelerating the receipt of benefits upon the occurrence of specified events, such as a change of control of the Company or a dissolution, liquidation, merger, reclassification, sale of substantially all of the property and assets of the Company or other significant corporate transactions.

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No incentive stock option may be granted under the 2001 Incentive Plan to any person who, at the time of the grant, owns (or is deemed to own) stock possessing more than ten percent (10%) of the total combined voting power of the Company or any affiliate

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of the Company, unless the option exercise price is at least one hundred and ten percent (110%) of the fair market value of the stock subject to the option on the date of the grant and the term of the option does not exceed five years from the date of the grant. In addition, the aggregate fair market value, determined at the time of the grant, of the shares of Common Stock with respect to which incentive stock options are exercisable for the first time by an optionee during any calendar year (under all such plans of the Company and its subsidiaries) may not exceed \$100,000. As a result of the enactment of Section 162(m) of the IRCCode, and to provide the Compensation Committee flexibility in structuring awards, the 2001 Incentive Plan states that in the case of stock options and stock appreciation rights, no person may receive in any year a stock option to purchase more than 337,500 shares (split adjusted) or a stock appreciation right measured by more than 337,500 shares (split adjusted).

**Amendment.** Subject to limitations imposed by law, the Board may amend or terminate the 2001 Incentive Plan at any time and in any manner. However, no such amendment or termination may deprive the recipient of any award previously granted under the 2001 Incentive Plan or any rights thereunder without the recipient's consent.

**Section 16(b).** Pursuant to Section 16(b) of the Exchange Act, directors, certain officers and 10% stockholders of the Company are generally liable to the Company for repayment of any short-swing profits realized from any non-exempt purchase and sale of Common Stock occurring within a six-month period. Rule 16b-3, promulgated under the Exchange Act, provides an exemption from Section 16(b) liability for certain transactions by an officer or director pursuant to an employee benefit plan that complies with such rule. Specifically, the grant of an option under an employee benefit plan that complies with Rule 16b-3 will not be deemed a purchase of a security for purposes of Section 16(b). The 2001 Incentive Plan is designed to comply with Rule 16b-3.

**Term.** The 2001 Incentive Plan was last amended by the Board and approved by stockholders of the Company on May 28, 2009. Awards may not be granted under the 2001 Incentive Plan after May 28, 2019, which is the date on which the 2001 Incentive Plan will terminate (although the 2001 Incentive Plan could be terminated earlier by the Board). However, any award that was duly granted on or prior to such date may thereafter be exercised or settled in accordance with its terms.

**Performance Goals.** The business criteria on which performance goals are based under the 2001 Incentive Plan will be determined on a case-by-case basis, except that with respect to stock options and stock appreciation rights compensation is based on increases in the value of the Common Stock after the date of grant of award. Similarly, the maximum amount of compensation that could be paid to any participant or the formula used to calculate the amount of compensation to be paid to the participant if a performance goal is obtained will be determined on a case-by-case basis, except that in the case of stock options the maximum possible compensation will be calculated as the difference between the exercise price of the option and the fair market value of the Common Stock on the date of option exercise, times the maximum number of shares for which grants may be made to any participant. The Compensation Committee may use any one or more of the following performance criteria: (i) cash flow, (ii) earnings (including gross margin, earnings before interest and taxes, earnings before taxes, and net earnings), (iii) earnings per share, (iv) growth in earnings or earnings per share, (v) stock price, (vi) return on equity or average stockholders' equity, (vii) total stockholder return, (viii) return on capital, (ix) return on assets or net assets, (x) return on investment, (xi) revenue, (xii) income or net income, (xiii) operating income or net operating income, (xiv) operating profit or net operating profit, (xv) operating margin, (xvi) return on operating revenue, (xvii) market share, (xviii) contract awards or backlog, (xix) overhead or other expense reduction, (xx) growth in stockholder value relative to the moving average of the S&P 500 Index or a peer group index, (xxi) credit rating, (xxii) strategic plan development and implementation, (xxiii) improvement in workforce diversity or productivity, (xxiv) EBITDA (as defined), and (xxv) any other similar criteria.

**Change in Control.** In the event of a change in control of the Company, all outstanding unvested awards shall generally become vested and exercisable provided, however, that if any payment under the 2001 Incentive Plan (alone or in conjunction with other payments) would otherwise constitute an excess parachute payment under Section 280G of the IRCCode such payment shall be reduced or eliminated to the extent necessary to avoid deduction disallowance under Section 280G of the IRCCode or the imposition of excise taxes under Section 4999 of the IRCCode.

**Adjustments.** If there is any change in the stock subject to the 2001 Incentive Plan or subject to any award made under the 2001 Incentive Plan (through merger, consolidation, reorganization, re-capitalization, stock dividend, dividend in kind, stock split, liquidating dividend, combination or exchange of shares, change in corporate structure or otherwise), the 2001 Incentive Plan and shares outstanding thereunder will be appropriately adjusted as to the class and the maximum number of shares subject to the 2001 Incentive Plan and the class, number of shares and price per share of stock subject to such outstanding awards as determined by the Compensation Committee to be equitable and appropriate subject to compliance with applicable law. In addition, the Compensation Committee may also make adjustments in the number of shares covered by, and the price or other value of any outstanding awards under the 2001 Incentive Plan in the event of a spin off or other distribution (other than normal cash dividends) of Company assets to stockholders.

**Section 162(m) Limitations.** Section 162(m) of the IRCCode generally disallows a tax deduction to public companies for compensation in excess of \$1 million paid to the Company's Chief Executive Officer or any of the three other most highly





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compensated executive officers other than the Company's Chief Financial Officer. Certain performance-based compensation is specifically exempt from the deduction limit if it otherwise meets the requirements of Section 162(m). One of the requirements for equity compensation plans is that there must be a limit to the number of shares granted to any one individual under the plan. Accordingly, the 2001 Incentive Plan provides that no person may be granted more than 337,500 shares (split adjusted) in any calendar year. In addition, the maximum amount payable for a performance unit grant for any calendar year cannot exceed \$5 million. The 1993 ISO Plan, and the 2001 Incentive Plan were clarified and amended on September 22, 2006 by the Board to provide that, in the event of a change in the capital stock of the Company (such as a stock dividend, stock split, re-capitalization, merger, consolidation, split-up, combination, exchange of stock or other form of reorganization), such proportionate adjustment will be made to each award under any such plan as may be necessary or appropriate, as determined by the Compensation Committee, to reflect that change in the capital stock.

