

MONOLITHIC POWER SYSTEMS INC  
Form DEF 14A  
April 30, 2019

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**UNITED STATES**

**SECURITIES AND EXCHANGE COMMISSION**

**Washington, D.C. 20549**

**SCHEDULE 14A**

**(Rule 14a-101)**

**INFORMATION REQUIRED IN PROXY STATEMENT**

**SCHEDULE 14A INFORMATION**

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

**Exchange Act of 1934**

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement

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

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material Pursuant to §240.14a-12

**MONOLITHIC POWER SYSTEMS, INC.**

(Name of Registrant as Specified In Its Charter)

n/a

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

Payment of Filing Fee (Check the appropriate box):

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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April 30, 2019

Dear Stockholder:

You are invited to attend the 2019 Annual Meeting of Stockholders of Monolithic Power Systems, Inc. to be held on Thursday, June 13, 2019, at 10:00 a.m., Pacific Daylight Time, at our principal executive office at 4040 Lake Washington Boulevard NE, Suite 201, Kirkland, Washington 98033.

It is important that your shares be represented and voted whether or not you plan to attend the Annual Meeting in person. We continue using the Securities and Exchange Commission rule that permits companies to furnish proxy materials to stockholders over the Internet. If you are viewing the Proxy Statement on the Internet, you may grant your proxy electronically over the Internet by following the instructions on the Notice Regarding the Availability of Proxy Materials previously mailed to you and the instructions listed on the Internet site. If you have received a paper copy of the Proxy Statement and proxy card, you may grant a proxy to vote your shares by completing and mailing the proxy card enclosed with the Proxy Statement, or you may grant your proxy electronically over the Internet or by telephone by following the instructions on the proxy card. If your shares are held in "street name," which means shares held of record by a broker, bank, trust or other nominee, you should review the Notice Regarding the Availability of Proxy Materials or Proxy Statement and voting instruction form used by that firm to determine whether and how you will be able to submit your proxy by telephone or over the Internet. Submitting a proxy over the Internet, by telephone or by mailing a proxy card, will ensure your shares are represented at the Annual Meeting.

Your vote is important, regardless of the number of shares that you own.

On behalf of the Board of Directors, I thank you for your participation. We look forward to seeing you on June 13, 2019.

Sincerely,

Michael Hsing  
Chairman of the Board, President and Chief Executive Officer

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**MONOLITHIC POWER SYSTEMS, INC.**

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**NOTICE OF ANNUAL MEETING OF STOCKHOLDERS**

**To Be Held on June 13, 2019**

To the Stockholders of Monolithic Power Systems, Inc.:

NOTICE IS HEREBY GIVEN that the Annual Meeting of Stockholders of Monolithic Power Systems, Inc. (the “Company”), a Delaware corporation, will be held on Thursday, June 13, 2019, at 10:00 a.m., Pacific Daylight Time, at our principal executive office located at 4040 Lake Washington Boulevard NE, Suite 201, Kirkland, Washington 98033, for the following purposes:

1. To elect two Class III directors to serve for three-year terms until our annual meeting of stockholders in 2022 or until their respective successors are duly elected and qualified. The nominees for election to the Board of Directors are Herbert Chang and Michael Hsing.
2. To ratify the appointment of Ernst & Young LLP as the Company’s independent registered public accounting firm for the year ending December 31, 2019.
3. To hold an advisory vote on the compensation of the Company’s named executive officers.
4. To transact such other business as may properly come before the meeting or any adjournment thereof.

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

Only stockholders of record at the close of business on April 16, 2019 are entitled to notice of and to vote at the meeting.

**Your vote is important.** All stockholders are cordially invited to attend the meeting in person. However, to assure your representation at the meeting, we encourage you to submit your proxy as soon as possible using one of three convenient methods: (i) by accessing the Internet site described in the Notice Regarding the Availability of Proxy Materials (the “Notice”) or in the proxy card or the voting instruction form provided to you; (ii) by calling the toll-free number described in the proxy card or the voting instruction form provided to you; or (iii) by signing, dating and returning the proxy card or the instruction form provided to you. By submitting your proxy promptly, you will save the Company the expense of further proxy solicitation. Any stockholder of record attending the meeting may vote in person even if he or she has already returned a proxy.

By Order of the Board of Directors,

Saria Tseng  
Vice President, Strategic Corporate Development, General Counsel and Corporate Secretary  
Kirkland, Washington

April 30, 2019

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**MONOLITHIC POWER SYSTEMS, INC.**

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**PROXY STATEMENT**

**FOR**

**2019 ANNUAL MEETING OF STOCKHOLDERS**

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**INFORMATION CONCERNING SOLICITATION AND VOTING**

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### **General**

This Proxy Statement is being furnished to holders of common stock, par value \$0.001 per share (the “Common Stock”), of Monolithic Power Systems, Inc., a Delaware corporation (the “Company” or “MPS”), in connection with the solicitation of proxies by our Board of Directors (the “Board”) for use at the Annual Meeting of Stockholders (the “Annual Meeting”) to be held on Thursday, June 13, 2019 at 10:00 a.m., Pacific Daylight Time, and at any adjournment or postponement thereof for the purpose of considering and acting upon the matters set forth herein.

The Annual Meeting will be held at our principal executive office located at 4040 Lake Washington Boulevard NE, Suite 201, Kirkland, Washington 98033. The telephone number at that location is (425) 296-9956.

### **Internet Availability of Proxy Materials**

Pursuant to the rules adopted by the Securities and Exchange Commission (the “SEC”), we have elected to provide access to our proxy materials over the Internet. Accordingly, we are sending a Notice Regarding the Availability of Proxy Materials (the “Notice”) to certain of our stockholders of record, and upon request, we will send a paper copy of the proxy materials and proxy card to other stockholders of record. Brokers and other nominees who hold shares on behalf of beneficial owners will be sending their own similar notice. Stockholders will have the ability to access the proxy materials on the website referred to in the Notice or request to receive a printed set of the proxy materials. Instructions on how to request a printed copy by mail or electronically may be found on the Notice and on the website referred to in the Notice, including an option to request paper copies on an ongoing basis. We intend to make this Proxy Statement available on the Internet and to mail the notice, or to mail the Proxy Statement and proxy card, as applicable, on or about May 3, 2019 to all stockholders of record at the close of business on April 16, 2019 (the “Record Date”).

### **Record Date; Outstanding Shares**

Only stockholders of record at the close of business on the Record Date are entitled to notice of, and to vote at, the Annual Meeting and any adjournment thereof. These stockholders are entitled to cast one vote for each share of Common Stock held as of the Record Date on all matters properly submitted for the vote of stockholders at the Annual Meeting. On the Record Date, 43,036,450 shares of Common Stock were issued and outstanding. No shares of our Preferred Stock were issued and outstanding. For information regarding security ownership by management, directors, and beneficial owners of more than 5% of the Common Stock, see the section “*Security Ownership of Certain Beneficial Owners and Management.*”

## Procedure for Submitting Stockholder Proposals

*Requirements for stockholder proposals to be considered for inclusion in our proxy materials.* Proposals of stockholders which are to be presented by such stockholders at our 2020 annual meeting of stockholders must meet the stockholder proposal requirements contained in Rule 14a-8 of the Securities Exchange Act of 1934, as amended (the “1934 Act”), and must be received by us no later than January 3, 2020 in order that they may be included in the proxy statement and form of proxy relating to that meeting. Such stockholder proposals should be submitted to Monolithic Power Systems, Inc., 4040 Lake Washington Boulevard NE, Suite 201, Kirkland, Washington 98033, Attention: Corporate Secretary. No such stockholder proposals were received by us prior to the deadline for this year’s Annual Meeting.

*Requirements for stockholder proposals to be brought before an annual meeting but not included in our proxy materials.* If a stockholder wishes to present a proposal at our 2020 annual meeting, and the proposal is not intended to be included in our proxy statement relating to that meeting, the stockholder must give advance notice to us prior to the deadline for such meeting as determined in accordance with our Bylaws (which are attached as Exhibit 3.4 to our Form S-1/A Registration Statement filed with the SEC on November 15, 2004). Under our Bylaws, in order to be deemed properly presented, notice of proposed business must be delivered to or mailed and received by our Corporate Secretary at our principal executive office not fewer than 90 or more than 120 calendar days before the one-year anniversary of the date on which we first mailed the proxy statement to stockholders in connection with the previous year’s annual meeting of stockholders (the “Notice Period”). As a result, the Notice Period for our 2020 annual meeting will begin on January 3, 2020 and end on February 3, 2020. However, in the event the date of the 2020 annual meeting will be changed by more than 30 days from the date of this year’s meeting, notice by the stockholder to be timely must be so received not later than the close of business on the later of: (1) 90 calendar days in advance of the 2020 annual meeting and (2) 10 calendar days following the date on which public announcement of the date of the 2020 annual meeting is first made. A stockholder’s notice to our Corporate Secretary shall set forth as to each matter the stockholder proposes to bring before the 2020 annual meeting: (a) a brief description of the business desired to be brought before the 2020 annual meeting and the reasons for conducting such business at the 2020 annual meeting, (b) the name and address, as they appear on our books, of the stockholder proposing such business, (c) the class and number of shares of Common Stock that are beneficially owned by the stockholder, (d) any material interest of the stockholder in such business, and (e) any other information that is required to be provided by the stockholder pursuant to Regulation 14A of the 1934 Act, in his or her capacity as a proponent to a stockholder proposal. If a stockholder gives notice of such a proposal after the Notice Period, the stockholder will not be permitted to present the proposal to the stockholders for a vote at the 2020 annual meeting.

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**Voting**

*Voting prior to the Annual Meeting.* If you are the record holder of your stock, you have three options for submitting your votes prior to the Annual Meeting:

by following the instructions for Internet voting printed on the Notice or your proxy card;

by using the telephone number printed on your proxy card; or

by completing the enclosed proxy card, signing and dating it and mailing it in the enclosed postage-prepaid envelope.

If you have Internet access, we encourage you to record your vote on the Internet. It is convenient, and it saves us significant postage and processing costs. In addition, when voting over the Internet or by telephone prior to the meeting date, your vote is recorded immediately, and there is no risk that postal delays will cause your vote to arrive late, and therefore not be counted. All shares entitled to vote and represented by properly executed proxy cards or properly granted proxies submitted electronically over the Internet or telephone received prior to the Annual Meeting, and not revoked, will be voted at the Annual Meeting in accordance with the instructions provided. If no instructions are indicated, the shares represented by that proxy will be voted as recommended by the Board. If any other matters are properly presented for consideration at the Annual Meeting, including, among other things, consideration of a motion to adjourn the Annual Meeting to another time or place (including, without limitation, for the purpose of soliciting additional proxies), the persons named as proxies and acting thereunder will have discretion to vote on those matters in accordance with their best judgment. We do not currently anticipate that any matters other than the proposals described herein will be raised at the Annual Meeting. If your shares are held in a stock brokerage account or by a bank, trust or other nominee, you will receive a notice from your broker, bank, trust or other nominee that includes instructions on how to vote your shares. Your broker, bank, trust or other nominee will allow you to deliver your voting instructions over the Internet and may also permit you to submit your voting instructions by telephone.

**YOUR VOTE IS IMPORTANT.** You should submit your proxy even if you plan to attend the Annual Meeting.

*Voting by attending the Annual Meeting.* A stockholder of record may also vote his or her shares in person at the Annual Meeting. A stockholder planning to attend the Annual Meeting should bring proof of identification for entrance to the Annual Meeting. If a stockholder of record attends the Annual Meeting, he or she may also submit his or her vote in person, and any previous votes that were submitted by the stockholder, whether by Internet, telephone or mail, will be superseded by the vote that such stockholder casts at the Annual Meeting. If you wish to attend the Annual Meeting in person but you hold your shares through a broker, bank, trust or other nominee, you must bring proof of your ownership to the Annual Meeting. For example, you could bring an account statement showing that you beneficially owned shares of our Common Stock as of the Record Date as acceptable proof of ownership. You must

also contact your broker, bank, trust or other nominee, and follow its instructions in order to vote your shares at the Annual Meeting. You may not vote your shares at the Annual Meeting unless you have first followed the procedures outlined by your broker, bank, trust or other nominee.

*Changing vote; revocability of proxy.* Any proxy given by a stockholder of record pursuant to this solicitation may be revoked by the person giving it at any time before it is voted at the Annual Meeting. Proxies submitted by stockholders of record may be revoked by:

filing a written notice of revocation bearing a later date than the previously submitted proxy which is received by our Corporate Secretary at or before the taking of the vote at the Annual Meeting;

duly executing a later dated proxy relating to the same shares and delivering it to our Corporate Secretary at or before the taking of the vote at the Annual Meeting;

submitting another proxy by telephone or via the Internet (your latest telephone or Internet voting instructions are followed); or

attending the Annual Meeting and voting in person (although attendance at the Annual Meeting will not in and of itself constitute a revocation of a previously submitted proxy).

Any written notice of revocation or subsequent proxy card must be received by our Corporate Secretary prior to the taking of the vote at the Annual Meeting. Such written notice of revocation or subsequent proxy card should be hand delivered to our Corporate Secretary or should be sent so as to be delivered to Monolithic Power Systems, Inc., 4040 Lake Washington Boulevard NE, Suite 201, Kirkland, Washington 98033, Attention: Corporate Secretary, prior to the date of the Annual Meeting.

If you hold your shares through a broker, bank, trust or other nominee, you may change your vote by submitting new voting instructions to your broker, bank, trust or other nominee.

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**Expenses of Solicitation**

We will bear all expenses of this solicitation, including the cost of preparing and mailing this solicitation material. We may reimburse brokerage firms, custodians, nominees, fiduciaries and other persons representing beneficial owners of Common Stock for their reasonable expenses in forwarding solicitation material to such beneficial owners. Our directors, officers and employees may also solicit proxies in person or by telephone, letter, e-mail or other means of communication. Such directors, officers and employees will not be additionally compensated, but they may be reimbursed for reasonable out-of-pocket expenses in connection with such solicitation. We may engage the services of a professional proxy solicitation firm to aid in the solicitation of proxies from certain brokers, bank nominees and other institutional owners. If we hire a professional proxy solicitation firm, we expect our costs for such services would be approximately \$10,000.

**Quorum; Required Votes; Abstentions; Broker Non-Votes**

Holders of a majority of the outstanding shares entitled to vote must be present at the Annual Meeting in order to have the required quorum for the transaction of business. Stockholders are counted as present at the meeting if they: (1) are present in person or (2) have properly submitted a proxy card by mail or voted by telephone or by using the Internet. If the shares present at the Annual Meeting do not constitute the required quorum, the Annual Meeting may be adjourned to a subsequent date for the purpose of obtaining a quorum.

The required votes to approve the proposals to be considered at this Annual Meeting are as follows:

The affirmative vote of a plurality of the votes duly cast is required for the election of directors. As further described in Proposal One below, any nominee for director who receives a greater number of votes “Withheld” from his or her election than votes “For” his or her election will promptly tender his or her resignation to the Board following certification of the election results.

The affirmative vote of a majority of the shares of stock entitled to vote thereon which are present in person or represented by proxy at the Annual Meeting is required to ratify the appointment of Ernst & Young LLP as our independent registered public accounting firm.

The affirmative vote of a majority of the shares of stock entitled to vote thereon which are present in person or represented by proxy at the Annual Meeting is required to approve, on an advisory basis, the compensation of our named executive officers. While this vote is advisory and not binding on us or our Board, the Board and Compensation Committee intend to take into account the outcome of the vote when considering future executive compensation arrangements.