**401(k) Plan and Other Retirement Plans**

The Company maintains the 401(k) Plan for the benefit of qualified employees at the Company's locations in the United States. Employees who participate in the 401(k) Plan may elect to make salary deferral contributions to the 401(k) Plan up to 100% of the employees' eligible payroll subject to annual IRCode maximum limitations. The Company makes a matching contribution of \$1 for every \$2 contributed by the participant up to 6% (3% maximum matching) of the participants' eligible payroll, which initially vests over four years. In addition, the Company may make a discretionary contribution to the entire qualified employee pool in accordance with the 401(k) Plan.

As stipulated by the rules and regulations of the People's Republic of China, the Company maintains a retirement plan with the local municipal government for the employees in China. The Company is required to make contributions to the retirement plan at a rate between 10% and 22% of the employee's eligible payroll. Pursuant to the Taiwan Labor Standard Law and Factory Law, the Company maintains a retirement plan for the employees in Taiwan. The Company makes contributions at a rate of 6% of the employee's eligible payroll.

**Defined Benefit Plan**

In connection with the acquisition of Zetex plc, the Company adopted a contributory defined benefit plan that covers certain employees in the United Kingdom and Germany. The defined benefit plan is closed to new entrants and frozen with respect to future benefit accruals. The retirement benefit is calculated based on the final average compensation and service of each eligible employee. The Company determined the fair value of the defined benefit plan assets and utilizes an annual measurement date of December 31. At subsequent measurement dates, defined benefit plan assets will be determined based on fair value. Defined benefit plan assets consist primarily of high quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating the terms of the related pension liability. The net pension and supplemental retirement benefit obligations and the related periodic costs are based on, among other things, assumptions of the discount rate, estimated return on defined benefit plan assets and mortality rates. These obligations and related periodic costs are measured using actuarial techniques and assumptions. The projected unit credit method is the actuarial cost method used to compute the pension liabilities and related expenses.

The Company adopted a payment plan that Zetex had in place with the trustees of the defined benefit plan in which the Company will pay approximately £1 million GBP (approximately \$1.6 million based on a USD:GBP exchange rate of 1.6:1) every year from 2009 through 2011. The Company and the trustees are in discussions regarding the payment scheme.

The expected long-term return on defined benefit plan assets was determined based on historical and expected future returns of the various asset classes. The defined benefit plan's investment policy includes a mandate to diversify assets and invest in a variety of asset classes to achieve its expected long-term return and is currently invested in a variety of funds representing most standard equity and debt security classes. Trustees of the defined benefit plan may make changes at any time.

The Company's overall defined benefit plan investment strategy is to achieve a mix of investments for long-term growth and for near-term benefit payments with a wide diversification of asset types and fund strategies. The target allocations for defined benefit plan assets are 48% equity securities, 40% corporate bonds and government securities, and 12% to absolute return funds. Equity securities primarily include investments in large-cap and mid-cap companies primarily located in the United Kingdom (U.K.) Fixed income securities include corporate bonds of companies from diversified industries, and U.K. government bonds. The absolute return fund is mainly invested in a mixture of equities and bonds.

The defined benefit plan's trustees appoint fund managers to carry out all the day-to-day functions relating to the management of the fund and its administration. The fund managers must invest their portion of the defined benefit plan's assets in accordance with their investment manager agreement agreed by the trustees. The trustees are responsible for agreeing these investment manager agreements and for deciding on the portion of the defined benefit plan's assets that will be invested with each fund manager. When making decisions, the trustees take advice from experts

including the defined benefit plan's actuary and also consult with the

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Company.

The investment manager agreements require the fund managers to invest in a diverse range of stocks and bonds across each particular asset class. The stocks held by the defined benefit plan in a particular asset class should therefore match closely the underlying stocks in the relevant index. The Company believes that this leads to minimal concentration of risk within each asset class; although it recognizes that some asset classes are inherently more risky than others.

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The following table sets forth certain information regarding equity-based awards held by each of the NEOs as of December 31, 2011.

**OUTSTANDING EQUITY AWARDS AT FISCAL YEAR-END**

Name (a)	Option Awards					Stock Awards		Equity Incentive Plan Awards:	
	Number of Securities Underlying Unexercised Options (#)	Number of Securities Underlying Unexercised Options (1)	Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Options (#) (d)	Option Exercise Price (\$) (e)	Option Expiration Date (f)	Number of Shares or Units of Stock That Have Not Vested (#) (1) (g)	Market Value of Shares or Units of Stock That Have Not Vested (\$) (h)	Number of Unearned Shares, Units or Other Rights That Have Not Vested (#) (i)	Market Value of Unearned Shares, Units or Other Rights That Have Not Vested (\$) (j)
<b>Keh-Shew Lu (6)</b>	43,875			8.14	07/14/2014	200,000 (6)	4,260,000		
	118,125			11.53	04/14/2015				
	118,125			22.26	05/22/2016				
	111,000			24.66	05/31/2017				
	83,250	27,750		27.95	05/29/2018				
	111,000	111,000		15.05	05/28/2019				
	49,000	147,000		19.28	05/24/2020				
		196,000		29.21	05/26/2021				
<b>Richard D. White</b>	15,000			27.76	07/03/2016	950 (2)	411,090		
	15,000			24.66	05/31/2017	4,500 (3)			
	11,250	3,750		27.95	05/29/2018	5,850 (4)			
	22,500	22,500		15.05	05/28/2019	8,000 (5)			
	9,750	29,250		19.28	05/24/2020				
		38,500		29.21	05/26/2021				
<b>Mark A. King</b>	39,990			8.14	07/14/2014	1,125 (2)	414,818		
	14,511			15.54	07/12/2015	4,500 (3)			
	31,614			15.54	07/12/2015	5,850 (4)			
	27,000			22.26	05/22/2016	8,000 (5)			
	25,550			24.66	05/31/2017				
	18,750	6,250		27.95	05/29/2018				
	22,500	22,500		15.05	05/28/2019				
	9,750	29,250		19.28	05/24/2020				
		38,500		29.21	05/26/2021				
<b>Joseph Liu</b>	50,625			5.80	08/01/2013	1,250 (2)	309,915		
	50,625			8.14	07/14/2014	4,500 (3)			
	50,625			15.54	07/12/2015	4,200 (4)			
	30,000			22.26	05/22/2016	4,600 (5)			
	28,500			24.66	05/31/2017				
	19,500	6,500		27.95	05/29/2018				
	20,000	20,000		15.05	05/28/2019				
	4,250	12,750		19.28	05/24/2020				
		17,000		29.21	05/26/2021				