Under the General Corporation Law of the State of Delaware, both abstaining votes and broker non-votes are counted as present and entitled to vote and are, therefore, included for purposes of determining whether a quorum is present at the Annual Meeting. An abstaining vote is not counted as a vote cast for the election of directors, but has the same effect as a vote cast against proposals requiring approval by a majority of the shares of stock entitled to vote thereon which are present in person or represented by proxy at the Annual Meeting, such as the ratification of our independent registered public accounting firm. A broker non-vote occurs when a nominee holding shares for a beneficial owner does not vote on a particular proposal because the nominee does not have discretionary voting power with respect to that item and has not received instructions from the beneficial owner. A broker non-vote is not counted as a vote cast for the election of directors or as being present and entitled to vote for proposals requiring approval by a majority of the shares of stock entitled to vote thereon which are present in person or represented by proxy at the Annual Meeting and, therefore, does not have the effect of a vote against such proposals. For purposes of ratifying our independent registered public accounting firm, brokers have discretionary authority to vote.

### **Stockholder List**

A list of stockholders entitled to vote at the Annual Meeting will be available for examination by any stockholder for any purpose germane to the Annual Meeting during ordinary business hours at 4040 Lake Washington Boulevard NE, Suite 201, Kirkland, Washington 98033 for the ten days prior to the Annual Meeting, and also at the Annual Meeting.



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**PROPOSAL ONE**

**ELECTION OF DIRECTORS**

**Classified Board of Directors; Nominees**

The Board currently consists of six members. Under our certificate of incorporation and bylaws, the Board has the authority to set the number of directors from time to time by resolution. In addition, our certificate of incorporation provides for a classified Board consisting of three classes of directors, each serving staggered three-year terms. As a result, a portion of the Board will be elected each year for three-year terms.

Two Class III directors are to be elected to the Board at the Annual Meeting. Unless otherwise instructed, the proxy holders will vote the proxies received by them for the Board's nominees, **Herbert Chang and Michael Hsing**. Mr. Chang and Mr. Hsing are standing for re-election to the Board. Each person nominated for election has agreed to serve if elected, and the Board has no reason to believe that any nominee will be unavailable or will decline to serve. In the event, however, that any nominee is unable or declines to serve as a director at the time of the Annual Meeting, the proxies will be voted for any nominee who is designated by the current Board to fill the vacancy. The term of office of each person elected as a Class III director will continue for three years or until his successor has been duly elected and qualified. If elected, the term for Mr. Chang and Mr. Hsing will expire at the 2022 annual meeting of stockholders.

Our directors are elected by a "plurality" vote. The nominees for each of the two Board seats to be voted on at the Annual Meeting receiving the greatest number of votes cast will be elected. Abstentions and shares held by brokers that are not voted in the election of directors will have no effect. In addition, we have adopted a corporate governance policy requiring each director nominee to submit a resignation letter if more "Withheld" than "For" votes are received. See the section "*Director Voting Policy*" for more details on this policy.

**THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS THAT THE STOCKHOLDERS VOTE "FOR" THE ELECTION TO THE BOARD OF EACH OF THE PROPOSED NOMINEES.**

**Information Regarding Nominees and Other Directors**

The following table summarizes certain information regarding the nominees and other directors:

Name	Director		Principal Role
	Age	Since	
Michael Hsing	59	1997	Chairman of the Board, President and Chief Executive Officer / Nominee
Herbert Chang (1)(2)(3)	57	1999	Lead Director / Nominee
Eugen Elmiger (1)(3)	55	2012	Director
Victor K. Lee (2)	62	2006	Director
James C. Moyer	76	1998	Director
Jeff Zhou (1)(2)	64	2010	Director

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(1) Member of the Compensation Committee.

(2) Member of the Audit Committee.

(3) Member of the Nominating and Governance Committee (the “Nominating Committee”).

#### *Nominees for Class III Directors Whose Term Will Expire in 2019*

*Michael Hsing* has served on our Board and as our President and Chief Executive Officer since founding MPS in August 1997. Prior to founding MPS, Mr. Hsing was a Senior Silicon Technology Developer at several analog integrated circuits (“IC”) companies, where he developed and patented key technologies, which set new standards in the power electronics industry. Mr. Hsing is an inventor on numerous patents related to the process development of bipolar mixed-signal semiconductor manufacturing. Mr. Hsing holds a B.S.E.E. from the University of Florida.

*Herbert Chang* has served on our Board since September 1999. Since March 2014, Mr. Chang has been the general manager of Mutto Optronics Corporation, an OEM/ODM knife manufacturer listed in on the Taiwan OTC. Mr. Chang is also a Managing Member of Growstar Associates, Ltd., which was the General Partner and the Fund Manager of VCFA Growth Partners, L.P. from 2007 to 2013 and is the Chief Executive Officer of C Squared Management Corporation. Mr. Chang’s companies focus on investing in companies in the semiconductor, telecommunications, networking, software, and/or Internet industries. Mr. Chang was the President of InveStar Capital Inc. from April 1996 until 2015 and serves on the board of directors of a number of private companies. Mr. Chang received a B.S. in geology from National Taiwan University and an M.B.A. from National Chiao Tung University in Taiwan.

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***Incumbent Class I Directors Whose Terms Will Expire in 2020***

*Victor K. Lee* has served on our Board since September 2006. Mr. Lee served as Chief Financial Officer of Ambarella, Inc., a fabless semiconductor company from August 2007 to March 2011. From December 2002 through June 2007, Mr. Lee served as Chief Financial Officer and Secretary of Leadis Technology Inc., a fabless semiconductor company. From December 1999 to January 2001, Mr. Lee served as the Chief Financial Officer and Secretary of SINA Corporation, an Internet media company. From September 1998 to August 1999, Mr. Lee was the Vice President and Acting Chief Financial Officer of VLSI Technology, Inc., a semiconductor manufacturer, and from 1997 to 1998, Vice President, Corporate Controller of VLSI Technology, Inc. From 1989 to 1997, Mr. Lee was a finance director at Advanced Micro Devices, Inc. Mr. Lee holds a B.S. in Industrial Engineering and Operations Research and an M.B.A. from the University of California, Berkeley.

*James C. Moyer* has served on our Board since October 1998 and served as our Chief Design Engineer from September 1997 to January 2016. Before joining MPS, from June 1990 to September 1997, Mr. Moyer held senior technical positions at Micrel, Inc. Prior to that, Mr. Moyer held senior design engineering positions at Hytek Microsystems Inc., National Semiconductor Corporation, and Texas Instruments Inc. Mr. Moyer holds a B.A.E.E. from Rice University.

***Incumbent Class II Directors Whose Term Will Expire in 2021***

*Eugen Elmiger* has served on our Board since October 2012. Mr. Elmiger currently serves as Chief Executive Officer of Maxon group, a leading advanced motion company, a position that he has held since January 2011. From 1991 to 2011, Mr. Elmiger held senior executive positions in the sales, marketing and engineering divisions of Maxon motor. Mr. Elmiger holds a B.S. in Electrical Engineering from the Lucerne (Horw) University of Applied Science and Art.

*Dr. Jeff Zhou* has served on our Board since February 2010. Dr. Zhou currently serves as the Executive Vice Chairman of Miasolé, which develops thin film solar technology, a position he has held since 2018. Dr. Zhou served as the Chief Executive Officer of MiaSolé from 2013 to 2018. Dr. Zhou also served as Executive Chairman of Alta Devices, a developer of flexible mobile power technology, from 2014 to 2015. Before joining MiaSolé, Dr. Zhou was President of Hanergy Holding America, Inc., a developer and operator of solar power plants, from 2012 to 2013. Dr. Zhou was Vice President of Product Engineering of Nanosolar, Inc., a developer of solar power technology, from 2011 to 2012. Dr. Zhou was Chief Operating Officer at NDS Surgical Imaging, a medical imaging technology company, during 2010. From 2008 to 2009, Dr. Zhou was Vice President of Global Engineering and General Manager of Asia Pacific Business at NDS Surgical Imaging. From 2005 to 2007, Dr. Zhou was Vice President of Engineering for several business divisions and General Manager of the China and India Design Centers at Flextronics Inc. From 2000 to 2005, Dr. Zhou was Vice President and General Manager of several divisions at Honeywell International Inc. Dr. Zhou holds a Ph.D. degree in Electrical Engineering from the University of Florida.

There is no family relationship among any of our executive officers, directors and nominees.

### **Director Independence**

The Board has determined that each of Herbert Chang, Eugen Elmiger, Victor K. Lee, James C. Moyer and Jeff Zhou are “independent” under the applicable listing standards of The NASDAQ Stock Market.

### **Director Qualifications**

Our Board includes six members who are well-qualified to serve on the Board and represent our stockholders’ best interests. Our Board consists of directors who have the following characteristics:

1. Possess a professional background that would enable the development of a deep understanding of our business;
2. Bring diversity to the Board through their experiences in various industries, both domestically and internationally;
3. Are independent thinkers and work well together;
4. Have the ability to embrace our values and culture;
5. Have high ethical standards;
6. Possess sound business judgment and acumen; and

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7. Are willing to commit their time and resources necessary for the Board to effectively fulfill its responsibilities.

We believe that each of the director nominees and the rest of the directors possess these attributes. In addition, the directors bring to the Board a breadth of experience, including extensive financial and accounting expertise, public company board experience, knowledge of the semiconductor business and technology, broad global experience, and extensive operational and strategic planning experience in complex, high-growth global companies.

The following describes the key qualifications, business skills, experience and perspectives that each of our directors and director nominees brings to the Board, in addition to the general qualifications described above and described in their individual biographies:

*Michael Hsing:* Mr. Hsing, the co-founder of MPS, is a visionary in power management technology as well as a strong leader, motivator and successful entrepreneur. Mr. Hsing provides the Board with valuable insight into management's perspective with respect to our operations, and he provides the Board with the most comprehensive view of our operational history. Under his leadership, we have experienced significant revenue growth and profitability. Since our initial public offering in 2004, stockholder value measured by market capitalization has increased significantly. Having worked in the semiconductor industry for over 30 years, Mr. Hsing's experience and insight enable him to understand how to control costs effectively and maximize our technology advantages, which has helped to fuel our growth and created value for our stockholders. Based on the Board's identification of these qualifications, skills and experiences, the Board has concluded that Mr. Hsing should serve as a director of MPS.

*Herbert Chang:* Mr. Chang has been a member of the Board since 1999, which gives him significant knowledge of our recent experiences and history. We also continue to benefit from the broad experience gained by Mr. Chang through his numerous successful investments in both public and private high-technology companies. Mr. Chang has served on several boards of the companies in which he has invested, which has given him significant leadership and oversight experience. In addition, through these board and investor responsibilities, Mr. Chang has developed a deep knowledge of our industry, our operations, and the accompanying complex financial transactions and controls necessary for us to succeed. Mr. Chang's financial expertise has also helped the Board analyze significant complex financial transactions that we have considered from time to time. Mr. Chang also has very relevant international experience based on his educational background and work experience in the countries where we do business. Based on the Board's identification of these qualifications, skills and experiences, the Board has concluded that Mr. Chang should serve as a director of MPS.

*Eugen Elmiger:* Mr. Elmiger is a seasoned business executive with over 30 years of experience, including extensive international marketing, sales and product management expertise, executive board experience, knowledge of high-tech component business and technology, broad global experience and operational and strategic planning experience in complex, high-growth global companies. This experience allows him to contribute his valuable executive leadership talent and understanding of international business to Board deliberations. His industrial, medical and automotive background is a valuable asset to the Board as we expand our business in these markets. Mr. Elmiger's appointment to the Board also allows him to bring a new perspective, new ideas and outlooks to the Board. Based on the Board's identification of these qualifications,

skills and experiences, the Board has concluded that Mr. Elmiger should serve as a director of MPS.

*Victor K.  
Lee:*

Mr. Lee is the audit committee financial expert on the Audit Committee of the Board. He has been the Chief Financial Officer at several public and private companies, and has worked in the semiconductor industry for over 30 years. Mr. Lee is familiar with not only the inner workings of the industry, but also has intimate knowledge of the financial issues that semiconductor companies often face. His experience has allowed him to understand the broad issues, in particular those affecting the financial and accounting aspects of our business, that the Board must consider and to make sound recommendations to management and the Board. Mr. Lee also provides the Board with valuable insight into financial management, disclosure issues and tax matters relevant to our business. Based on the Board's identification of these qualifications, skills and experiences, the Board has concluded that Mr. Lee should serve as a director of MPS.

*James C.  
Moyer:*

Mr. Moyer is a technical expert in the design of analog semiconductors. As co-founder of MPS, Mr. Moyer is intimately familiar with us and our products. Mr. Moyer brings insight to the Board because of his cumulative experience gained as an engineer and technical leader in the semiconductor industry. This experience gives him a highly developed understanding of the needs and requirements of the analog market for our complex products and allows him as a director to lead us in the right direction in terms of strategy and business approach. Based on the Board's identification of these qualifications, skills and experiences, the Board has concluded that Mr. Moyer should serve as a director of MPS.

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*Dr. Jeff Zhou:* Dr. Zhou is a senior business executive with over 30 years of industry experience at large, multi-national corporations with global footprints. Dr. Zhou has an extensive background in the global manufacturing and electronics industry. This experience allows him to contribute his valuable executive leadership talent and understanding of international business to Board deliberations. Dr. Zhou's appointment to the Board also allows him to bring a new perspective, new ideas and new outlooks to the Board. Based on the Board's identification of these qualifications, skills and experiences, the Board has concluded that Dr. Zhou should serve as a director of MPS.

## **Board Leadership Structure**

The Board currently consists of six members, five of which the Board has determined are independent. The Board has designated one of the independent directors, Mr. Chang, as the Lead Director because our President and Chief Executive Officer, Mr. Hsing, also serves as the Chairman of the Board. We believe that the number of independent, experienced directors that make up our Board, along with the independent oversight of our Lead Director, benefits us and our stockholders by providing a counterbalance to the management perspective provided by Mr. Hsing during Board deliberations.

We recognize that different board leadership structures may be appropriate for different companies. We believe that our current Board leadership structure is optimal for us. Our leadership structure demonstrates to our employees, suppliers, customers and other stakeholders that we are governed by strong, balanced leadership, with a single person setting the tone for the Board and management and having primary responsibility for managing our day-to-day operations. This message is increasingly important as we continue to seek to achieve business success through new product releases and gaining market share in our industry. At the same time, our leadership structure sends the message that we also value strong, independent oversight of our management operations and decisions in the form of our Lead Director. Further, having a single leader for both MPS and the Board eliminates the potential for strategic misalignment or duplication of efforts, and provides clear leadership for us.

As discussed above, the positions of Chairman of the Board, President and Chief Executive Officer are held by Mr. Hsing, and the Board has appointed a Lead Director, Mr. Chang. Mr. Chang's roles and responsibilities as the Lead Director include:

1. Reviewing meeting agendas, schedules, and information sent to the Board;
2. Retaining independent advisors on behalf of the Board, or committees, as the Board may determine is necessary or appropriate;
- 3.

Ensuring personal availability for consultation and communication with independent directors and with the Chairman of the Board, as appropriate;

4. Performing such other functions as the independent directors may designate from time to time;
5. Presiding at all meetings of the Board at which the Chairman is not present, including executive sessions of the independent directors;
6. Serving as liaison between the Chairman and independent directors;
7. Calling meetings of independent directors; and
8. Ensuring that the Board is at least two-thirds independent and that key committees are independent.

Our independent directors meet in executive session during a portion of every regularly scheduled Board meeting, and otherwise as needed. Our Lead Director presides over meetings of our independent directors and we believe that these meetings help to ensure an appropriate level of independent scrutiny of the functioning of the Board.