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<b>Edmund Tang</b>	13,500		28.45	10/02/2016	750 (2)	381,270
	12,000		24.66	05/31/2017	3,300 (3)	
	9,000	3,000	27.95	05/29/2018	5,850 (4)	
	12,000	12,000	15.05	05/28/2019	8,000 (5)	
	7,000	21,000	19.28	05/24/2020		
		35,300	29.21	05/26/2021		

*(Footnotes continued on following page)*

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- (1) Equity awards granted prior to May 22, 2006 vest in three equal annual installments on the first three anniversary dates of the date of grant. Equity awards granted on or after May 22, 2006 vest in four equal annual installments on the first four anniversary dates of the date of grant.
- (2) Awards vest in four equal annual installments beginning May 31, 2009.
- (3) Awards vest in four equal annual installments beginning May 29, 2010.
- (4) Awards vest in four equal annual installments beginning May 28, 2011.
- (5) Awards vest in four equal annual installments beginning May 24, 2012.
- (6) 600,000 shares of Common Stock in restricted stock awards will be granted in six equal annual installments of 100,000 shares, beginning April 14, 2010 and on each of the five subsequent anniversaries of such date. Each installment shall vest upon the Company achieving specified annual sales, provided Dr. Lu is then employed by the Company. As of the Record Date, no shares of Common Stock in RSAs have been vested.

**OPTION EXERCISES AND STOCK VESTED**

The following table sets forth certain information regarding exercises of options and vesting of RSUs held by NEOs during the year ended December 31, 2011.

Name	Option Awards		Stock Awards	
	Number of Shares Acquired on Exercise (#)	Value Realized on Exercise (\$)(1)	Number of Shares Acquired on Vesting (#)	Value Realized on Vesting (\$)(1)
<b>Keh-Shew Lu</b>				
<b>Richard D. White</b>			6,088	175,566
<b>Mark A. King</b>	41,100	1,019,560	6,450	186,137
<b>Joseph Liu</b>	25,000	677,315	6,213	179,838
<b>Edmund Tang</b>			5,100	146,717

- (1) Value realized on exercise (or vesting) is calculated by (i) multiplying the number of shares acquired upon exercise (or vesting) by (ii) the difference between the closing price of the Common Stock of the Company on the exercise (or vesting) date and the exercise price, if any, and does not reflect the actual value realized. The actual value realized depends upon the number of shares actually sold by each NEO, if any.

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The following table sets forth information with respect to shares of Common Stock that may be issued under the Company's equity compensation plans as of December 31, 2011.

**EQUITY COMPENSATION PLAN INFORMATION**

<b>Plan Category</b>	<b>Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights (a)</b>	<b>Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights (b)</b>	<b>Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected in Column (a)) (c)</b>
Equity Compensation Plans Approved by Security Holders	5,010,477 <sup>(1)</sup>	\$ 16.69 <sup>(2)</sup>	3,176,499 <sup>(3)</sup>
Equity Compensation Plans Not Approved by Security Holders			
<b>Total</b>	<b>5,010,477</b>	<b>\$ 16.69</b>	<b>3,176,499</b>

(1) Shares issuable pursuant to outstanding options and awards under the 1993 ISO Plan and the 2001 Incentive Plan as of December 31, 2011.

(2) Weighted average exercise price based on 3,587,226 stock options outstanding.

(3) Represents shares of Common Stock that may be issued pursuant to future awards under the 2001 Incentive Plan.

**Non-qualified Deferred Compensation**

The Company adopted a non-qualified deferred compensation plan effective January 1, 2007, which permits the Board and eligible employees, including the NEOs, to voluntarily elect to defer up to 75% of base salary, and up to 100% of cash bonuses and stock awards until designated future dates, provided that their total deferrals do not reduce their total compensation below the amount necessary to satisfy obligations such as employment taxes and benefit plan payments. Amounts deferred are credited with earnings or losses based on the participant's investment allocation among investment options, which may include stocks, bonds and mutual fund shares. Withdrawals can be made pursuant to Internal Revenue Service regulations for retirement and distributions. Upon termination of an executive, a 100% distribution is made after six months has lapsed. The Company may, from time to time, make discretionary contributions to participants' accounts. No discretionary contributions were made in 2011, 2010 or 2009. Distributions are paid in accordance with the participants' elections with regard to the timing and form of distributions. The Company offsets its obligations under the non-qualified deferred compensation plan by investing in the actual underlying investments. These investments are classified as trading securities and are carried at fair value. At December 31, 2011, these investments totaled approximately \$3 million. All gains and losses in these investments are materially offset by corresponding gains and losses in the deferred compensation plan liabilities.

**Table of Contents****NON-QUALIFIED DEFERRED COMPENSATION**

The following table sets forth certain information related to the non-qualified deferred compensation plan for the NEOs:

Name (a)	Executive Contributions in Last Fiscal Year (\$)(1)(b)	Registrant Contributions in Last Fiscal Year (\$)(c)	Aggregate Earnings in Last Fiscal Year (\$)(d)	Aggregate Withdrawals/Distributions (\$)(e)	Aggregate Balance at Last Fiscal Year End (\$)(f)
<b>Keh-Shew Lu</b>					6,519
<b>Richard D. White</b>			22		1,741
<b>Mark A. King</b>	63,208		8,689	(450,288)	256,002
<b>Joseph Liu</b>					
<b>Edmund Tang</b>			567		7,009

(1) Contributions are reported as compensation in the last completed fiscal year in either the Salary or the Bonus column in the Summary Compensation Table depending on the source of the deferral.

**Potential Payments Upon Termination or Change in Control**

The following sets forth potential payments payable to the NEOs upon termination of their employment or a change in control of the Company.

**Dr. Keh-Shew Lu***Payments Upon Termination by the Company Other Than for Cause or by the Employee for Good Reason*

Payments upon termination by the Company other than for cause (as defined) or by Dr. Lu for good reason (as defined) are governed by his current employment agreement entered into with the Company on September 22, 2009. Dr. Lu's relationship with the Company is at will and may be terminated at the option of either party, for any or no reason whatsoever, with or without cause.

Cause means:

the willful and continued refusal of the employee to substantially perform his duties in accordance with his employment agreement (other than any such failure resulting from incapacity due to physical or mental illness), insubordination, or material violation of the Company's policies, in each case after a written demand for substantial performance is delivered to the employee by the Board which specifically identifies the manner in which the Board believes that the employee has not substantially performed such duties, the acts constituting such insubordination, or such violations of the Company's policies, as the case may be, and the employee shall have had a reasonable opportunity to remedy the same; or

the conviction of, or a plea of nolo contendere by, the employee to a felony; or

a charge or indictment of a felony, the defense of which renders the employee substantially unable to perform his duties under his employment agreement.

Good reason means:



a material diminution in employee s base salary;

a material diminution in employee s authority, duties or responsibilities as contemplated in his employment

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agreement;

a material change in the geographic location at which employee must perform services; or

any other action or inaction that constitutes a material breach by the Company of this Agreement.

In the event Dr. Lu's employment terminated by (a) the Company other than for cause (as defined), or (b) him for good reason (as defined), (i) the Company shall continue to pay or provide him the annual base salary during the period commencing on the effective date of such termination and ending on the first anniversary of such effective date, (ii) the Company shall pay him any amount payable under an executive bonus plan for the fiscal year in which such termination occurs, prorated to the date of the termination, (iii) the Company shall provide him continued participation in any group health plan or medical reimbursement plan on the terms existing on the date of termination for the period commencing on the effective date of such termination and ending 18 months thereafter, and (iv) all stock-based compensation previously granted to him (including, but not limited to, all stock options, stock appreciation rights, bonus units and stock grants) shall continue to be governed by the applicable award agreement.

However, if Dr. Lu's employment is terminated either by the Company other than for cause (as defined) or by Dr. Lu for good reason (as defined) and if Dr. Lu then obtains a new employment within one year from the date of his termination, the annual base salary payable by the Company to Dr. Lu shall be reduced by any amount received by him during such one year of his new employment.

*Payments Upon Termination by the Company for Cause or by the Employee Other Than for Good Reason*

In the event that Dr. Lu's employment is terminated by (a) the Company for cause (as defined) or (b) the employee other than for good reason, (as defined), (i) the Company shall promptly pay to him the annual base salary, prorated through the date of termination and (ii) the Company shall pay him any amount payable under an executive bonus plan for the fiscal year in which such termination occurs, prorated to the date of his employment termination.

*Payment Upon Termination Due To Death or Disability*

Under Dr. Lu's employment agreement, Dr. Lu is entitled to a life insurance policy with a death benefit in an amount equal to that existing on the date of his employment agreement and/or a disability insurance policy in the maximum insurable amount as defined by such policy. The employment agreement does not provide for a payment to Dr. Lu in the event of termination due to death or disability.

Dr. Lu's stock award agreement dated September 22, 2009 provides that in the event of his death or Disability (as defined), the shares of Common Stock granted to him under such stock award agreement shall become fully vested on such date of his death or Disability.

The 2001 Incentive Plan generally provides that if the executive dies or becomes permanently disabled (as defined), the award will be exercisable by the executive's successor until the earlier of (1) the expiration date of the award (generally ten years from date of grant), or (2) for one year after such death or permanent disability, to the extent such award was exercisable on the date of death or permanent disability. The awards will generally continue to vest according to the vesting schedule.

*Payment Upon a Change in Control*

Except as otherwise stated in the 2001 Plan or in any of Dr. Lu's equity award agreements, the 2001 Plan generally provides that, in the event of a change in control, (1) all of Dr. Lu's stock options then outstanding shall become fully vested and exercisable as of the date of the change in control and shall terminate at such time as specified in his stock option agreements, and (2) all restrictions and conditions of all Restricted Stock Grants (as defined) then outstanding shall be deemed satisfied as of the date of the change in control. A change in control, as currently defined in the 2001 Incentive Plan, means the occurrence of any one (or more) of the following:

any person, including a group as defined in Section 13(d)(3) of the Exchange Act, as amended, becoming the beneficial owner of stock of the Company which entitles such holder to cast 25% or more of the total number of votes for the election of the Board;

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a cash tender offer, exchange offer, merger or other business combination, sale of assets or contested election, or combination of the foregoing, in which the directors of the Company immediately prior to such

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event cease to be a majority of the Board;

the Company ceases to be an independent publicly owned company or a sale or other disposition is completed for all or substantially all the assets of the Company; or

a tender offer or exchange offer (other than one made by the Company) in which the shares of the Company's stock are acquired.

*Payment Upon Retirement*

Dr. Lu's employment agreement does not specifically provide for a payment to him in the event of his retirement.

*The 2001 Incentive Plan generally provides that upon retirement, the option or stock award will continue to vest according to the vesting schedule. In addition, upon retirement, the option or stock award will be exercisable until the earlier of (1) the expiration date of the option (generally ten years from date of grant) or stock award, or (2) for three months after the termination date of the executive.*

Assuming Dr. Lu's employment was terminated on December 31, 2011 either by the Company other than for cause (as defined) or by Dr. Lu for good reason (as defined), he would have received a potential payment and benefits upon such termination equal to \$762,473, which includes his one-year annual salary in the amount of \$409,000 and a 18 month health plan in the amount of \$13,982. Dr. Lu would also continue to be entitled to exercise his vested stock options with a value on December 31, 2011 of \$1,039,972. However, if Dr. Lu then obtains a new employment within one year from the date of his termination, the annual base salary in the amount of \$409,000 received by Dr. Lu shall be reduced by any amount received by him during such one year of his new employment.

Assuming Dr. Lu's employment was terminated on December 31, 2011 either by the Company for cause (as defined) or by him other than for good reason, (as defined), he would have received a potential payment upon such termination in the amount of his one-year annual salary in the amount of \$409,000. Dr. Lu would continue to be entitled to exercise his vested stock options with a value on December 31, 2011 of \$1,039,973.

Assuming Dr. Lu's employment was terminated due to death or Disability on December 31, 2011, Dr. Lu, or his estate, would have received a \$700,000 life insurance benefit in the event of his death or \$187,500 disability insurance benefit in the event of his Disability. In the event of his death or Disability, Dr. Lu would continue to be entitled to exercise his vested stock options with a value on December 31, 2011 of \$1,039,973.

Assuming Dr. Lu's employment was terminated due to change in control on December 31, 2011, Dr. Lu would be entitled to exercise all of his outstanding stock options with a value on December 31, 2011 of \$5,994,898.