### **Board Oversight of Risk**

The Board is primarily responsible for the oversight of risks that could affect MPS. Our senior management team, which conducts our day-to-day risk management, is responsible for assisting the Board with its risk oversight function. This oversight is conducted principally through committees of the Board, as disclosed in the descriptions of each of the committees below and in the charters of each of the committees, but the full Board has retained responsibility for general oversight of risk. The Board satisfies its responsibility by requiring each committee chair to regularly report regarding the committee's considerations and actions, as well as by requiring officers responsible for oversight of particular risks within MPS to submit regular reports. As these reports are submitted independent of review by Mr. Hsing, our President, Chief Executive Officer and the Chairman of the Board, the Board believes that its conduct of its risk oversight function has no impact on the Board's leadership structure other than to reinforce the involvement of the Board in ongoing management of MPS.

In addition to requiring regular reporting from committees and officers, the Board also hears from third-party advisors in order to maintain oversight of risks that could affect us, including our independent auditors, outside counsel, compensation consultants and others. These advisors are consulted on a periodic basis and as particular issues arise in order to provide the Board with the benefit of independent expert advice and insights on specific risk-related matters.





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At its regularly scheduled meetings, the Board also receives management updates on the business, including operational issues, financial results, and business outlook and strategy.

Our Audit Committee also assists the full Board in its oversight of risk by discussing with management our compliance with legal and regulatory requirements, our policies with respect to risk assessment and management of risks that may affect us, and our system of disclosure control and system of controls over financial reporting. Risks related to our company-wide compensation programs are reviewed by our Compensation Committee. For more information on the Compensation Committee's compensation risk assessment, see the section "*Executive Officer Compensation – Compensation Risk Management*." Our Nominating Committee provides compliance oversight and reports to the full Board on compliance and makes recommendations to our Board on corporate governance matters, including director nominees, the determination of director independence, and board and committee structure and membership.

We believe the division of risk management responsibilities described above is an effective approach for addressing the risks facing us and that the Board leadership structure supports this approach.

## **Board Meetings and Committees**

The Board held a total of four meetings during 2018, and all directors attended at least 75% of the meetings of the Board and the committees upon which such director served.

*Audit Committee.* The Board has a separately-designated standing Audit Committee established in accordance with Section 3(a)(58)(A) of the 1934 Act, which currently consists of three members: Herbert Chang, Victor K. Lee and Jeff Zhou. Mr. Lee is the chairman of the Audit Committee. This committee oversees our financial reporting process and procedures, is responsible for the appointment and terms of engagement of our independent registered public accounting firm, reviews our financial statements, and coordinates and approves the activities of our independent registered public accounting firm. The Board has determined that Mr. Lee is an "audit committee financial expert," as defined under the rules of the SEC, and all members of the Audit Committee are "independent" in accordance with the applicable SEC regulations and the applicable listing standards of NASDAQ. The Audit Committee held four meetings during 2018. The Audit Committee acts pursuant to a written charter adopted by the Board, which is available in the "Investor Relations" section of our website at <http://www.monolithicpower.com>.

*Compensation Committee.* The Board has designated a Compensation Committee consisting of three members: Herbert Chang, Eugen Elmiger and Jeff Zhou. Mr. Zhou is the chairman of the Compensation Committee. This committee is responsible for providing oversight of our compensation policies, plans and benefits programs and assisting the Board in discharging its responsibilities relating to (a) oversight of the compensation of our Chief

Executive Officer and other executive officers, and (b) approving and evaluating the executive officer compensation plans, policies and programs of MPS. The committee also assists the Board in administering our stock plans and employee stock purchase plan. All members of the Compensation Committee are “independent” in accordance with the applicable listing standards of NASDAQ. The Compensation Committee held four meetings during 2018. The Compensation Committee acts pursuant to a written charter adopted by the Board, which is available in the “Investor Relations” section of our website at <http://www.monolithicpower.com>.

*Nominating Committee.* The Board has designated a Nominating Committee consisting of two members: Herbert Chang and Eugen Elmiger. Mr. Elmiger is the chairman of the Nominating Committee. This committee is responsible for the development of general criteria regarding the qualifications and selection of Board members, recommending candidates for election to the Board, developing overall governance guidelines and overseeing the overall performance of the Board. All members of the Nominating Committee are “independent” in accordance with the applicable listing standards of NASDAQ. The Nominating Committee held four meetings in 2018. The Nominating Committee acts pursuant to a written charter adopted by the Board, which is available in the “Investor Relations” section of our website at <http://www.monolithicpower.com>.

The information contained on our website is not intended to be part of this Proxy Statement and is not incorporated by reference into this Proxy Statement.

## **Nomination Process**

The Board has adopted guidelines for the identification, evaluation and nomination of candidates for director. The Nominating Committee considers the suitability of each candidate, including any candidates recommended by stockholders holding at least 5% of the outstanding shares of our voting securities continuously for at least 12 months prior to the date of the submission of the recommendation for nomination. If the Nominating Committee wishes to identify new independent director candidates for Board membership, it is authorized to retain and approve fees of third party executive search firms to help identify prospective director nominees.

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In April 2018, in response to shareholders' feedback, the Board considered and adopted an amendment to the Nominating Committee Charter (available in the "Investor Relations" section of our website at <http://www.monolithicpower.com>) on the evaluation of prospective candidates. In addition to the minimum qualifications the Nominating Committee has established for director nominees, the Nominating Committee will also consider whether the prospective nominee will foster a diversity of genders, backgrounds, skills, perspectives and experiences in the process of its evaluation of each prospective nominee. The Nominating Committee also focuses on skills, expertise or background that would complement the existing Board, recognizing that our businesses and operations are diverse and global in nature. While there are no specific minimum qualifications for director nominees, the ideal candidate should (a) exhibit independence, integrity, and qualifications that will increase overall Board effectiveness, and (b) meet other requirements as may be required by applicable rules, such as financial literacy or expertise for audit committee members. The Nominating Committee uses the same process for evaluating all nominees, regardless of the original source of the nomination. After completing its review and evaluation of director candidates, the Nominating Committee recommends to the Board the director nominees for selection.

A stockholder that desires to recommend a candidate for election to the Board should direct such recommendation in writing to Monolithic Power Systems, Inc., 4040 Lake Washington Boulevard NE, Suite 201, Kirkland, Washington 98033, Attention: Corporate Secretary, and must include the candidate's name, home and business contact information, detailed biographical data and qualifications, information regarding any relationships between the candidate and us within the last three years and evidence of the nominating person's ownership of our stock. Such stockholder nomination must be made pursuant to the notice provisions set forth in our Bylaws and for each proposed nominee who is not an incumbent director, the stockholder's notice must set forth all of the information regarding such nominating person and proposed nominee set forth in our Bylaws.

## **Stockholder Communications**

The Board has approved a Stockholder Communication Policy to provide a process by which stockholders may communicate directly with the Board or one or more of its members. You may contact any of our directors by writing to them at c/o Monolithic Power Systems, Inc., 4040 Lake Washington Boulevard NE, Suite 201, Kirkland, Washington 98033, Attention: Corporate Secretary. Any stockholder communications that the Board is to receive will first go to the Corporate Secretary, who will log the date of receipt of the communication as well as the identity of the correspondent in our stockholder communications log. The Corporate Secretary will review, summarize and, if appropriate, draft a response to the communication in a timely manner. The Corporate Secretary will then forward copies of the stockholder communication to the Board member(s) (or specific Board member(s) if the communication is so addressed) for review, provided that such correspondence concerns the functions of the Board or its committees, or otherwise requires the attention of the Board or its members.

## **Attendance at Annual Meetings of Stockholders by the Board of Directors**

We do not have a formal policy regarding attendance by members of the Board at our annual meetings of stockholders. In 2018, no Board members attended the Annual Meeting.

### **Code of Ethics and Business Conduct**

We have adopted a Code of Ethics and Business Conduct, which is applicable to our directors and employees, including our principal executive officer, principal financial officer, principal accounting officer, controller or persons performing similar functions. The Code of Ethics and Business Conduct is available in the “Investor Relations – Corporate Governance” section of our website at <http://www.monolithicpower.com>. We will disclose on our website any amendment to the Code of Ethics and Business Conduct, as well as any waivers of the Code of Ethics and Business Conduct, that are required to be disclosed by the rules of the SEC or NASDAQ.

### **Director Voting Policy**

The Board has adopted a director voting policy, which can be found in the “Investor Relations – Corporate Governance” section of our website at <http://www.monolithicpower.com>. The policy establishes that any director nominee who receives more “Withheld” votes than “For” votes in an uncontested election held in an annual meeting of stockholders shall promptly tender his or her resignation. The independent directors of the Board will then evaluate the relevant facts and circumstances and make a decision, within 90 days after the election, on whether to accept the tendered resignation. The Board will promptly publicly disclose its decision and, if applicable, the reasons for rejecting the tendered resignation.

Table of Contents**Director Compensation***Analysis of 2018 Compensation Elements*

For 2018, the Board engaged Radford, an Aon Hewitt company, to review the non-employee director compensation. In its analysis, Radford gathered the market data on the size and type of compensation paid by our industry peer group for 2018 (see the section “*Executive Officer Compensation — Peer Group and Use of Peer Data for 2018*” for more information on the selection of the peer group). Based on the results of this market review and recommendations by Radford, the Board approved the following compensation changes for our non-employee directors for service in 2018: (i) increase the annual board retainer fee from \$45,000 to \$50,000, (ii) increase the lead director fee from \$12,000 to \$18,000, (iii) increase the Audit Committee chairperson fee from \$22,500 to \$25,000, and (iv) increase the annual RSU grant to incumbent directors from 140,000 to 175,000. Accordingly, the compensation paid to our non-employee directors for service in 2018 was as follows:

<b>Fee Description</b>	<b>Amount</b>
Annual board retainer fee	\$50,000
Lead director fee	\$18,000
Compensation Committee chairperson fee	\$18,000
Compensation Committee membership fee (excluding chairperson)	\$8,000
Nominating Committee chairperson fee	\$13,500
Nominating Committee membership fee (excluding chairperson)	\$6,000
Audit Committee chairperson fee	\$25,000
Audit Committee membership fee (excluding chairperson)	\$10,500
Initial restricted stock unit (“RSU”) grant to new directors	Number of RSUs equal to \$175,000
Annual RSU grant to incumbent directors	Number of RSUs equal to \$175,000

The initial grant of RSUs to new directors vest as to 50% of the underlying shares of Common Stock on each of the first and second anniversaries of the date of grant. The annual grant of RSUs to incumbent directors vests as to 100% of the underlying shares of Common Stock on the first anniversary of the date of the grant. All awards will become fully vested in the event of a change in control.

All of our non-employee directors are subject to stock ownership guidelines that are described below in the section “*Executive Officer Compensation — Compensation Discussion and Analysis — Stock Ownership Guidelines.*”

The following table sets forth the total compensation paid to each non-employee director for service in 2018. Mr. Hsing, who is our employee, does not receive additional compensation for his services as a director. Mr. Hsing’s compensation as a named executive officer is reflected in the section “*Executive Officer Compensation — Summary*”

*Compensation Table.”*

<b>Name</b>	<b>Fees Earned or Paid in Cash</b>	<b>Stock Awards (1)</b>	<b>Total</b>
Herbert Chang	\$92,500	\$175,000	\$267,500
Eugen Elmiger	\$71,500	\$175,000	\$246,500
Victor K. Lee	\$75,000	\$175,000	\$250,000
James C. Moyer	\$50,000	\$175,000	\$225,000
Jeff Zhou	\$78,500	\$175,000	\$253,500

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Reflects the aggregate grant date fair value of the awards granted to each director in 2018, computed in accordance with Financial Accounting Standards Board (“FASB”) ASC Topic 718, which was calculated using the (1) closing price of our Common Stock on the date of grant for such awards. Assumptions used in the calculation of these amounts are included in Note 1 and Note 7 to the financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2018, filed with the SEC on March 1, 2019.

The following table summarizes the number of shares of our Common Stock that are subject to unvested awards held by each of the non-employee directors as of December 31, 2018:

<b>Name</b>	<b>Stock Awards</b>
Herbert Chang	1,590
Eugen Elmiger	1,590
Victor K. Lee	1,590
James C. Moyer	1,590
Jeff Zhou	1,590

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**PROPOSAL TWO**

**RATIFICATION OF APPOINTMENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

**Change in Independent Registered Public Accounting Firm**

Our Audit Committee completed a process to review the appointment of our independent registered public accounting firm for the year ending December 31, 2019. As a result of this process, on March 18, 2019, our Audit Committee approved the appointment of Ernst & Young LLP (“EY”) as our independent registered public accounting firm for the year ending December 31, 2019, and dismissed Deloitte & Touche LLP (“Deloitte”), who served as our independent registered public accounting firm since 1999, from that role.

Deloitte’s reports on our consolidated financial statements as of and for the years ended December 31, 2018 and December 31, 2017 did not contain an adverse opinion or a disclaimer of opinion and were not qualified or modified as to uncertainty, audit scope or accounting principles. In addition, the audit reports of Deloitte on the effectiveness of internal control over financial reporting as of December 31, 2018 and December 31, 2017 did not contain any adverse opinion, nor were they qualified or modified as to uncertainty, audit scope or accounting principles.

During the years ended December 31, 2018 and December 31, 2017, and the subsequent interim period through March 18, 2019, there were (i) no “disagreements” as that term is defined in Item 304(a)(1)(iv) of Regulation S-K, between us and Deloitte on any matter of accounting principles or practices, financial statement disclosure or auditing scope or procedure, which disagreements, if not resolved to the satisfaction of Deloitte, would have caused Deloitte to make reference to the subject matter of the disagreement in their reports, and (ii) no “reportable events” as that term is defined in Item 304(a)(1)(v) of Regulation S-K.

We provided Deloitte with a copy of the disclosures made in a Current Report on Form 8-K (the “Report”) prior to the filing of the Report with the SEC on March 22, 2019. In addition, we requested that Deloitte furnish a letter addressed to the SEC stating whether or not it agreed with the statements made in the Report. A copy of Deloitte’s letter dated March 22, 2019 was attached as Exhibit 16.1 to the Report.

During the fiscal years ended December 31, 2018 and December 31, 2017, and the subsequent interim period through March 18, 2019, neither we nor anyone acting on our behalf has consulted with EY with respect to (i) the application of accounting principles to a specified transaction, either completed or proposed, or the type of audit opinion that might be rendered on our financial statements, and neither a written report nor oral advice was provided to us that EY



concluded was an important factor considered by us in reaching a decision as to any accounting, auditing, or financial reporting issue or (ii) any matter that was either the subject of a “disagreement” or “reportable event” as those terms are defined in Item 304(a)(1) of Regulation S-K.

Representatives of EY are expected to be present at the Annual Meeting with the opportunity to make a statement if they desire to do so, and are expected to be available to respond to appropriate questions. We do not expect that a representative of Deloitte will be present at the Annual Meeting.

Although ratification by stockholders is not required by law, the Board has determined that it is desirable to request ratification of this selection by the stockholders. If the stockholders do not ratify the appointment of EY, our Audit Committee may reconsider its selection.

**THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS THAT THE STOCKHOLDERS VOTE “FOR” RATIFICATION OF THE APPOINTMENT OF ERNST & YOUNG, LLP AS OUR INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM FOR THE YEAR ENDING DECEMBER 31, 2019.**

#### **Audit and Other Fees**

The following table shows the fees paid by us for the audit and other services provided by Deloitte for 2018 and 2017.

	<b>2018</b>	<b>2017</b>
Audit fees	\$2,002	\$1,392
Audit-related fees	-	56
Tax fees	79	-
Total	\$2,081	\$1,448

*Audit fees* consist of fees billed for professional services rendered for the audit of our annual financial statements and review of the interim financial statements included in our quarterly reports and the audit of our internal control over financial reporting.

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Audit fees also include services that are normally provided by the independent auditors in connection with foreign statutory and regulatory filings and advice on audit and accounting matters that arise during, or as a result of, the audit or the review of interim financial statements, including the application of proposed accounting rules, statutory audits required by non-U.S. jurisdictions and the preparation of an annual “management letter” containing observations and discussions on internal control matters.