Assuming Dr. Lu's employment was terminated due to his retirement on December 31, 2011, Dr. Lu would continue to be entitled to exercise his vested stock options with a value on December 31, 2011 of \$1,039,973.

The foregoing amounts are estimates only and do not necessarily reflect the actual amounts that would be paid to Dr. Lu, which amounts would only be known at the time of termination.

**Messrs. Joseph Liu and Mark A. King**

*Payment Upon Termination Without Cause*

Payments upon termination without cause for Messrs. Liu and King are governed by their current employment agreements entered into with the Company on August 29, 2005. The executive's relationship with the Company is at will and may be terminated at the option of either party, with or without cause.

Cause means:

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the willful and continued refusal of the executive to substantially perform his duties in accordance with his employment agreement, after the Board has provided the executive with written demand for substantial performance and the executive has had reasonable opportunity to remedy it;

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the conviction of, or a plea of nolo contendere by, the executive to a felony; or

a charge or indictment of a felony, the defense of which renders the executive substantially unable to perform his duties under his employment agreement.

In the event employment is terminated by the Company without cause, the executive either may (a) commence a one-year paid leave of absence (LOA), or (b) forego such LOA and the benefits associated therewith. If the executive chooses to commence the LOA, the potential payments to the executive are as follows:

Payments during the leave of absence. During the LOA, the executive will continue as a full-time employee of the Company, entitled to receive all the benefits provided under his employment agreement, namely: (1) his annual base salary; (2) participation in any executive bonus plan of the Company, pro-rated to the beginning of the LOA; (3) reimbursement for all reasonable and documented business expenses; (4) paid vacation in accordance with the Company's vacation policy for employees generally; (5) participation in all plans provided to employees in general; (6) a life insurance policy in the amount in effect on the date of the employment agreement; and (7) a disability policy in the maximum insurable amount.

Payments after the leave of absence. At the end of the LOA, neither the Company nor the executive shall have any further duties under his employment agreement, except that (1) the Company shall continue to pay to the executive, or his estate, the annual base salary for one year, and (2) all share-based compensation previously granted shall continue to vest and shall remain exercisable for the full term thereof, determined without regard to the termination of employment.

If the executive chooses to forego the LOA and the benefits associated therewith, the vesting of any options, RSAs or RSUs awarded to the executive and his ability to exercise them upon termination will be governed by the terms of the 2001 Incentive Plan and his stock award agreements. The 2001 Incentive Plan generally provides, that if the executive is terminated for any reason other than death or permanent disability (as defined), the award will be exercisable until the earlier of (1) the expiration date of the award (generally ten years from date of grant), or (2) for three months after the termination date of the executive.

### *Payment Upon Termination With Cause*

The employment agreements do not provide for a payment to the executives in the event of termination with cause. Although executives employment agreements do not provide for payments to the executives in the event of their termination with cause, executives may exercise their vested stock options, RSUs and/or RSAs in accordance with corresponding stock plans and equity award agreements.

### *Payment Upon Termination Due To Death or Disability*

The 2001 Incentive Plan generally provides that if the executive dies or becomes permanently disabled (as defined), the award will be exercisable by the executive's successor until the earlier of (1) the expiration date of the award (generally ten years from date of grant), or (2) for one year after such death or permanent disability, to the extent such award was exercisable on the date of death or permanent disability. The awards will generally continue to vest according to the vesting schedule. The NEOs are also entitled to receive benefits under the Company's disability plan or payments under the Company's life insurance plan, as appropriate. The employment agreements do not provide for a payment to the executives in the event of termination due to death or disability.

### *Payment Upon a Change in Control*

Upon a change in control, all share-based compensation granted to the executive shall vest immediately and be exercisable for the full term thereof. A change in control, as currently defined in both the 2001 Incentive Plan and the NEO's current employment agreement, means the occurrence of any one (or more) of the following:

any person, including a group as defined in Section 13(d)(3) of the Exchange Act, as amended, becoming the beneficial owner of stock of the Company which entitles such holder to cast 25% or more of the total number of votes for the election of the Board;

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a cash tender offer, exchange offer, merger or other business combination, sale of assets or contested election, or combination of the foregoing, in which the directors of the Company immediately prior to such event cease to be a majority of the Board;

the Company ceases to be an independent publicly owned company or a sale or other disposition is

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completed for all or substantially all the assets of the Company; or

a tender offer or exchange offer (other than one made by the Company) in which the shares of the Company's stock are acquired.

*Payment Upon Retirement*

The 2001 Incentive Plan and forms of option and stock award agreements generally provide that upon retirement, the option or stock award will continue to vest according to the vesting schedule. In addition, upon retirement, the option or stock award will be exercisable until the earlier of (1) the expiration date of the option (generally ten years from date of grant) or stock award, or (2) for three months after the termination date of the executive.

The following table shows the potential payments upon termination or a change in control of the Company for each of the NEOs assuming each of the NEO's employment was terminated on December 31, 2011, and assuming that the change in control occurred at December 31, 2011. These disclosed amounts are estimates only and do not necessarily reflect the actual amounts that would be paid to the NEOs, which would only be known at the time they become eligible for such payments.

Name	Voluntary Termination or Termination With Cause (\$)(1)	Termination due to Death or Disability (\$)(1)(2)	Termination Without Cause (\$)(1)(3)	Change in Control (\$)(1)(4)
<b>Keh-Shew Lu</b>	762,473		7,166,433	5,994,898
<b>Mark A. King</b>	227,680		1,511,365	760,915
<b>Joseph Liu</b>	209,290		1,224,400	487,610

(1) Does not include the following amounts that could be realized upon exercising vested stock options:

Name	Amounts (\$)
<b>Keh-Shew Lu</b>	1,039,973
<b>Mark A. King</b>	236,288
<b>Joseph Liu</b>	254,235

Amounts assume that all vested stock options as of December 31, 2011 are exercised as of December 31, 2011, and are calculated by multiplying the number of vested stock options by the difference between the exercise price and the closing price of the Company's Common Stock on December 31, 2011.

(2) Such amounts do not include a \$700,000 benefit for each NEO paid by the Company's life insurance policy upon death and do not include the following short- and long-term disability payments for the first year and long-term disability payments for the second year paid by disability insurance policies:

Name	First Year Amounts (\$)	Second Year Amounts (\$)
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<b>Keh-Shew Lu</b>	183,750	363,750
<b>Mark A. King</b>	160,272	323,448
<b>Joseph Liu</b>	165,506	249,758

- (3) The following table reflects the estimate of the payments and benefits that each NEO would receive assuming the NEO's employment was terminated without cause on December 31, 2011, and the NEO chose to commence the LOA beginning on January 1, 2012. These disclosed amounts are estimates only and do not necessarily reflect the actual amounts that would

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be paid to the NEOs, which would only be known at the time they become eligible for such payments.