*Audit-related fees* represent assurance and related services that are reasonably related to the performance of the audit or review of our consolidated financial statements and are not reported under "Audit Fees." These services include accounting consultations in connection with attestation services that are not required by statute or regulation, and consultations concerning financial accounting and reporting standards.

*Tax fees* represent professional services for federal, state and international tax compliance, tax advice and tax planning.

**Pre-Approval of Audit and Non-Audit Services**

The charter of our Audit Committee requires that the Audit Committee pre-approve all audit and non-audit services provided to us by our independent registered public accounting firm or subsequently approve non-audit services in those circumstances where a subsequent approval is necessary and permissible. All such services for 2018 and 2017 were pre-approved by the Audit Committee.

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**PROPOSAL THREE**

**ADVISORY VOTE ON NAMED EXECUTIVE OFFICER COMPENSATION**

As required under Section 14A of the Securities Exchange Act of 1934, we are asking stockholders to again cast an advisory (non-binding) vote on the following resolution at the Annual Meeting:

**RESOLVED, that, on an advisory basis, the compensation of our named executive officers, as disclosed in the Compensation Discussion and Analysis, compensation tables and related narratives and descriptions of this Proxy Statement for the Annual Meeting, is hereby APPROVED.**

This advisory vote, commonly known as a “say-on-pay” vote, gives our stockholders the opportunity to express their views about the compensation we paid to our named executive officers in the prior year, as described in this Proxy Statement. Before stockholders vote on this proposal, they should review the Compensation Discussion and Analysis in this Proxy Statement and the tabular and narrative disclosure that follows it. We currently conduct say-on-pay votes every year.

We are committed to responsible compensation practices and structures. As described more fully in the Compensation Discussion and Analysis section of this Proxy Statement, the primary goal of our executive compensation program is the same as our goal for operating MPS — to create long-term value for our stockholders. To achieve this goal, we have regularly sought out the feedback of our major stockholders over the past several years to hear their suggestions on how we can better achieve our primary compensation goal. After taking their feedback into consideration, we have continued to update our compensation program for our named executive officers, implementing those recommendations of our stockholders that the Compensation Committee believes will help us create long-term value for our stockholders. We believe these annual reviews of our programs, in coordination with our conversations with our stockholders, allow us to motivate and reward our executives for sustained financial and operating performance and leadership excellence, to align their interests with those of our stockholders, and to encourage them to remain with us for long and productive careers.

Stockholders may vote “**for**” or “**against**” the resolution or abstain from voting on the resolution. The affirmative vote of a majority of the shares of stock entitled to vote thereon which are present in person or represented by proxy at the Annual Meeting is required to approve, on an advisory basis, the compensation of our named executive officers. The result of the say-on-pay vote will not be binding on us, the Board or the Compensation Committee. However, we value the views of the stockholders. The Board and the Compensation Committee will review the results of the vote and expect to take them into consideration in addressing future compensation policies and decisions.

**FOR THESE REASONS, THE BOARD UNANIMOUSLY RECOMMENDS THAT THE STOCKHOLDERS VOTE “FOR” THE COMPENSATION OF OUR NAMED EXECUTIVE OFFICERS, AS DISCLOSED IN THE COMPENSATION DISCUSSION AND ANALYSIS, COMPENSATION TABLES AND RELATED NARRATIVES AND DESCRIPTIONS OF THIS PROXY STATEMENT FOR THE ANNUAL MEETING.**

Table of Contents**SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT**

The following table sets forth, as of April 16, 2019, information relating to the beneficial ownership of our Common Stock or securities exchangeable into our Common Stock by: (i) each person known by us to be the beneficial owner of more than five percent (5%) of the outstanding shares of our Common Stock, (ii) each director (or nominee), (iii) each of the named executive officers named in the Summary Compensation Table, and (iv) all directors and executive officers as a group.

Unless otherwise indicated, the address of each beneficial owner listed below is Monolithic Power Systems, Inc. at 4040 Lake Washington Boulevard NE, Suite 201, Kirkland, WA 98033.

Name of Beneficial Owner	Number of	Percent of	
	Shares	Shares	
	Beneficially	Beneficially	
	Owned	Owned (1)	
<b>Named Executive Officers and Directors:</b>			
Michael Hsing (2)	554,471	1	%
James C. Moyer (3)	584,083	1	%
Maurice Sciammas (4)	162,970	*	
Deming Xiao (5)	46,301	*	
Saria Tseng (6)	17,312	*	
Bernie Blegen (7)	21,199	*	
Herbert Chang (8)	11,363	*	
Eugen Elmiger (9)	16,598	*	
Victor K. Lee (10)	25,952	*	
Jeff Zhou (11)	20,152	*	
Total (12)	1,460,401	3	%
<b>5% Stockholders:</b>			
BlackRock, Inc. (13)	4,168,792	10	%
The Vanguard Group (14)	3,660,323	9	%
Franklin Resources, Inc. (15)	2,254,578	5	%

\* Represents beneficial ownership of less than 1%.

Based on 43,036,450 shares of our Common Stock outstanding as of the Record Date on April 16, 2019.

- Beneficial ownership is determined in accordance with the rules of the SEC. In computing the number of shares beneficially owned by a person and the percentage of ownership of that person, RSUs held by that person that are
- (1) subject to release within 60 days of April 16, 2019 are considered to be outstanding and beneficially owned by such person. Those shares, however, are not deemed outstanding for the purpose of computing the percentage ownership of any other person.

- (2) Includes (i) 356,214 shares held of record by Michael Hsing, (ii) 133,040 shares held of record by Michael Hsing, Trustee of the Michael Hsing 2004 Trust, (iii) 29,000 shares held of record by the Hsing Family Foundation, and (iv) 36,217 shares underlying RSUs scheduled to release within 60 days of April 16, 2019.

- (3) Includes (i) 512,260 shares held of record by James C. Moyer, and (ii) 71,823 shares held in the Moyer Family Revocable Trust.

- (4) Includes (i) 136,907 shares held of record by Maurice Sciammas, (ii) 15,246 shares held of record by Maurice Sciammas and Christina Sciammas, Co-Trustees of the Sciammas Family Living Trust, and (iii) 10,817 shares underlying RSUs scheduled to release within 60 days of April 16, 2019.

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- (5) Includes (i) 35,029 shares held of record by Deming Xiao, (ii) 455 shares owned by Julia Chu, Mr. Xiao's wife, and (iii) 10,817 shares underlying RSUs scheduled to release within 60 days of April 16, 2019.
- (6) Includes (i) 6,495 shares held of record by Saria Tseng, and (ii) 10,817 shares underlying RSUs scheduled to release within 60 days of April 16, 2019.
- (7) Includes (i) 16,516 shares held of record by Bernie Blegen, and (ii) 4,683 shares underlying RSUs scheduled to release within 60 days of April 16, 2019.
- (8) Includes 11,363 shares held of record by Herbert Chang.
- (9) Includes 16,598 shares held of record by Eugen Elmiger.
- (10) Includes 25,952 shares held of record by Victor K. Lee.
- (11) Includes 20,152 shares held of record by Jeff Zhou.
- (12) As a group, includes 73,351 shares underlying RSUs scheduled to release within 60 days of April 16, 2019.
- Pursuant to a Schedule 13G/A filed with the SEC on February 6, 2019, BlackRock, Inc. beneficially owns
- (13) 4,168,792 shares, and has sole voting power over 4,009,102 shares and sole dispositive power over 4,168,792 shares. BlackRock, Inc. lists its address as 55 East 52<sup>nd</sup> Street, New York, NY 10055.
- Pursuant to a Schedule 13G/A filed with the SEC on February 11, 2019, the Vanguard Group beneficially owns
- (14) 3,660,323 shares, and has sole voting power over 21,843 shares, shared voting power over 7,904 shares, sole dispositive power over 3,634,383 shares and shared dispositive power over 25,940 shares. The Vanguard Group lists its address as 100 Vanguard Blvd., Malvern, PA 19355.
- Pursuant to a Schedule 13G filed with the SEC on January 28, 2019, Franklin Resources, Inc. beneficially owns
- (15) 2,254,578 shares, and has sole voting power over 2,254,578 shares and sole dispositive power over 2,254,578 shares. Franklin Resources, Inc. lists its address as One Franklin Parkway, San Mateo, CA 94403.

**Section 16(a) Beneficial Ownership Reporting Compliance**

Section 16(a) of the 1934 Act and regulations of the SEC thereunder require our executive officers and directors, and persons who own more than 10% of a registered class of our equity securities, to file reports of initial ownership and changes in ownership with the SEC. Based solely on our review of copies of such forms received by us, or on written representations from certain reporting persons that no other reports were required for such persons, we believe that, during 2018, all of the Section 16(a) filing requirements applicable to our executive officers, directors and 10% stockholders were complied with.

### **Certain Relationships and Related Transactions**

We have a written policy on related party transactions, as defined in our Code of Ethics and Business Conduct and the Audit Committee Charter. In accordance with our Code of Ethics and Business Conduct, it is the responsibility of our employees and directors to disclose any significant financial interest in a transaction between us and a third party, including an indirect interest, through, for example, a relative or significant other. It is also the responsibility of our Audit Committee, as described in the Audit Committee Charter, to review on an ongoing basis all related party transactions and approve these transactions before they are entered into.

For 2018, we did not enter into any transactions with related persons that are required to be disclosed under Item 404(a) of Regulation S-K.



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**EXECUTIVE OFFICER COMPENSATION**

**Compensation Discussion and Analysis**

This Compensation Discussion and Analysis describes our compensation philosophy and programs, compensation decisions made under those programs, and factors considered in making these decisions for our “named executive officers” (“NEOs”) who, for 2018, were:

Michael Hsing, Chief Executive Officer, President and Chairman of the Board;

Bernie Blegen, Chief Financial Officer;

Deming Xiao, President of Asia Operations;

Maurice Sciammas, Senior Vice President, Worldwide Sales and Marketing; and

Saria Tseng, Vice President, Strategic Corporate Development, General Counsel and Corporate Secretary.

For further information regarding each current NEO’s professional background, please refer to the section “*Executive Officers of the Registrant*” under Item 1 of our Annual Report on Form 10-K for the year ended December 31, 2018, filed with the SEC on March 1, 2019.

***Executive Summary***

***Compensation Philosophy***

The primary objective in designing our compensation program for our NEOs is the same as the primary objective for operating MPS — to create long-term value for our stockholders. To achieve this goal, we have designed and implemented our compensation programs for our NEOs to:

Motivate and reward them for sustained financial and operating performance and leadership excellence;

Align their interests with those of our stockholders;

Encourage our NEOs to focus on achieving both short-term goals as well as long-term developmental goals; and

Encourage our NEOs to remain with us for long and productive careers.

Each one of our executive compensation elements fulfills one or more of our performance, alignment and retention objectives. These elements primarily consist of salary, long-term equity awards and short-term cash incentive compensation, as well as severance benefits and broad-based employee benefits. In deciding on the type and amount of compensation for each executive, we focus on both current pay and the opportunity for future compensation. We believe that maintaining a balance of short-term and long-term compensation elements encourages decision-making that optimizes short-term results and, at the same time, advances our long-term goals. We combine the compensation elements for each NEO in a manner we believe optimizes the executive's overall contribution to us and our stockholders.

*Our Compensation Practices Are Built on Stockholder Feedback and Requests*

In the 2018 Annual Meeting of Stockholders, approximately 97% of the votes cast by 96% of our stockholders were in favor of our executive compensation program. In the 2017 Annual Meeting of Stockholders, approximately 98% of the votes cast by 95% of our stockholders were in favor of our executive compensation program. In the 2016 Annual Meeting of Stockholders, approximately 99% of the votes cast by 97% of our stockholders were in favor of our executive compensation program. While these say-on-pay votes are only advisory and not binding on us, the Compensation Committee discusses the vote results each year with our independent compensation consultant.

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Our management team continued the practice of reaching out to our most significant stockholders from time to time to discuss how those stockholders view our executive compensation program, and what kind of changes they would like to see implemented in future years. Based on the overwhelming multi-year support by the stockholders in favor of our pay-for-performance compensation structure, the Compensation Committee decided to continue to grant equity awards based on performance conditions under the executive compensation program in 2018. In addition, the Compensation Committee granted equity awards based on market conditions, which will motivate our NEOs to focus on long-term stock price appreciation. In the past several years, we have continued to improve our executive compensation policies and programs, incorporating the suggestions of our stockholders. We believe these improvements, as highlighted below, have supported our financial and strategic successes in the last several years.

***1. Commitment to short-term profit-based cash incentives, mid-term performance-based equity awards, long-term market-based equity awards, and alignment of executive compensation with stockholder interests.***

In 2018, the Compensation Committee removed the discretionary bonus and the individual performance components of the short-term cash incentives. 100% of the bonus earned by the NEOs was tied to specific, pre-established non-GAAP operating income metrics.

A. In 2018, 100% of the total equity awards granted to our NEOs were tied to the achievement of performance and market-based conditions. We granted performance-based equity awards based on achievement of an average revenue growth rate as measured against the analog industry's average revenue growth rate over the two-year performance period of 2018 and 2019. In addition, we granted market-based equity awards based on achievement of five stock price targets over a five-year performance period through the end of 2023. No stock awards were granted to the NEOs solely based on continued service.

B. Our executive compensation program is designed to align our executives' short-, mid- and long-term interests to those of our stockholders. For example:

In 2013, we granted market-based stock units to our NEOs that contained price hurdles requiring sustained increases in our stock price with a five-year performance period and a ten-year vesting period.

In 2015, we granted market and performance-based stock units to our NEOs that combined operating goals and price hurdles requiring sustained increases in our stock price with four-year performance and vesting periods.

In 2018, we granted market-based stock units to our NEOs that contained price hurdles requiring sustained increases in our stock price with five-year performance and vesting periods.

Since 2014, we have granted performance-based stock units to our NEOs that require significant outperformance against our peers in sustained revenue growth with a two-year performance period and a four-year vesting period.

We believe the significant increase in our stock price and year-over-year outperformance in revenue growth in the past several years demonstrate the effectiveness of our performance-based compensation program in motivating our NEOs to build a sustainable business model and to focus on long-term value creation for our stockholders.

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Stock Performance:

Our one-year total stockholder return was approximately 4% and our three-year total stockholder return was approximately 88%, as shown in the graphs below in comparison to our peer group and the PHLX semiconductor sector index:

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(1) Represents our 2018 peer group approved by the Compensation Committee. See the section “*Peer Group and Use of Peer Data for 2018*” for further discussion.

Market Capitalization:

Our strong financial performance in the past several years has led to a significant increase in our market capitalization, surpassing \$4 billion in 2017. Because a significant portion of our NEOs’ total target compensation has been in the form of market-based stock units with stock price performance components, the value of our NEOs’ compensation is closely tied to our market performance. The following table illustrates our market capitalization compared to our CEO’s compensation (as reported in the Summary Compensation Table below) in the past three years:

***2. Capping payouts under our non-equity incentive plans.***

Our Compensation Committee has capped maximum payouts under our annual non-equity incentive plans at 250% of target for the CEO and the remaining NEOs.

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**3. Selection of performance goals.**

In the past several years, our stockholders indicated a preference for the use of different performance metrics across plans, so that not all performance-based plans relied on the same metric. In addition, our stockholders told us they wanted to see a greater connection between stock price performance and executive compensation. Therefore, we use non-GAAP operating income for our short-term cash incentive plan, and, to balance that metric, a mix of revenue, stock price performance and operating goals for our long-term performance equity incentive plan. By using a non-GAAP operating income metric in our short-term incentive plan and various performance and stock price appreciation metrics in our long-term incentive plan, we can reward our executives for achieving our short-term financial objectives while at the same time planning for long-term growth, without encouraging excessive risk taking.

The following table shows the three-year history of our performance in revenue and non-GAAP operating income, which demonstrates a balance of our overall financial health, compared to our CEO's total compensation:

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(1) The reconciliation of the GAAP operating income to the non-GAAP operating income and related disclosures are provided in Annexure A.

**4. Clawback policy.**

In 2011, we heard investors tell us that compensation recovery policies, or clawbacks, were a best practice and should be adopted. In February 2012, we adopted our Compensation Recoupment Policy, which permits the Board to recoup any excess performance-based cash compensation paid to key members of our executive team if the financial results on which the performance-based compensation awards were based are restated due to fraud or intentional misconduct by the executive.

**5. Stock ownership guidelines.**

In 2011, we heard investors tell us that board members and officers should have ownership interests that are aligned with stockholders, and encouraged us to adopt stock ownership guidelines. In 2012, we adopted significant stock ownership guidelines for our NEOs and directors, requiring ownership levels by our officers of two to five times of base salary, and by our directors of two times of annual retainer. In 2016, we amended the stock ownership guideline by increasing the required levels for our directors from two times to three times of annual retainer.

**6. Tax gross ups.**

Since 2008, we have not adopted any new employment agreements (or modified any existing employment agreements) to provide for tax gross-ups to our officers.

Table of Contents**7. Responsible share ownership.**

We have adopted a policy prohibiting our directors and officers (including our NEOs) from engaging in certain hedging and monetization transactions with respect to our securities that they hold without prior Board approval. The policy also prohibits our directors and officers (including our NEOs) from engaging in any short sales of our securities.

In summary, we regularly engage with our stockholders to exchange ideas on our existing executive compensation programs and potential future programs. We listen to their feedback and carefully consider it. Our engagement with stockholders does not begin and end with the say-on-pay vote – that vote is just one part of a larger dialogue and partnership we have with our investors.

**2018 Financial and Business Performance Highlights**

As noted above, the Compensation Committee has focused our executives on accountability in revenue, operating income and earnings, as well as maximizing stockholder return through the structure of our executive compensation program. We believe our 2018 financial results, on both a GAAP and a non-GAAP basis, and the resulting compensation for our NEOs demonstrate a strong pay-for-performance connection. Our financial results are summarized as follows (in millions, except per share amounts and percentages):

	GAAP			Non-GAAP (1)			
	2018	2017	Change	2018	2017	Change	
Revenue	\$582.4	\$470.9	24 %	\$582.4	\$470.9	24 %	
Operating income	\$113.5	\$77.4	47 %	\$174.3	\$134.9	29 %	
Net income	\$105.3	\$65.2	62 %	\$166.8	\$127.5	31 %	
Diluted EPS	\$2.36	\$1.50	57 %	\$3.74	\$2.93	28 %	

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(1) The reconciliation of the GAAP financial measures to the non-GAAP financial measures and related disclosures are provided in Annexure A.

Our revenue growth rate of 24% in 2018 outperformed the analog industry's 11% growth rate reported by the Semiconductor Industry Association (the "SIA"). We also achieved significant success in our targeted end markets in 2018 as follows:



Automotive sales grew 49% from prior year primarily driven by increased sales of products for infotainment, safety and connectivity applications.

Computing and storage sales grew 58% from prior year primarily due to sales growth in the solid-state drive storage, cloud computing and high-performance notebook markets.

Industrial sales grew 41% from prior year primarily fueled by product sales for applications in power source, security and meter products.

Communications sales grew 11% from prior year primarily reflecting higher demand in networking applications.

Cash Dividends:

In February 2018, our Board of Directors approved an increase in our quarterly cash dividends to \$0.30 per share and we paid a total of \$47.5 million of dividends to our stockholders in 2018. In February 2019, our Board of Directors approved an increase in our quarterly cash dividends to \$0.40 per share.

*The Roles of the Compensation Committee and Our Officers in Setting Compensation*

The Compensation Committee, which is comprised solely of independent directors, has primary responsibility for overseeing the design, development and implementation of the compensation program for our CEO and other NEOs. The Compensation Committee Charter, which is available in the “Investor Relations” section of our website at <http://www.monolithicpower.com>, was originally adopted on October 26, 2007, and is updated periodically. Pursuant to the Compensation Committee Charter, the Compensation Committee reviews and approves the compensation arrangements for our executive officers, including the CEO, and administers our equity compensation plans. The Compensation Committee meets at least once a quarter. In 2018, the Compensation Committee met four times.

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The Compensation Committee reviews the performance of each officer taking into account the evaluations provided by the CEO for all officers other than himself. The Compensation Committee makes the final determination of performance achievement for each officer. The CEO, Chief Financial Officer and General Counsel present information to the Compensation Committee as requested from time to time, including financial results, future budget information, business operations and legal developments. The Compensation Committee regularly meets in closed sessions without the CEO or other management personnel present. Our officers also provide information to the Compensation Committee's independent compensation consultant, if requested to do so, to help the consultant perform its duties for the Compensation Committee. Our officers are responsible for implementing the decisions made by the Compensation Committee.

*Compensation Consultants*

In 2018, the Compensation Committee engaged Radford, an Aon Hewitt company, as the compensation consultant with respect to our non-employee director and executive compensation programs. Radford did not perform any other work for us. In 2018, the Compensation Committee assessed the independence of Radford pursuant to SEC rules and concluded that no conflict of interest exists that would prevent them from serving as independent consultant to the Compensation Committee for 2018.

In 2018, the Compensation Committee requested and received the following services from Radford: (1) updates on evolving compensation trends, (2) recommendations for additions or deletions to the peer group used for 2018, (3) compensation data for officers and directors (gathered from public filings for our peers and broader surveys), and (4) general advice on analyzing and responding to stockholder feedback on our compensation programs.

*Peer Group and Use of Peer Data for 2018*

In February 2018, Radford reviewed the peer group of companies selected by management and recommended that the industry peer group continue to be determined by reference to publicly traded companies in the semiconductor industry with revenue primarily between 50% and 300% of our revenue for the most recent four quarters. In addition, Radford took into account that the market capitalization should be in similar range of us primarily from 50% to 200%. Guided by this set of parameters, and taking into account the recommendations of management, Radford proposed the following peer group, which was reviewed and approved by the Compensation Committee. The peer group consisted of the following companies:

Ambarella, Inc.

MKS Instruments, Inc.

Cree, Inc.	ON Semiconductor Corporation
Cypress Semiconductor Corporation	Power Integrations, Inc.
Integrated Device Technology, Inc.	Semtech Corporation
MACOM Technology Solutions Holdings, Inc.	Silicon Laboratories, Inc.
Mellanox Technologies, Ltd.	Synaptics Incorporated
Microsemi Corporation	Teradyne, Inc.

We removed Cavium, Inc. from the peer group for 2018 because it was acquired during the year.

***Named Executive Officer Compensation Components***

The table below summarizes the core elements, objectives and key features of our 2018 compensation program for our NEOs:

<b>Compensation Components</b>	<b>Objectives</b>	<b>Key Features</b>
Base salary	Designed to reward individual effort associated with job-related duties and to attract and retain talented executive officers.	<p>Paid in cash.</p> <p>Reviewed annually.</p> <p>Paid in cash.</p>
Short-term cash incentive compensation	Designed to encourage outstanding MPS performance by motivating the NEOs to achieve short-term financial goals.	<p>100% of the compensation is subject to corporate performance goals.</p> <p>Maximum payouts at 250% of target for the NEOs.</p> <p>Subject to clawback policy.</p> <p>100% of total target award size is subject to performance and market conditions.</p>
Long-term incentive compensation	Designed to align the interests of our executives with the interests of the stockholders by focusing on our long-term revenue growth compared to the industry and stock price appreciation.	<p>Size of award is a multiple of target cash compensation.</p> <p>Awards subject to performance conditions contain a purchase price feature, which requires the NEOs to pay MPS \$30 per share upon vesting of the shares.</p>

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Paid in cash and equal to the dividend declared and paid on a share of Common Stock.

Cash dividend equivalents      Designed to treat equity award holders equally with stockholders under our dividend program.      Accumulate during the vesting period of the underlying equity awards.

Subject to forfeiture if the underlying equity awards do not vest.

*Analysis of 2018 Compensation Elements*Base Salaries:

We provide base salary as a stable source of compensation for the NEOs' day-to-day duties, and seek to set base salaries at levels that will attract and retain talented executive officers. To attract and retain talent, we have to understand the levels of salary offered by our peers. Accordingly, our Compensation Committee considers peer data as one key factor in reviewing base salary each year. Our Compensation Committee also considers each individual executive's role and the scope of his or her responsibilities, the executive's experience, his or her tenure with us, and size of recent salary changes. For 2018, our Compensation Committee considered all of these factors and approved the following salaries for our NEOs:

<b>NEOs</b>	<b>2018</b>	<b>2017</b>	<b>Change</b>	
Michael Hsing	\$ 650,000	\$ 600,000	8	%
Bernie Blegen	\$ 300,000	\$ 290,000	3	%
Deming Xiao	\$ 340,000	\$ 340,000	0	%
Maurice Sciammas	\$ 340,000	\$ 340,000	0	%
Saria Tseng	\$ 340,000	\$ 340,000	0	%

In 2018, based on the recommendation of the compensation consultant, the Compensation Committee approved an increase of Mr. Hsing's base salary to better align his pay with our peer group, given that his base salary had not been increased since 2014. In addition, the Compensation Committee approved an increase of Mr. Blegen's base salary to better align his pay with our peer group.

Short-Term Cash Incentive Compensation:

We provide a short-term cash incentive opportunity to each of our NEOs to encourage them to achieve our corporate short-term operating income goals. Consistent with 2017, the Compensation Committee used non-GAAP operating income as the sole corporate performance metric in 2018 for determining the short-term cash incentive compensation. The Compensation Committee believed that non-GAAP operating income would best reflect our short-term performance. See Annexure A for a reconciliation of the GAAP operating income to the non-GAAP operating income used in the short-term cash incentive plan.

In response to our stockholder feedback, the Compensation Committee removed the following components under the short-term cash incentive plan in 2018:

Discretionary bonus for all the NEOs.

Individual management by objectives (“MBOs”) for the NEOs (other than our CEO who did not have this component in prior years).

As a result of these changes, 100% of the short-term cash incentives were tied to a specific, pre-established non-GAAP operating income metric for all the NEOs. Our CEO’s target bonus was 100% of his annual base salary. The remaining NEOs’ target bonus was 80% of their annual base salary. For 2018, our non-GAAP operating income target was \$145.6 million as established in the annual operating plan approved by the Board. Achievement of 120% of the non-GAAP operating income target would result in the maximum 250% bonus payout for each NEO, achievement of 100% of the non-GAAP operating income target would result in the 100% bonus payout, and performance below 80% of the non-GAAP operating income target would result in no bonus payout. For performance within the maximum, target and threshold range, the percentage of payout would be determined based on a linear interpolation.

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For 2018, we achieved non-GAAP operating income which resulted in the achievement of 250% bonus payout for each NEO. The following table summarizes the bonus payout approved by the Compensation Committee for our NEOs:

<b>NEOs</b>	<b>Target</b>	<b>Maximum</b>	<b>Achieved</b>
Michael Hsing	\$ 650,000	\$ 1,625,000	\$ 1,625,000
Bernie Blegen	\$ 240,000	\$ 600,000	\$ 600,000
Deming Xiao	\$ 272,000	\$ 680,000	\$ 680,000
Maurice Sciammas	\$ 272,000	\$ 680,000	\$ 680,000
Saria Tseng	\$ 272,000	\$ 680,000	\$ 680,000

Long-Term Equity Incentive Compensation:

We provide long-term equity compensation awards to reward and retain our valued executives, to help us effectively compete for executives who can strategically position us for future growth and financial success, and to encourage our executives to focus on achieving long-term development goals for the future.

In determining the number of long-term equity compensation awards granted to each of the NEOs, the Compensation Committee establishes the aggregate value of such awards to be granted as a multiple of each NEO's target cash compensation. The Compensation Committee believes these multiples properly reflect the relative position and responsibility of each NEO as well as the officer's ability to develop the vision, drive the strategy and effect certain cost savings for us.

Over the past several years, we have regularly engaged with our stockholders to take into account their opinions in setting performance metrics. In response to investor feedback and to align the NEOs' long-term compensation with our performance and stockholders' interests, the Compensation Committee decided that 100% of the equity compensation awards granted to our NEOs in 2018 would vest based on the achievement of performance and market-based criteria. No equity awards that vest solely based on continued service were granted to our NEOs in 2018.

In February 2018, the Compensation Committee granted the NEOs a target dollar amount of long-term equity compensation awards which included RSUs with performance conditions based on revenue achievement as measured against the performance of the analog industry over a two-year period, with a total vesting period of four years ("PSUs").

In addition, in October 2018, at a time when the overall stock market was experiencing an unexpected downturn, the Compensation Committee decided to grant the NEOs a long-term, market-based equity compensation awards based on the achievement of stock price targets over a five-year vesting period (“MSUs”). The Compensation Committee’s decision to implement this market-based equity awards in October 2018 was driven by management’s continued confidence in MPS’s future and long-term stock performance, despite challenging macro-economic conditions at the time.

The following table summarizes the target number of PSUs and MSUs granted to our NEOs in 2018:

NEOs	PSUs		MSUs		Total Target Awards
	Target Number of	Percentage	Target Number of	Percentage	
	of Shares	Total Awards	of Shares	Total Awards	
Michael Hsing	97,500	82	% 21,600	18	% 119,100
Bernie Blegen	14,850	61	% 9,600	39	% 24,450
Deming Xiao	25,245	72	% 9,600	28	% 34,845
Maurice Sciammas	25,245	72	% 9,600	28	% 34,845
Saria Tseng	25,245	72	% 9,600	28	% 34,845

The PSUs contain a purchase price feature, which requires the NEOs to pay MPS \$30 per share upon vesting of the shares. Shares that do not vest will not be subject to the purchase price payment to MPS. The target number of shares granted to each NEO was determined based on the target equity compensation value for such PSUs divided by our closing stock price on the date of grant less the purchase price. The MSUs do not contain a purchase price feature.

*PSUs:*

The Compensation Committee set a two-year (2018 and 2019) revenue performance period as the basis to grant each NEO a target number of PSUs. The number of PSUs that can ultimately be earned at the end of the performance period on December 31, 2019 is based on the average two-year revenue growth rate as measured against the average two-year revenue growth rate for the analog industry published by the SIA. In selecting the minimum, target and maximum performance levels, the Compensation Committee carefully considered our historical and projected performance and the fundamentals of the analog industry at that time. The Compensation Committee took into account SIA’s projections, which are updated twice a year in May and November, for the anticipated revenue growth in the analog industry for the two-year performance period. Instead of benchmarking against the broad semiconductor sector, the Compensation Committee elected to focus solely on the analog industry in setting the performance objectives, which are measured against our closest and most relevant peers within the semiconductor sector. In addition, the Compensation Committee chose the revenue projections reported by SIA as a baseline because the SIA report is well-respected in the semiconductor industry and used by Wall Street financial analysts in preparing their analyses, forecasts and recommendations.





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Based on the Compensation Committee's evaluation, the performance criteria and the threshold, target and maximum levels of the PSUs that can be earned are as follows:

**MPS's Average Two-Year Revenue**

<b>Growth Rate Exceeds the Analog Industry by:</b>	<b>Percentage of Target PSUs Earned</b>
less than 3%	0%
3%	50% of Target
5%	100% of Target
15%	300% of Target

The two-year performance period provides a long-term incentive for our NEOs through overlapping cycles so that each year of performance is equally critical as we work toward meeting our two-year goals. The Compensation Committee believes the revenue goals are challenging and that performance metrics measured relative to our peers will provide objectivity when setting long-term goals while minimizing uncertainties caused by external economic factors that are beyond our control.