Name	Base		Paid Vacation (\$)	Medical Benefits (\$ (c))	Life Insurance, Disability and Death Benefits (\$ (d))	Continued Vesting of Share- based Compensation (\$)	Total (\$)
	Salary (\$ (a))	Bonus (\$ (b))					
<b>Keh-Shew Lu</b>	409,000	720,000	28,315	14,220	0	5,994,898	<b>7,166,433</b>
<b>Mark A. King</b>	490,000	200,000	47,115	13,335	0	760,915	<b>1,511,365</b>
<b>Joseph Liu</b>	506,000	172,800	48,654	9,336	0	487,610	<b>1,224,400</b>

- (a) For purposes of determining this amount, Dr. Lu would receive his current base salary for one-year following the termination and Mr. King and Mr. Liu would receive their current base salaries during the LOA and the one-year following the LOA. For the LOA, the base salary will be paid over the year, in accordance with the Company's payroll practices. Payment of the base salary for the one-year following the LOA will be paid in a lump sum.
- (b) Any bonus amount would be prorated based on days employed in 2011 and calculated using actual 2011 results per the criteria in accordance with the Company's executive bonus plan.
- (c) Reflects the estimated lump sum value of premiums to be paid on behalf of the executive under the medical benefit plans for 18 months for Dr. Lu and during the LOA for Mr. King and Mr. Liu.
- (d) Reflects the estimated lump sum value of cost of coverage for life insurance, disability and death benefits to be paid on behalf of the executive during the LOA. Does not include a \$700,000 benefit for each NEO employed in the U.S. paid by the Company's life insurance policy upon death.
- (4) Represents the value of the accelerated vesting of the following shares underlying options, RSAs and RSUs assuming a change in control occurs on December 31, 2011:

Name	Options (#)	RSAs/ RSUs (#)	Total Shares (#)
<b>Mark A. King</b>	96,500	19,475	115,975
<b>Joseph Liu</b>	56,250	14,550	70,800

Table of Contents**PROPOSAL THREE****RATIFICATION OF THE APPOINTMENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

The firm of Moss Adams LLP has been the Company's independent registered public accounting firm since 1993 and has been selected by the Board, upon the recommendation of the Audit Committee, to serve as the Company's independent registered public accounting firm for the fiscal year ending December 31, 2012. Professional services rendered by Moss Adams LLP for 2011 consisted of an audit of the Company's annual financial statements (including services incurred with rendering an opinion under Section 404 of the Sarbanes-Oxley Act of 2002) and review of quarterly financial statements, consultation on interim financial statements, services related to filings with the SEC, meetings with the Company's Audit Committee and consultation on various matters relating to accounting and financial reporting. All professional services rendered by Moss Adams LLP during 2011 were furnished at customary rates and terms. Representatives of Moss Adams LLP are expected to be present at the Meeting and will have the opportunity to make a statement, if they so desire, and respond to appropriate questions from stockholders.

**Audit Fees, Tax Fees and All Other Fees**

For the fiscal years ended December 31, 2011 and 2010, fees for the services provided by Moss Adams LLP were approximately as follows:

Description	2011	2010
<b>Audit Fees</b> , including fees for professional services necessary to perform an audit or review in accordance with the standards of the Public Company Accounting Oversight Board, including services rendered for the audit of the Company's financial statements (including services incurred with rendering an opinion under Section 404 of the Sarbanes-Oxley Act of 2002) included in the Annual Report on Form 10-K and review of financial statements included in the Quarterly Reports on Form 10-Q.	\$ 928,000	\$ 924,000
<b>Tax Fees</b> , professional services related to income tax.		
<b>All Other Fees</b> , not included in above.	\$ 61,000	
<b>Total</b>	<b>\$ 989,000</b>	<b>\$ 924,000</b>

The Audit Committee administers the Company's engagement of Moss Adams LLP and pre-approves all audit and permissible non-audit services on a case-by-case basis with the exception that the Audit Committee has delegated the authority to approve non-audit services under \$50,000 to the Company's management. In approving non-audit services, the Audit Committee considers whether the engagement could compromise the independence of Moss Adams LLP, and whether for reasons of efficiency or convenience it is in the best interest of the Company to engage its independent registered public accounting firm to perform the services.

Moss Adams LLP has advised the Company that neither the firm, nor any member of the firm, has any financial interest, direct or indirect, in any capacity in the Company or its subsidiaries. The Audit Committee, in reliance on the independent registered public accounting firm, determined that the provision of these services is compatible with maintaining the independence of Moss Adams LLP.

Prior to engagement, the Audit Committee pre-approves all independent registered public accounting firm services. The fees are budgeted and the Audit Committee may require the independent registered public accounting firm and management to report actual fees versus the budget periodically throughout the year by category of service. During the year, circumstances may arise when it may become necessary to engage the independent registered public accounting firm for additional services not contemplated in the original pre-approval categories. In those instances, the Audit Committee is required to specifically pre-approve such additional services before engaging the independent registered public accounting firm.

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The Audit Committee has delegated pre-approval authority to each of its members. Each member must report, for informational purposes only, any pre-approval decisions to the Audit Committee at its next scheduled meeting.

Although the appointment of Moss Adams LLP as the Company's independent registered public accounting firm for the fiscal year ending December 31, 2012 is not required to be submitted to a vote of stockholders, the Audit Committee believes it is appropriate as a matter of policy to request that the stockholders ratify the appointment. If the stockholders do not ratify the appointment, which requires the affirmative vote of a majority of the outstanding shares of Common Stock present, in person or by proxy, and entitled to vote at the Meeting, the Board will consider the selection of another independent registered public accounting firm.

**The Board unanimously recommends that you vote FOR the ratification of the appointment of Moss Adams LLP as the Company's independent registered public accounting firm for the fiscal year ending December 31, 2012.**

### **PROPOSALS OF STOCKHOLDERS AND STOCKHOLDER NOMINATIONS FOR 2013 ANNUAL MEETING**

Under certain circumstances, stockholders are entitled to present proposals at stockholder meetings. Currently, the 2013 annual meeting of stockholders is expected to be held on or about May 22, 2013.