At the end of the performance period on December 31, 2019 and upon certification of performance by the Compensation Committee, 50% of the actual award earned will become vested in February 2020, and the remaining 50% vest quarterly over the following two years thereafter, for a total vesting period of four years, subject to continued employment. The NEOs will be required to pay MPS \$30 per share upon vesting of the shares.

*MSUs:*

In 2013, our Compensation Committee granted long-term, market-based equity awards to our NEOs with a five-year performance period. In addition, in 2015, our Compensation Committee granted long-term, market and performance-based equity awards to our NEOs with a four-year performance period. In the past several years, MPS's financial success has been reflected in our strong stock performance, which resulted in the achievement of the stock price targets established in both the 2013 and 2015 equity awards.

In October 2018, our Compensation Committee approved another long-term MSU program to a group of key employees, including our NEOs, that can only be earned if our Common Stock trades for sustained periods of time at a series of price levels substantially higher than the average stock price for the preceding twelve months. These MSU awards are intended to focus the CEO and the other NEOs on leading us to sustained, excellent financial and operational performance over the next five years which we believe will result in higher stock prices. The awards, designed by the Compensation Committee in consultation with our independent compensation consultant, emphasize sustainable stockholder value creation over time. To realize the value from the awards, the NEOs will have to grow our revenue and earnings substantially over the next five years, and thereby achieve significant increases in our stock price.

The key terms of the MSUs are as follows:

1. The awards consist of an aggregate target of 60,000 shares for the NEOs. The NEOs can earn up to five times of the target if our average stock price reaches the following five price levels (the “Price Hurdles”):

<b>Price Hurdles</b>	<b>Percentage of Stock Price Increase (A)</b>
\$140	29%
\$148	36%
\$156	44%
\$164	51%
\$172	59%

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(A) The percentage represents the increase from our stock price of \$108.43 on October 25, 2018, the date the MSU program was approved by the Compensation Committee.

To earn the shares associated with any Price Hurdle, the average of the closing price of our Common Stock over a 20-consecutive day trading period must equal or exceed that Price Hurdle. The performance period for the first two Price Hurdles is from October 26, 2018 to December 31, 2021, and the performance period for the last three Price Hurdles is from October 26, 2018 to December 31, 2023.

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Shares credited during the performance period upon achievement of the Price Hurdles will fully vest on January 1, 3.2024, subject to continued employment. In addition, the Compensation Committee imposed a post-vesting holding period which prohibits the sale of a portion of the vested shares for up to an additional two years.

The following table summarizes the number of shares that can be earned by the NEOs under the MSU program, subject to the criteria described above:

NEOs	Less Than \$140	Price Hurdles				
		\$140	\$148	\$156	\$164	\$172
Michael Hsing	0	21,600	21,600	21,600	21,600	21,600
Bernie Blegen	0	9,600	9,600	9,600	9,600	9,600
Deming Xiao	0	9,600	9,600	9,600	9,600	9,600
Maurice Sciammas	0	9,600	9,600	9,600	9,600	9,600
Saria Tseng	0	9,600	9,600	9,600	9,600	9,600

**Dividend Equivalents.** In connection with our quarterly cash dividend program, all outstanding and unvested time and performance-based full value awards granted to employees, including the NEOs, have the right to receive dividend equivalents in order to maintain the economic alignment between the value of such awards and the value of a share of our Common Stock. The dividend equivalents are accumulated during the vesting periods of the shares underlying such awards and are paid in cash to employees only if and when the underlying shares vest. Dividend equivalents accrued on the underlying shares are forfeited if the employees do not fulfill their service requirement during the vesting periods. Dividend equivalents paid to the NEOs in 2018 are included in the section “*Option Exercises and Stock Vested*” below.

***Certifications of Prior-Year Performance-Based Awards***

As previously disclosed in our proxy statement for the 2018 Annual Meeting of Stockholders, the Compensation Committee granted each NEO a PSU award in February 2017 that could be earned based on the average two-year (2017 and 2018) revenue growth rate as measured against the average two-year revenue growth rate for the analog industry published by the SIA. The PSU award consisted of a target award, as well as a maximum award equal to 300% of the target grant. The actual results at the end of the performance period on December 31, 2018, as approved by the Compensation Committee, were as follows:

**MPS's Average Two-Year  
Revenue**

<b>Growth Rate Exceeds the Analog Industry by:</b>		<b>Percentage of Target PSUs Earned</b>	
<b>Target</b>	<b>Maximum</b>	<b>Actual Achievement</b>	<b>Earned</b>
5%	15%	11.6%	260.0 %

The following table shows the actual shares earned under the program for the NEOs:

<b>NEOs</b>	<b>Earned</b>
Michael Hsing	254,220
Bernie Blegen	43,893
Deming Xiao	74,331
Maurice Sciammas	74,331
Saria Tseng	74,331

The NEOs are required to pay MPS a purchase price of \$30 per share upon vesting of the actual awards earned. 50% of the actual awards earned vested in February 2019, with the remaining 50% vesting quarterly over the following two years through February 2021, subject to continued employment.

***Broad-Based Benefits***

Our NEOs are eligible to participate in our broad-based employee benefit programs on the same terms offered to our employees. These benefit programs include the Employee Stock Purchase Plan, medical, dental and vision insurance, long-term and short-term disability insurance, life and accidental death and dismemberment insurance and health and dependent care flexible spending accounts. We do not provide pension arrangements or post-retirement health coverage for our NEOs or other employees. In addition, we do not provide contributions on the 401(k) plan or the deferred compensation plan for our NEOs or other employees.

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***Severance and Change in Control Arrangements***

We offer severance benefits to our NEOs, including severance in connection with a change in control of MPS. In general, severance does not exceed six to twelve months of base salary, target bonus and other benefits, and is conditioned on a release of claims and compliance with ongoing obligations. We believe these modest benefits balance the costs to MPS with the retention benefits that are commonly understood to come from offering severance and change in control benefits. For all change in control arrangements, the NEO is entitled to benefits if his or her employment is terminated without cause or if he or she leaves for good reason within one year following a change in control. This approach is commonly referred to as a “double-trigger” arrangement and is favored by many institutional investors and their advisors. We believe the size and conditions to receipt of these severance benefits are consistent with market practices. These arrangements are discussed in more detail in the section “*Executive Officer Compensation — Potential Payments Upon Termination or Termination Upon Change in Control.*”

***Stock Ownership Guidelines***

In February 2012, the Board established stock ownership guidelines for our executive officers and directors. These guidelines reinforce the importance of aligning the interests of our executive officers and directors with the interests of our stockholders.

For the NEOs, the guidelines are determined as a multiple of each NEO’s base salary, and then converted to a fixed number of shares. Currently, the multiple for our CEO is five times his base salary, while the multiples for other NEOs are two times each NEO’s base salary.

Equity interests that count toward the satisfaction of the ownership guideline include shares owned directly or indirectly by the executive, including restricted or unrestricted shares or stock units (excluding restricted shares or stock units that remain subject to achievement of performance goals), and any shares owned in our savings plans, such as our 401(k), or acquired through the Employee Stock Purchase Plan. Executives have five years from the date of adoption of the guidelines or their appointment as an executive officer, as applicable, to attain these ownership levels. As of December 31, 2018, all of the NEOs met the stock ownership guidelines.

For the non-employee directors, the stock ownership guidelines are determined as a multiple of the annual retainer paid to the non-employee director and then converted to a fixed number of shares. In February 2016, based on our compensation consultant’s best practice recommendation, we amended the stock ownership guidelines to increase the required level for our non-employee directors from two times to three times of each such director’s annual retainer. As of December 31, 2018, all of the directors met the stock ownership guidelines.

### ***Policy Regarding Clawback of Incentive Compensation***

In February 2012, the Board adopted a Compensation Recoupment Policy, which requires the Board to recoup any excess performance-based cash compensation paid to key members of our executive team, including the NEOs, if the financial results on which the incentive compensation awards were based are restated due to fraud or intentional misconduct by the executive, if the Board determines, in its sole discretion, that it is in the best interests of us and our stockholders for the executive to repay or forfeit all or any portion of the subject performance-based cash compensation.

### ***Anti-Hedging and Monetization Transactions and Short Sales***

We prohibit our directors and officers, including our NEOs, from engaging in hedging or monetization transactions with respect to our securities that they obtained through our plans or otherwise, including transactions involving the use of financial instruments such as prepaid variable forwards, equity swaps, collars, forward sale contracts and exchange funds, without prior Board approval. We also prohibit our directors and officers, including our NEOs, from engaging in any short sales of our securities.

### ***Tax and Accounting Impacts of Equity Grants***

Section 162(m) of the Internal Revenue Code disallows a tax deduction for any publicly held corporation for individual compensation exceeding \$1 million in any taxable year for “covered employees.” Prior to the 2017 Tax Cuts and Jobs Act (the “2017 Tax Act”) enacted in December 2017, covered employees consisted of our Chief Executive Officer and each of the next three highest compensated officers serving at the end of the taxable year other than our Chief Financial Officer, and compensation that qualified as “performance-based” under Section 162(m) was exempt from this \$1 million deduction limitation. As a result of the 2017 Tax Act, this exemption was, with certain limited exceptions, eliminated. In addition, the definition of covered employees was expanded to include all named executive officers.

Our Compensation Committee is aware of current rules governing the taxation and accounting for cash and equity compensation as applicable to public companies. Our Compensation Committee believes that, in establishing the cash and equity incentive compensation plans and arrangements for our executive officers, the potential deductibility of the compensation payable under those plans and arrangements should be only one of a number of relevant factors taken into consideration, and not the sole governing factor. The Compensation Committee believes it is important to maintain cash and equity incentive compensation at the requisite level to attract and retain the individuals essential to our financial success, even if all or part of that compensation may not be deductible by reason of the Section 162(m) limitation.



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**Compensation Committee Report**

The Compensation Committee reviewed and discussed the Compensation Discussion and Analysis with our management. Based upon such review and discussion, the Compensation Committee recommended to the Board that the Compensation Discussion and Analysis be included in the Proxy Statement for the Annual Meeting.

Members of the Compensation Committee:

Jeff Zhou, Chairman

Herbert Chang

Eugen Elmiger

**Compensation Committee Interlocks and Insider Participation**

No Compensation Committee member was at any time during 2018, or at any other time, an officer or employee of us or any of our subsidiaries. No executive officer of MPS serves on the board or compensation committee of any entity that has one or more executive officers serving on the Board or Compensation Committee.

**Compensation Risk Management**

In 2018, our management, including members from our internal legal, accounting, finance and human resources departments, undertook a subjective review of our compensation policies and practices that applied to all of our employees, including the following: annual base salaries and bonuses, equity incentive awards under our equity incentive plans and the Employee Stock Purchase Plan. This review was designed to review, consider and analyze the extent to which, if any, our compensation policies and practices might create risks for us, and this review also focused on variable and incentive compensation elements, as well as policies and practices that could mitigate or balance any such incentives. After conducting this review, management determined that our compensation policies and practices for our employees do not create any risks that are reasonably likely to have a material adverse effect on us. The results of the review and management's determination were reviewed and independently considered by the Compensation Committee, which concurred with management's assessment.





Table of Contents**Summary Compensation Table**

The following table sets forth the compensation for our Chief Executive Officer, Chief Financial Officer and three other most highly compensated executive officers, which officers together constitute our NEOs:

Name and Principal Position	Year	Salary	Bonus (1)	Stock Awards (2)(3)	Non-Equity		Total
					Incentive Plan Compensation (4)	All Other Compensation (5)	
Michael Hsing <i>Chief Executive Officer, President and Chairman of the Board</i>	2018	\$643,846	\$-	\$9,446,868	\$1,625,000	\$-	\$11,715,714
	2017	\$600,000	\$90,000	\$5,909,642	\$1,386,977	\$-	\$7,986,619
	2016	\$600,000	\$90,000	\$5,228,852	\$1,113,212	\$-	\$7,032,064
Bernie Blegen <i>Chief Financial Officer</i>	2018	\$295,308	\$-	\$1,870,950	\$600,000	\$-	\$2,766,258
	2017	\$281,692	\$34,800	\$1,020,348	\$384,149	\$-	\$1,720,989
	2016	\$237,890	\$23,400	\$669,667	\$222,718	\$-	\$1,153,675
Deming Xiao <i>President of Asia Operations</i>	2018	\$340,000	\$-	\$2,720,429	\$680,000	\$-	\$3,740,429
	2017	\$340,000	\$40,800	\$1,727,919	\$450,382	\$-	\$2,559,101
	2016	\$340,000	\$40,800	\$1,587,624	\$388,328	\$157,265	\$2,514,017
Maurice Sciammas <i>Senior Vice President, Worldwide Sales and Marketing</i>	2018	\$340,000	\$-	\$2,720,429	\$680,000	\$-	\$3,740,429
	2017	\$340,000	\$40,800	\$1,727,919	\$450,382	\$-	\$2,559,101
	2016	\$340,000	\$40,800	\$1,587,624	\$388,328	\$-	\$2,356,752
Saria Tseng <i>Vice President, Strategic Corporate Development and General Counsel</i>	2018	\$340,000	\$-	\$2,720,429	\$680,000	\$-	\$3,740,429
	2017	\$340,000	\$40,800	\$1,727,919	\$450,382	\$-	\$2,559,101
	2016	\$340,000	\$40,800	\$1,587,624	\$388,328	\$-	\$2,356,752

Includes discretionary cash bonuses approved by the Compensation Committee. Beginning in 2018, the (1) Compensation Committee removed the discretionary cash bonus component from the executive compensation program.

For more information regarding the stock awards, see the section “*Executive Officer Compensation — (2) Compensation Discussion and Analysis.*” The amounts reflect the aggregate grant date fair value of the awards calculated in accordance with FASB ASC Topic 718, excluding the impact of estimated forfeitures.

The PSUs included in the table above contain a purchase price feature, which requires the NEOs to pay MPS a purchase price per share upon vesting of the shares. The purchase price is \$30 per share for PSUs granted in 2018 and 2017, and \$20 per share for PSUs granted in 2016. Shares that do not vest will not be subject to the purchase price payment to MPS. The grant date fair value of these PSUs was estimated using the Black-Scholes model, which takes the purchase price feature into consideration.

The grant date fair value of MSUs was estimated using a Monte Carlo simulation method.

Assumptions used in the calculation of all the stock awards are included in Note 1 and Note 7 to the financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2018, filed with the SEC on March 1, 2019.

Assuming the achievement of the highest level of performance criteria, the aggregate grant date fair value of the stock awards in 2018 would be as follows: (a) \$31,298,940 for Mr. Hsing, (b) \$6,927,666 for Mr. Blegen, (c) \$9,476,104 for Mr. Xiao, (d) \$9,476,104 for Mr. Sciammas, and (e) \$9,476,104 for Ms. Tseng. Assuming the achievement of the highest level of performance criteria, the aggregate grant date fair value of the stock awards in (3) 2017 would be as follows: (a) \$17,728,926 for Mr. Hsing, (b) \$3,061,044 for Mr. Blegen, (c) \$5,183,757 for Mr. Xiao, (d) \$5,183,757 for Mr. Sciammas, and (e) \$5,183,757 for Ms. Tseng. Assuming the achievement of the highest level of performance criteria, the aggregate grant date fair value of the stock awards in 2016 would be as follows: (a) \$15,686,556 for Mr. Hsing, (b) \$1,933,785 for Mr. Blegen, (c) \$4,762,871 for Mr. Xiao, (d) \$4,762,871 for Mr. Sciammas, and (e) \$4,762,871 for Ms. Tseng.