SEC rules provide that any stockholder proposal to be included in the proxy statement for the Company's 2013 annual meeting must be received by the Secretary of the Company at the Company's office at 4949 Hedgecoxe Road, Suite 200, Plano, Texas 75024 on or before to December 13, 2012, in a form that complies with applicable regulations. If the date of the 2013 annual meeting is advanced or delayed more than 30 days from the date of the 2012 annual meeting, stockholder proposals intended to be included in the proxy statement for the 2013 annual meeting must be received by the Company within a reasonable time before the Company begins to print and mail the proxy statement for the 2013 annual meeting. Upon any determination that the date of the 2013 annual meeting will be advanced or delayed by more than 30 days from the date of the 2012 annual meeting, the Company will disclose the change in the earliest practicable Quarterly Report on Form 10-Q.

SEC rules also govern a company's ability to use discretionary proxy authority with respect to stockholder proposals that were not submitted by the stockholders in time to be included in the proxy statement. In the event a stockholder proposal is not submitted to the Company prior to February 27, 2013, the proxies solicited by the Board for the 2013 annual meeting of stockholders will confer authority on the proxyholders to vote the shares in accordance with the recommendations of the Board if the proposal is presented at the 2013 annual meeting of stockholders without any discussion of the proposal in the proxy statement for such meeting. If the date of the 2013 annual meeting is advanced or delayed more than 30 days from the date of the 2012 annual meeting, then the stockholder proposal must not have been submitted to the Company within a reasonable time before the Company mails the proxy statement for the 2013 annual meeting.

Stockholders may suggest candidates for the Board. Stockholders who wish to request that the Governance Committee consider a candidate for the 2013 annual meeting should submit information about the candidate to the Governance Committee a reasonable time before the Company begins to print and mail the proxy statement for the 2013 annual meeting. The requesting stockholder should provide sufficient biographical information about the proposed candidate to satisfy the requirements of the SEC for inclusion in the proxy statement and to permit the Governance Committee to evaluate the proposed candidate in light of the criteria described in Corporate Governance Nominating Procedures and Criteria and Board Diversity. The request should also provide the full name, address and telephone number of the requesting stockholder and sufficient information to verify that the requesting stockholder is eligible to vote at the 2013 annual meeting. Additional information and certifications by the requesting stockholder and the proposed candidate may be required before the Governance Committee can make its evaluation.

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**ANNUAL REPORT AND FORM 10-K**

The Company's Annual Report to stockholders for the year ended December 31, 2011 accompanies or has preceded this Proxy Statement. The annual report contains consolidated financial statements of the Company and its subsidiaries and the report thereon of Moss Adams LLP, the Company's independent registered public accounting firm, for the fiscal years ended December 31, 2011, 2010 and 2009.

STOCKHOLDERS MAY OBTAIN, WITHOUT CHARGE, A COPY OF THE COMPANY'S ANNUAL REPORT ON FORM 10-K, INCLUDING FINANCIAL STATEMENTS REQUIRED TO BE FILED WITH THE SEC PURSUANT TO THE EXCHANGE ACT, FOR THE YEAR ENDED DECEMBER 31, 2011 BY WRITING TO THE COMPANY; ATTENTION: INVESTOR RELATIONS, 4949 HEDGCOXE ROAD, SUITE 200, PLANO, TEXAS 75024, OR EMAIL THE REQUEST TO [DIODES-FIN@DIODES.COM](mailto:DIODES-FIN@DIODES.COM). THE INFORMATION IS ALSO AVAILABLE ON THE COMPANY'S WEBSITE AT [WWW.DIODES.COM](http://WWW.DIODES.COM) AND THE SEC'S WEBSITE AT [WWW.SEC.GOV](http://WWW.SEC.GOV).

Dated at Plano, Texas, this 12th day of April, 2012.

By Order of the Board of Directors,

DIODES INCORPORATED

Richard D. White,  
Secretary

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**APPENDIX A**

**AUDIT COMMITTEE CHARTER**

The Audit Committee is appointed by the Board to assist the Board in monitoring (1) the integrity of the financial statements of the Company, (2) the compliance by the Company with legal and regulatory requirements and (3) the independence and performance of the Company's internal and external auditors.

The members of the Audit Committee shall meet the independence and audit committee policy of the Nasdaq Stock Exchange and the Securities and Exchange Commission. The members of the Audit Committee shall be appointed by the Board.

The Audit Committee shall have the authority to retain special legal, accounting or other consultants to advise the Committee. The Audit Committee may request any officer or employee of the Company or the Company's outside counsel or independent auditor to attend a meeting of the Committee or to meet with any members of, or consultants to, the Committee.

The Audit Committee shall make regular reports to the Board.

The Audit Committee shall:

1. Review and reassess the adequacy of this Charter annually and recommend any proposed changes to the Board for approval.
2. Review the annual audited financial statements with management, including major issues regarding accounting and auditing principles and practices as well as the adequacy of internal controls that could significantly affect the Company's financial statements.
3. Review an analysis prepared by management and the independent auditor of significant financial reporting issues and judgments made in connection with the preparation of the Company's financial statements.
4. Review with management and the independent auditor the Company's annual and quarterly financial statements prior to the filing of its Form 10-K and 10-Q.
5. Meet periodically with management to review the Company's major financial risk exposures and the steps management has taken to monitor and control such exposures.
6. Review major changes to the Company's auditing and accounting principles and practices as suggested by the independent auditor, internal auditors or management.
7. Recommend to the Board the appointment of the independent auditor, which firm is ultimately accountable to the Audit Committee and the Board.
8. Has the authority and responsibility for appointment, compensation, retention, and oversight of the work of independent auditors, including resolution of disagreements between management and the auditors regarding financial reporting.
9. Pre-approve all audit and permitted non-audit services to be performed by the independent auditors.

10. Receive periodic reports from the independent auditor regarding the auditor's independence consistent with Independence Standards Board Standard 1, discuss such reports with the auditor, and if so determined by the Audit Committee, take or recommend that the Board take appropriate action to oversee the independence of the auditor.
11. Evaluate ~~together with the Board~~ the performance of the independent auditor and, if so determined by the Audit Committee, recommend that the Board replace the independent auditor.
12. Appoint and replace the senior internal auditing executive.
13. Review any significant reports to management prepared by the internal auditing department and management's

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responses.