The amounts reflect the short-term cash incentive compensation earned by the NEOs under our non-equity (4) incentive plan, as described under the section “*Executive Officer Compensation — Compensation Discussion and Analysis.*”

The “other compensation” for Mr. Xiao represents the value of the vested equity interest in a subsidiary of MPS that owned a corporate apartment in Chengdu, China, which was provided to Mr. Xiao in connection with his extended stay in China due to his increased responsibilities in our operations in Asia. See the section “*Executive Officer (5) Compensation — Potential Payments Upon Termination or Termination Upon Change in Control - Employment Agreements and Change in Control Arrangements*” for more information. Other than these amounts, we did not provide other benefits or compensation for the NEOs that is required to be disclosed under Item 402(c)(2)(ix) of Regulation S-K.

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**CEO Pay Ratio**

For 2018, our CEO pay ratio was determined as follows:

The annual total compensation of our CEO was \$11,715,714, as reported in the “Total” column in the Summary Compensation Table disclosed above.

The median of the annual total compensation of all employees (other than our CEO) was \$31,798. The median employee was located in China.

The ratio of the annual total compensation of our CEO to the median of the annual total compensation of all employees was 368 to 1. This pay ratio is a reasonable estimate calculated in a manner consistent with Item 402(u) of Regulation S-K.

For purposes of calculating the amount of compensation paid to our median employee in 2018, we used the same median employee that we identified in 2017. There have been no significant changes in our employee population or employee compensation arrangements that we believe would materially impact the pay ratio disclosure.

The SEC rules for identifying the median employee and calculating the pay ratio based on that employee's annual total compensation allow companies to adopt a variety of methodologies, to apply certain exclusions, and to make reasonable estimates and assumptions that reflect their compensation practices. Therefore, the pay ratio reported by other companies may not be comparable to the pay ratio reported above, as other companies may have different employment and compensation practices and may utilize different methodologies, exclusions, estimates and assumptions in calculating their own pay ratios.

Alternative Measure:

As discussed in the Compensation Discussion and Analysis section above, more than 94% of our CEO's annual compensation is tied to rigorous performance conditions, while the annual compensation of our median employee is not tied to performance goals. Accordingly, as an alternative measure, management believes that a more direct and meaningful pay ratio is to compare compensation that is not tied to any performance objectives. Based on this alternative method, our CEO pay ratio was determined as follows:

The annual total compensation of our CEO was \$643,846.

The median of the annual total compensation of all employees (other than our CEO) was \$31,798.

The ratio of the annual total compensation of our CEO to the median of the annual total compensation of all employees was 20 to 1.

## Grants of Plan-Based Awards for the Year Ended December 31, 2018

NEOs	Grant Date	Estimated Future Payouts Under Non-Equity Incentive Plan Awards (1)			Estimated Future Payouts Under Equity Incentive Plan Awards (#)(2)			Grant Date	Fair Value of Stock Awards (3)
		Threshold	Target	Maximum	Threshold	Target	Maximum		
Michael Hsing	-	\$-	\$650,000	\$1,625,000	-	-	-	-	-
	2/7/2018	-	-	-	-	97,500	292,500	2/7/2018	\$7,967,700
	10/25/2018	-	-	-	-	21,600	108,000	10/25/2018	\$1,479,168
Bernie Blegen	-	\$-	\$240,000	\$600,000	-	-	-	-	-
	2/7/2018	-	-	-	-	14,850	44,550	2/7/2018	\$1,213,542
	10/25/2018	-	-	-	-	9,600	48,000	10/25/2018	\$657,408
Deming Xiao	-	\$-	\$272,000	\$680,000	-	-	-	-	-
	2/7/2018	-	-	-	-	25,245	75,735	2/7/2018	\$2,063,021
	10/25/2018	-	-	-	-	9,600	48,000	10/25/2018	\$657,408
Maurice Sciammas	-	\$-	\$272,000	\$680,000	-	-	-	-	-
	2/7/2018	-	-	-	-	25,245	75,735	2/7/2018	\$2,063,021
	10/25/2018	-	-	-	-	9,600	48,000	10/25/2018	\$657,408
Saria Tseng	-	\$-	\$272,000	\$680,000	-	-	-	-	-
	2/7/2018	-	-	-	-	25,245	75,735	2/7/2018	\$2,063,021
	10/25/2018	-	-	-	-	9,600	48,000	10/25/2018	\$657,408

The amounts reflect the threshold, target, and maximum awards under the short-term cash incentive compensation (1) program, which is described in detail in the section “*Executive Officer Compensation — Compensation Discussion and Analysis.*”

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The amounts reflect the threshold, target, and maximum number of shares that may be earned under the long-term equity incentive compensation program, which is described in detail in the section “*Executive Officer Compensation — Compensation Discussion and Analysis.*”

- (2) PSUs granted in 2018 contain a purchase price feature, which requires the NEOs to pay MPS \$30 per share upon vesting of the shares. Shares that do not vest will not be subject to the purchase price payment to MPS. The target number of shares granted to each NEO was determined based on the equity compensation value divided by the closing stock price on the date of grant less the purchase price.

MSUs granted in 2018 do not contain a purchase price feature.

The amounts reflect the aggregate grant date fair value of each award based on the target level of performance and calculated in accordance with ASC Topic 718, excluding the impact of estimated forfeitures.

The grant date fair value of the PSUs was \$81.72 per share, which was calculated using the Black-Scholes model and factored in the purchase price requirement of \$30 per share.

- (3) The grant date fair value of the MSUs was \$68.48 per share, which was calculated using the Monte-Carlo simulation model.

Assumptions used in the calculation of the stock awards are included in Note 1 and Note 7 to the financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2018, filed with the SEC on March 1, 2019.

**Narrative Disclosure to Summary Compensation Table and Grants of Plan-Based Awards During the Year Ended December 31, 2018**

A discussion of 2018 salaries, incentive plans and awards is set forth under the section “*Executive Officer Compensation - Compensation Discussion and Analysis,*” including a discussion of the material terms and conditions of the short-term cash incentive compensation, PSUs and MSUs.

***Equity Incentive Grant Policies***

We maintain the Monolithic Power Systems Equity Award Grant Policy, which is designed to work in concert with: (1) the administrative provisions of our 2014 Equity Incentive Plan and such other plans as we may adopt from time to time (which we refer to collectively as the Plans), (2) the requirements of the Delaware General Corporation Law, (3) the corporate governance requirements of NASDAQ, (4) applicable rules and regulations of the SEC, including those relating to Section 16 of the 1934 Act, and (5) relevant sections of the Internal Revenue Code. Grants to our NEOs are made pursuant to this policy, must be approved by the Compensation Committee and will only be granted at specific times during the year, as described in further detail below.

### *Plan and Corporate Authorization*

Under the Plans, the authorization to administer the grant of equity incentive awards is conferred upon the Board or any committee of the Board as properly constituted under applicable laws. The Board has delegated to the Compensation Committee the authority to serve as administrator of the Plans (including the authority to grant awards under the Plans), and has approved a charter outlining the responsibilities of this committee which also includes this express authority. The delegation of authority to the Compensation Committee is not exclusive; the Board retains the right to formally approve award grants as well. The Compensation Committee may form and delegate authority to subcommittees when appropriate.

In addition, the Board has delegated limited authority for grants of equity awards under the Plans to new employees and consultants to a committee consisting of the Chief Executive Officer (which committee we refer to as the Equity Award Committee). The authority does not extend to grants to the NEOs. The delegation of authority to the Equity Award Committee is not exclusive; the Board and Compensation Committee retain the right to formally approve award grants as well.

### *Equity Grants to New Hires*

Grants to newly hired employees and consultants (other than Executive Officers as defined below) will generally be made on the date of the next regularly scheduled Board meeting subsequent to the employees' start date. Management submits the employee equity award recommendations to the Compensation Committee and, if such equity awards are approved by the Compensation Committee, such equity awards will be granted effective as of the date of a meeting approving such awards as evidenced by written minutes of such meeting or the date of the last verification signature or electronic verification over email in the event of a written consent in lieu of the meeting.

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New hire grants made to “Executive Officers” (currently defined as the Chief Executive Officer, Chief Financial Officer, Chief Legal Officer, Chief Operations Officer, President, employees who are members of the Board and any other employee determined by the Board to be an Executive Officer) generally will only be granted on the date of the next regularly scheduled Board meeting subsequent to the Executive Officer’s start date and following the recommendation of such grant by the Compensation Committee.

***Equity Grants to Existing Employees or Incumbent Members of the Board***

Generally, annual grants of equity awards shall be made to key performers at a regularly scheduled Board meeting. Equity awards to non-employee members of the Board shall be made by the Board or pursuant to any automatic grant provisions in the Plans.



Table of Contents**Outstanding Equity Awards at 2018 Year-End**

The following table sets forth, as to the NEOs, certain information concerning their outstanding stock awards at December 31, 2018. There were no outstanding option awards held by the NEOs as of December 31, 2018.

NEOs	Grant Date	Stock Awards		Equity		
		Number of Shares of Restricted Stock Units that Have Not Vested (#)	Market Value of Shares of Restricted Stock Units That Have Not Vested (1)	Equity Incentive Plan Awards:	Equity Incentive Plan Awards:	Equity Incentive Plan Awards:
Michael Hsing	12/14/2013	(2)	550,000	\$65,917,500	-	-
	2/3/2015	(3)	14,123	\$1,678,021	-	-
	12/31/2015	(4)	95,960	\$11,292,903	-	-
	2/2/2016	(5)	101,641	\$9,971,127	-	-
	2/7/2017	(6)	254,220	\$22,122,046	-	-
	12/31/2015	(7)	-	-	8,557	\$1,018,711
	2/7/2018	(8)	-	-	97,500	\$8,526,375
	10/25/2018	(9)	-	-	21,600	\$2,517,480
	Bernie Blegen	12/14/2013	(2)	36,000	\$4,314,600	-
2/3/2015		(10)	155	\$18,463	-	-
2/2/2016		(11)	133	\$15,834	-	-
2/2/2016		(12)	312	\$30,722	-	-
7/19/2016		(5)	12,973	\$1,270,551	-	-
2/7/2017		(6)	43,893	\$3,819,553	-	-

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	2/7/2018	(8)	-	-	14,850	\$1,298,633
	10/25/2018	(9)	-	-	9,600	\$1,118,880
Deming Xiao	12/14/2013	(2)	216,000	\$25,887,600	-	-
	2/3/2015	(3)	4,289	\$509,597	-	-
	12/31/2015	(4)	52,340	\$6,159,554	-	-
	2/2/2016	(5)	30,862	\$3,027,638	-	-
	2/7/2017	(6)	74,331	\$6,468,261	-	-
	12/31/2015	(7)	-	-	4,668	\$555,725
	2/7/2018	(8)	-	-	25,245	\$2,207,675
	10/25/2018	(9)	-	-	9,600	\$1,118,880
Maurice Sciammas	12/14/2013	(2)	216,000	\$25,887,600	-	-
	2/3/2015	(3)	4,289	\$509,597	-	-
	12/31/2015	(4)	52,340	\$6,159,554	-	-
	2/2/2016	(5)	30,862	\$3,027,638	-	-
	2/7/2017	(6)	74,331	\$6,468,261	-	-
	12/31/2015	(7)	-	-	4,668	\$555,725
	2/7/2018	(8)	-	-	25,245	\$2,207,675
	10/25/2018	(9)	-	-	9,600	\$1,118,880
Saria Tseng	12/14/2013	(2)	216,000	\$25,887,600	-	-
	2/3/2015	(3)	4,289	\$509,597	-	-
	12/31/2015	(4)	52,340	\$6,159,554	-	-
	2/2/2016	(5)	30,862	\$3,027,638	-	-
	2/7/2017	(6)	74,331	\$6,468,261	-	-
	12/31/2015	(7)	-	-	4,668	\$555,725
	2/7/2018	(8)	-	-	25,245	\$2,207,675
	10/25/2018	(9)	-	-	9,600	\$1,118,880

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The market value of the unvested stock awards is based on the closing market price of our Common Stock of (1) \$116.25 as of December 31, 2018, less any applicable purchase price, and includes any outstanding dividend equivalents accumulated on such awards.

These shares are MSUs granted in December 2013. The performance goals with respect to these MSUs were (2) achieved as of December 31, 2015. The shares will vest quarterly over five years from January 1, 2019 to December 31, 2023, for a total vesting period of ten years, subject to continued employment.

These shares are PSUs granted in February 2015. The performance goals with respect to these PSUs were (3) achieved as of December 31, 2016. 50% of these shares vested in February 2017, and the remaining 50% vest quarterly over the following two years through February 2019, for a total vesting period of four years, subject to continued employment.

These shares are market and performance-based awards ("MPSUs") granted in December 2015. The performance (4) goals with respect to these MPSUs were achieved as of December 31, 2018. These shares will fully vest on January 1, 2020, for a total vesting period of four years, subject to continued employment. In addition, the MPSUs contain a post-vesting sales restriction for up to an additional two years.

These shares are PSUs granted in February or July 2016. The performance goals with respect to these PSUs were (5) achieved as of December 31, 2017. 50% of these shares vested in February 2018, and the remaining 50% vest quarterly through February or July 2020, for a total vesting period of four years, subject to continued employment. The PSUs contain a purchase price feature, which requires the NEOs to pay MPS \$20 per share upon vesting of the shares.

These shares are PSUs granted in February 2017. The performance goals with respect to these PSUs were (6) achieved as of December 31, 2018. 50% of these shares will vest in February 2019, and the remaining 50% will vest quarterly over the following two years through February 2021, for a total vesting period of four years, subject to continued employment. The PSUs contain a purchase price feature, which requires the NEOs to pay MPS \$30 per share upon vesting of the shares.

These shares are MPSUs granted in December 2015 and reflect the target level of performance. Upon (7) achievement of the pre-determined performance and stock price targets during the performance period ending on December 31, 2019, the shares will fully vest on January 1, 2020, for a total vesting period of four years, subject to continued employment. In addition, the MPSUs contain a post-vesting sales restriction for up to an additional two years.

(8) These shares are PSUs granted in February 2018 and reflect the target level of performance. Upon achievement of the pre-determined performance targets at the end of 2019, 50% of these shares will vest in February 2020, and the remaining 50% will vest quarterly over the following two years through February 2022, for a total vesting period of four years, subject to continued employment. The PSUs contain a purchase price feature, which requires the NEOs to pay MPS \$30 per share upon vesting of the shares. See the section "*Executive Officer Compensation* —

*Compensation Discussion and Analysis*” above for further discussion.

(9) These shares are MSUs granted in October 2018 and reflect the target level of performance. Upon achievement of the pre-determined stock price targets during the performance period from October 26, 2018 to December 31, 2023, the shares will fully vest on January 1, 2024, for a total vesting period of five years and two months, subject to continued employment. In addition, the MSUs contain a post-vesting sales restriction for up to an additional two years. See the section “*Executive Officer Compensation — Compensation Discussion and Analysis*” above for further discussion.

(10) These shares are PSUs granted in February 2015. The performance goals with respect to these PSUs were achieved as of December 31, 2016. 50% of these shares vested in February 2017, and the remaining 50% vest quarterly over the following two years through February 2019, for a total vesting period of four years, subject to continued employment.

(11) These shares are time-based RSUs that vest quarterly over four years from the date of grant, subject to continued employment.

(12) These shares are PSUs granted in February 2016. The performance goals with respect to these PSUs were achieved as of December 31, 2017. 50% of these shares vested in February 2018, and the remaining 50% vest quarterly over the following two years through February 2020, for a total vesting period of four years, subject to continued employment. The PSUs contain a purchase price feature, which requires Mr. Blegen to pay MPS \$20 per share upon vesting of the shares.

Table of Contents**Option Exercises and Stock Vested**

The following table sets forth certain information on the stock awards vested for our NEOs in 2018. There were no option exercises in 2018.

NEOs	Stock Awards	
	Number of Shares Acquired on Vesting (#)	Value Realized on Vesting (1)
Michael Hsing	303,386	\$31,112,525
Bernie Blegen	19,422	\$1,851,987
Deming Xiao	92,115	\$9,446,487
Maurice Sciammas	91,362	\$9,358,314
Saria Tseng	91,362	\$9,358,314

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(1) Value realized is equal to (a) the closing price of our Common Stock on the vesting date less any purchase price, multiplied by the number of shares, plus (b) accumulated dividend equivalents attributable to such shares.

**Non-Qualified Deferred Compensation Plan**

In July 2013, after taking into account trends in federal personal income taxation, as well as the practices of our peer companies, our Compensation Committee adopted a non-qualified, unfunded deferred compensation plan, which allows key employees, including our NEOs, to defer the receipt of, and taxation on, cash compensation. Investment returns on deferred balances are linked to the performance of the investment choices made available in the plan. We do not make contributions to the plan or guarantee returns on the investments. The following table summarizes contributions made by the NEOs from compensation payable for 2018:

NEOs	Executive Contributions in	Aggregate Earnings (Losses)	Aggregate Balance at Last FYE
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	<b>Last FY (1)</b>	<b>in Last FY (2)</b>	
Michael Hsing	\$ 1,890,401	\$ 11,777	\$ 10,164,363
Bernie Blegen	\$ 239,439	\$ 94,940	\$ 1,282,661
Deming Xiao	\$ 809,141	\$ (33,705 )	\$ 3,736,564
Maurice Sciammas	\$ 435,462	\$ (53,276 )	\$ 2,695,531
Saria Tseng	\$ 814,605	\$ (175,832 )	\$ 3,872,478

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(1) All executive contributions are reported as salary or non-equity incentive plan compensation in the section “*Executive Officer Compensation — Summary Compensation Table.*”

Represents the net amounts credited to the NEOs’ accounts as a result of the performance of their investment (2) choices. The amounts are not included in the section “*Executive Officer Compensation—Summary Compensation Table*” because plan earnings are not “preferential or above-market” under SEC rules.

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

#### ***Employment Agreements and Change in Control Arrangements***

We have entered into employment agreements with each of our NEOs. The employment agreements establish the initial titles, salaries, and reporting responsibilities for the NEOs. The employment agreements also provide that each NEO may participate in our equity, bonus and benefits programs. Each of the employment agreements with Mr. Hsing, Mr. Xiao and Mr. Sciammas was amended in December 2008 to bring the agreements into compliance with Section 409A of the Internal Revenue Code. The employment agreement with Mr. Xiao was subsequently amended in March 2011 to grant Mr. Xiao an equity interest in Hue Ming LLC, a Delaware limited liability company formed by us (see further discussion below).

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In addition to the terms described above, the employment agreements also provide certain severance benefits upon termination without cause or for good reason, including within one year following a change in control (a “Change in Control Termination”), as described in the following table. We have followed general market practices for senior executives in allowing limited change in control arrangements for selected officers.

NEOs	Agreement and Date	Termination Without Cause or	Change in Control
		Departure for Good Reason	With Termination
Michael Hsing	Employment Agreement dated March 10, 2008, as amended December 16, 2008.	Base salary, target annual bonus and benefits for 12 months, payable in installments in accordance with our standard payroll practices as long as the executive is not employed by another company; and acceleration of vesting of equity grant equal to the number of equity grant that would have vested had the executive remained an employee for 12 months following the termination of employment.	Base salary, target annual bonus and benefits for a period of 12 months, payable in installments in accordance with our standard payroll practices as long as the executive is not employed by another company; and acceleration of vesting of 100% of the executive’s unvested equity grant.(1)
Bernie Blegen	Employment Agreement dated July 19, 2016.	Base salary, target annual bonus and benefits for six months, payable in installments in accordance with our standard payroll practices as long as the executive is not employed by another company; and acceleration of vesting of equity grant equal to the number of equity grant that would have vested had the executive remained an employee for six months following the termination of employment.	Base salary, target annual bonus and benefits for a period of 12 months, payable in installments in accordance with our standard payroll practices as long as the executive is not employed by another company; and acceleration of vesting of 100% of the executive’s unvested equity grant.(1)
Deming Xiao	Employment Agreement dated March 10, 2008, as amended December 16, 2008 and March 3, 2011.	Base salary, target annual bonus and benefits for six months, payable in installments in accordance with our standard payroll practices as long as the executive is not employed by another company; and acceleration of vesting of equity grant and ownership interest in Hue Ming LLC equal to the number of equity grant or equity interest that would have vested had the executive remained an employee for six months following the termination of employment.	Base salary, target annual bonus and benefits for a period of 12 months, payable in installments in accordance with our standard payroll practices as long as the executive is not employed by another company; and acceleration of vesting of 100% of the executive’s unvested equity grant.(1)
Maurice Sciammas	Employment Agreement dated March 10, 2008, as amended December 16,	Base salary, target annual bonus and benefits for six months, payable in installments in accordance with our standard payroll practices as long as the executive is not employed by another company; and acceleration of vesting	Base salary, target annual bonus and benefits for a period of 12 months, payable in installments in accordance with our standard payroll practices as long as the

2008.	of equity grant equal to the number of equity grant that would have vested had the executive remained an employee for six months following the termination of employment.	executive is not employed by another company; and acceleration of vesting of 100% of the executive's unvested equity grant.(1)	
Saria Tseng	Employment Agreement dated December 16, 2008, as amended February 9, 2010.	Base salary, target annual bonus and benefits for six months, payable in installments in accordance with our standard payroll practices as long as the executive is not employed by another company; and acceleration of vesting of equity grant equal to the number of equity grant that would have vested had the executive remained an employee for six months following the termination of employment.	Base salary, target annual bonus and benefits for a period of 12 months, payable in installments in accordance with our standard payroll practices as long as the executive is not employed by another company; and acceleration of vesting of 100% of the executive's unvested equity grant.(1)



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With respect to the PSUs that have not been earned because the performance period is still in progress, a pro-rata portion of such awards shall vest to the extent the applicable performance levels are achieved through the date of the change in control, provided that the date of the change in control occurs after the first calendar year of the performance period. With respect to the MPSUs that have not been earned because the performance period is still in progress, such awards shall vest if the per-share price paid in the change in control is greater than the price hurdles. In addition, the operational objectives requirement for the MPSUs will be deemed satisfied. With respect to the MSUs that have not been earned because the performance period is still in progress, such awards shall vest if the per-share price paid in the change in control is greater than the price hurdles.

Each of the employment agreements with our NEOs also contains a provision whereby during the period of employment and thereafter, the executive shall not, without the prior written consent of us, disclose or use any confidential information or proprietary data other than for our interest. These employment agreements also contain a covenant not to solicit, beginning with the date of the executive's termination and until one year thereafter. All payments due under the severance benefits provided under the employment agreements with our NEOs are conditioned on the execution and non-revocation of a release for our benefit and the benefit of our related entities and agents.

A "change in control" of MPS means a merger or consolidation after which our stockholders do not hold a majority of our outstanding voting securities, any transaction involving the transfer of greater than 50% of our voting power, or a sale of substantially all our assets. "Cause" generally means the NEO's failure to perform the duties or responsibilities of his or her employment, the NEO personally engaging in illegal conduct that is detrimental to us, the NEO being convicted of or pleading *nolo contendere* to a felony or other crime involving moral turpitude, or the NEO committing a material act of dishonesty, fraud or misappropriation of property. "Good Reason" generally means the NEO's termination of employment following the expiration of any cure period following the occurrence of: a material reduction in compensation (except where a substantially equivalent reduction is applied to all our officers), a material reduction in the NEO's duties, or a material change in the location at which the NEO performs services.

On March 3, 2011, we entered into an amendment to the employment agreement with Mr. Xiao to provide an additional benefit to him in connection with his extended stay in China due to his increased responsibilities. Pursuant to the amendment, we would transfer ownership of a corporate apartment in Chengdu, China, that was originally owned by our wholly-owned China subsidiary, to Mr. Xiao. In order to effect the transfer, we formed a new wholly-owned subsidiary Hue Ming LLC and granted Mr. Xiao 100% ownership in such subsidiary, subject to vesting conditions. The equity interest became fully vested in March 2016 and Hue Ming LLC was dissolved.

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

The following table sets forth the estimated payments required to be made to each NEO in connection with the termination of his or her employment upon specified events, assuming a stock price of \$116.25 per share, the closing price as of December 31, 2018. The estimated amounts shown also assume that the termination was effective as of

December 31, 2018, and include estimates of severance benefits which would be paid to the executives upon their termination. The actual amounts payable to each NEO can only be determined at the time of the termination of the executive's employment.

NEOs	Termination Without Cause or Departure for Good Reason				Change in Control With Termination			
	Base Salary and Target Bonus	Acceleration of Vesting of Equity Awards	Other	Total Compensation	Base Salary and Target Bonus	Acceleration of Vesting of Equity Awards	Other	Total Compensation
Michael Hsing	\$1,300,000	\$37,330,038	\$8,993	\$38,639,031	\$1,300,000	\$113,917,206	\$8,993	\$115,226,199
Bernie Blegen	\$270,000	\$2,952,886	\$11,754	\$3,234,640	\$540,000	\$10,128,515	\$23,508	\$10,692,023
Deming Xiao	\$306,000	\$7,803,967	\$8,496	\$8,118,463	\$612,000	\$42,491,821	\$16,993	\$43,120,814
Maurice Sciammas	\$306,000	\$7,803,967	\$11,788	\$8,121,755	\$612,000	\$42,491,821	\$23,576	\$43,127,397
Saria Tseng	\$306,000	\$7,803,967	\$11,598	\$8,121,565	\$612,000	\$42,491,821	\$23,196	\$43,127,017

In the event the NEOs resign without good reason or we terminate their employment for cause, we will have no obligation to pay or provide any compensation or benefits as a result of the employment agreements between us and the NEOs. In the event of the NEOs' death or disability, except as required by applicable law, we will have no obligation to pay or provide any compensation or benefits under the employment agreements between us and the NEOs.

Table of Contents**Equity Compensation Plan Information**

The following table summarizes certain information with respect to shares of our Common Stock that were outstanding and may be issued under the equity compensation plans as of December 31, 2018:

<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))</b>
Equity compensation plans approved by stockholders (1)	4,633,000	(2) \$ 28.41	(3) 6,600,000 (4)

(1) Our equity compensation plans approved by stockholders include the following:

- (i) 2004 Equity Incentive Plan, which expired in November 2014. We can no longer grant equity awards under the 2004 Equity Incentive Plan and shares that were available for issuance under the plan expired in November 2014.
- (ii) 2014 Equity Incentive Plan, which became effective in November 2014 and provides for the issuance of up to 5.5 million shares. The 2014 Equity Incentive Plan has a ten-year term.
- (iii) 2004 Employee Stock Purchase Plan, which incorporates an evergreen provision pursuant to which on January 1 of each year, the aggregate number of shares of Common Stock reserved for issuance can increase by a number of shares equal to the least of: (i) 2% of the outstanding shares of Common Stock on the first day of the year, (ii) 1.0 million shares or (iii) a lesser number of shares determined by the Board. The 2004 Employee Stock Purchase Plan has a 20-year term.

(2) Includes outstanding RSUs, PSUs, MSUs and MPSUs granted under the 2004 Equity Incentive Plan and the 2014 Equity Incentive Plan.

(3) Includes the purchase price of PSUs granted from 2016 onwards. All other outstanding RSUs, PSUs, MSUs and MPSUs have no purchase price and are excluded.

- (4) Includes 2.0 million shares available for future issuance under the 2014 Equity Incentive Plan and 4.6 million shares available for future issuance under the 2004 Employee Stock Purchase Plan.

### **Audit Committee Report**

The purpose of the Audit Committee is to provide oversight of the Company's accounting and financial reporting processes and the audit of the Company's financial statements; appoint the independent registered public accounting firm to audit the Company's financial statements; and assist the Board in the oversight of: (i) the integrity of the Company's financial statements, (ii) the Company's compliance with legal and regulatory requirements, (iii) the independent auditor's qualifications, independence and performance, and (iv) the Company's internal accounting and financial controls. In addition, the Audit Committee provides the Board with such information and materials as it may deem necessary to make the Board aware of financial matters requiring the attention of the Board.

The Audit Committee has a duly adopted charter, which it reviews on an annual basis.

The Audit Committee is responsible for recommending to the Board that the Company's financial statements be included in its Annual Report on Form 10-K. The Audit Committee took a number of steps in making this recommendation for 2018, including:

reviewing and discussing the audited financial statements with the Company's independent registered public accounting firm and management;

discussing with the independent registered public accounting firm the matters required to be discussed by Auditing Standard No. 1301, *Communications with Audit Committees*, as adopted by the Public Company Accounting Oversight Board; and

receiving the written disclosures and the letter from the independent registered public accounting firm required by applicable requirements of the Public Company Accounting Oversight Board regarding the independent registered public accountant's communications with the Audit Committee concerning independence, and discussing with the independent registered public accounting firm their independence.

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Based upon the reviews and discussions described in this report, the Audit Committee recommended to the Board that the audited financial statements be included in the Annual Report on Form 10-K for the year ended December 31, 2018 for filing with the SEC.

Members of the Audit Committee:

Victor K. Lee, Chairman

Herbert Chang

Jeff Zhou

**Other Matters**

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

BY ORDER OF THE BOARD OF DIRECTORS

Dated: April 30, 2019

Saria Tseng  
Vice President, Strategic Corporate Development, General Counsel and Corporate Secretary

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(in thousands, except per-share amounts)

	<b>FY 2018</b>	<b>FY 2017</b>	<b>FY 2016</b>
GAAP operating income	\$ 113,488	\$ 77,424	\$ 54,447
Stock-based compensation expense	60,607	52,617	44,989
Amortization of acquisition-related intangible assets	841	2,051	2,051
Deferred compensation plan (income) expense	(591 )	2,769	1,069
Non-GAAP operating income	\$ 174,345	\$ 134,861	\$ 102,556
Litigation expense (benefit)	1,922	1,243	(229 )
Non-GAAP operating income used in short-term cash incentive plan	\$ 176,267	\$ 136,104	\$ 102,327
GAAP net income	\$ 105,268	\$ 65,203	\$ 52,720
Stock-based compensation expense	60,607	52,617	44,989
Amortization of acquisition-related intangible assets	841	2,051	2,051
Deferred compensation plan (income) expense	431	238	(188 )
Tax effect	(313 )	7,402	(3,265 )
Non-GAAP net income	\$ 166,834	\$ 127,511	\$ 96,307
GAAP net income per share - diluted	\$ 2.36	\$ 1.50	\$ 1.26
Non-GAAP net income per share - diluted	\$ 3.74	\$ 2.93	\$ 2.30
Shares used in the calculation of diluted net income per share	44,602	43,578	41,915

(1) These non-GAAP financial measures are not prepared in accordance with GAAP and should not be considered as a substitute for, or superior to, measures of financial performance prepared in accordance with GAAP. MPS utilizes both GAAP and non-GAAP financial measures to assess what it believes to be its core operating performance and to evaluate and manage its internal business and assist in making financial, operating and compensation decisions. MPS believes that the non-GAAP financial measures, together with GAAP measures, provide investors with an alternative presentation useful to investors' understanding of MPS's core operating results and trends. Additionally, MPS believes that the inclusion of non-GAAP measures, together with GAAP measures, provides investors with an additional dimension of comparability to similar companies. However, investors should be aware that non-GAAP financial measures utilized by other companies are not likely to be comparable in most cases to the non-GAAP financial measures used by MPS.