14. Meet with the independent auditor prior to the audit to review the planning and staffing of the audit.
15. Obtain from the independent auditor assurance that Section 10A of the Securities Exchange Act of 1934 has not been implicated.
16. Obtain reports from management, the Company's senior internal auditing executive and the independent auditor that the Company's subsidiary/foreign affiliated entities are in conformity with applicable legal requirements and the Company's code of conduct.
17. Discuss with the independent auditor the matters required to be discussed by Statement on Auditing Standards No. 61 and the requirement of Section 204 of Sarbanes-Oxley Act of 2002 relating to the conduct of the audit before the reports issuance of auditors.
18. Review with the independent auditor any problems or difficulties the auditor may have encountered and any management letter provided by the auditor and the Company's response to that letter. Such review should include:
  - a. Any difficulties encountered in the course of the audit work, including any restrictions on the scope of activities or access to required information.
  - b. Any changes required in the planned scope of the audit.
  - c. The responsibilities, budget and staffing of the internal audit department, if any.
19. Supervise preparation of the report required by the rules of the Securities and Exchange Commission to be included in the Company's annual proxy statement.
20. Advise the Board from time to time with respect to the Company's policies and procedures regarding compliance with applicable laws and regulations and with the Company's code of conduct.
21. Meet with the Company's legal counsel to review legal matters that may have a material impact on the financial statements, the Company's compliance policies and any material reports or inquiries received from regulators or governmental agencies.
22. Meet at least annually with the Chief Financial Officer, the senior internal auditing executive and the independent auditor in separate executive sessions.
23. Conduct an appropriate review of all related party transactions for potential conflict of interest situations on an ongoing basis, all in accordance with such procedures as the Audit Committee may adopt from time to time.
- 24.



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Establish procedures, under confidential and anonymous submission, for the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting control or auditing matters.

25. While the Audit Committee has the responsibilities and powers set forth in this Charter, it is not the duty of the Audit Committee to plan or conduct audits or to determine that the Company's financial statements are complete and accurate and are in accordance with generally accepted accounting principles. This is the responsibility of management and the independent auditor.

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**MEETING MAP AND DRIVING DIRECTIONS**

**Diodes Incorporated**

4949 Hedgcoxe Road, Suite 200

Plano, Texas 75024

T: 972-987-3900

F: 972-731-3510

**Directions:**

**From Dallas/Ft. Worth International Airport (DFW):**

Take Highway 121 Sam Rayburn Tollway (SRT) north for approximately 20 miles.

Exit Preston Drive (Texas 289 South) and turn right on Preston Drive.

Continue on Preston Drive and turn left on Hedgcoxe Road.

Diodes Incorporated is on the left-hand side at the corner of Preston Drive and Hedgcoxe Road.

**From Dallas Love Field Airport:**

Turn left (east) on Mockingbird Lane and enter the Dallas North Tollway north for approximately 15 miles.

Exit Legacy Drive and turn right.

Turn left on to Hedgcoxe Road.

Diodes Incorporated is on the left-hand side at the corner of Preston Drive and Hedgcoxe Road.

**From the North**

Take North Dallas Tollway southbound.

Exit at Legacy Drive and turn left.

Turn left on to Hedgcoxe Road.

Diodes Incorporated is on the left-hand side at the corner of Preston Drive and Hedgcoxe Road.

**From the East**

Take Highway 121 Sam Rayburn Tollway (SRT) south.

Exit Preston Drive (Texas 289 South) and turn left on Preston Drive.

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04) Keh-Shew Lu

The Board of Directors recommends that you vote FOR the following proposals:

For Against Abstain

2. To approve the Company's executive compensation.

.. .. .

3. To ratify the appointment of Moss Adams LLP as the Company's independent registered public accounting firm for the year ending December 31, 2012.

.. .. .

To transact such other business as may properly come before the annual meeting of the stockholders of Diodes Incorporated or any adjournment or postponement thereof.

For address changes and/or comments, please check this box and write them on the back where indicated.

..

Please indicate if you plan to attend this meeting.

.. ..

Yes No

Please sign exactly as your name(s) appear(s) hereon. When signing as attorney, executor, administrator, or other fiduciary, please give full title as such. Joint owners should each sign personally. All holders must sign. If a corporation or partnership, please sign in full corporate or partnership name by authorized officer.

Signature [PLEASE SIGN WITHIN BOX] Date

Signature (Joint Owners) Date

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Continue on Preston Drive and turn left on Hedgcoxe Road.

Diodes Incorporated is on the left-hand side at the corner of Preston Drive and Hedgcoxe Road.

**Important Notice Regarding the Available of Proxy Materials for the Annual Meeting of Stockholders:**

The Notice, the Proxy Statement and the Annual Report with Form 10-K Wrap are available at [www.proxyvote.com](http://www.proxyvote.com).

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**DIODES INCORPORATED**

**Annual Meeting of Stockholders**

**May 22, 2012 10:00 a.m. (Central Time)**

**This proxy is solicited by the Board of Directors**

The undersigned stockholder(s) of Diodes Incorporated (the Company) hereby acknowledges the receipt of the Notice of Annual Meeting of Stockholders and Proxy Statement with respect to the annual meeting of stockholders of the Company (the Meeting) to be held on Tuesday, May 22, 2012, at the Company's executive offices, located at 4949 Hedgcoxe Road, Suite 200, Plano, Texas 75024, at 10:00 a.m. (Central time), and hereby nominates, constitutes and appoints Keh-Shew Lu and Richard D. White, and each of them, the attorneys, agents and proxies of the undersigned, each with full power of substitution, to vote all stock of the Company which the undersigned is entitled to vote at the Meeting, and any adjournments or postponements thereof, as fully and with the same force and effect as the undersigned might or could do if personally thereat. The undersigned hereby revokes all proxies previously given by the undersigned to vote at the Meeting or any adjournments or postponements thereof.

**THIS PROXY WILL BE VOTED AS SPECIFIED ON THE REVERSE SIDE OR, IF NO CHOICE IS SPECIFIED, FOR THE ELECTION OF THE NOMINEES, FOR PROPOSAL TWO, FOR PROPOSAL THREE, AND AS SAID PROXIES DEEM ADVISABLE ON SUCH OTHER MATTERS AS PROPERLY MAY COME BEFORE THE MEETING AND ANY ADJOURNMENTS OR POSTPONEMENTS THEREOF.**

**Address Changes/Comments:**

(If you noted any Address Changes/Comments above, please mark corresponding box on the reverse side.)

**Continued and to be signed on reverse side**